

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION

**FINANCIAL STATEMENTS
WITH
REQUIRED SUPPLEMENTARY INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2009**

**BLAND & ASSOCIATES, P.C.
Certified Public Accountants**

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INDEPENDENT AUDITORS' REPORT

Lincoln/Lancaster County Public Building Commission Board of Commissioners
Lincoln/Lancaster County Public Building Commission
Lincoln, Nebraska

We have audited the accompanying financial statements of the governmental activities and the general fund of the Lincoln/Lancaster County Public Building Commission (PBC) as of and for the year ended June 30, 2009, which collectively comprise the PBC's financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the PBC. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Lincoln/Lancaster County Public Building Commission as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, on our consideration of the Lincoln/Lancaster County Public Building Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Lincoln/Lancaster County Public Building Commission has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparison information on pages 20 and 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited

INDEPENDENT AUDITORS' REPORT (Continued)

procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Omaha, Nebraska
December 18, 2009

Bland + Associates, P.C.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	Governmental Activities
CURRENT ASSETS	
Cash and Investments Held in Trust	\$ 3,711,163
Cash Held by County Treasurer	1,877,187
Interest Receivable	2,700
Due From Other Governmental Agencies	148,725
Taxes Receivable	1,339,548
Total Current Assets	7,079,323
CAPITAL ASSETS	
Equipment	46,967
Vehicles	134,762
	181,729
Less Accumulated Depreciation	(126,970)
Total Capital Assets	54,759
OTHER ASSETS	
Bond Issue Costs, net of accumulated amortization of \$58,135	236,777
	\$ 7,370,859
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES	
Accounts Payable	\$ 203,754
Accrued Interest Payable	412,146
Deferred Revenue	111,100
Current Portion of Bonds Payable	2,240,000
Total Current Liabilities	2,967,000
LONG-TERM LIABILITIES	
Bonds Payable, Net of Current Portion and Deferred Amounts	42,036,799
Total Liabilities	45,003,799
COMMITMENTS AND CONTINGENCIES	
	-
NET ASSETS (DEFICIT)	
Invested In Capital Assets, Net of Related Debt	54,759
Unrestricted	(37,687,699)
Total Net Assets (Deficit)	(37,632,940)
	\$ 7,370,859

The accompanying notes to financial statements are an integral part of these statements

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

EXPENSES			
Personal Services			\$ 3,320,840
Material and Services			1,857,202
Interest			1,873,427
Amortization			24,212
Depreciation			<u>10,842</u>
			<u>7,066,323</u>
PROGRAM REVENUES			
Rental Receipts	\$ 4,764,069		
Parking Receipts	<u>661,953</u>	5,329,022	
GENERAL REVENUES			
Taxes	2,990,912		
Security Services	602,304		
Investment Income	170,033		
Other Income	<u>54,391</u>	<u>3,817,640</u>	<u>9,146,662</u>
CHANGE IN NET ASSETS (DEFICIT) BEFORE TRANSFERS			2,060,339
Transfer In - Lancaster County and the City of Lincoln			945,323
Transfer of Capital Assets Acquired on Behalf of Lancaster County			(514,830)
Transfer of Capital Assets Acquired on Behalf of City of Lincoln			<u>(514,830)</u>
			<u>(84,337)</u>
CHANGE IN NET ASSETS (DEFICIT)			1,976,002
NET ASSETS (DEFICIT) - BEGINNING OF YEAR			<u>(39,608,842)</u>
NET ASSETS (DEFICIT) - END OF YEAR			<u>\$ (37,632,840)</u>

The accompanying notes to financial
statements are an integral part of these statements

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2009

ASSETS

Cash and Investments Held in Trust	\$ 3,711,163
Cash Held by County Treasurer	1,877,187
Interest Receivable	2,700
Due From Other Governmental Agencies	148,725
Taxes Receivable	<u>1,339,548</u>
	<u><u>\$ 7,079,323</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 203,754
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FUND BALANCE

Unreserved	<u>6,875,569</u>
	<u><u>\$ 7,079,323</u></u>

The accompanying notes to financial
statements are an integral part of these statements

**LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Fund Balance - Governmental Fund	\$	6,875,569
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, not reported in the governmental fund		54,759
Bond issue costs are reported as expenditures when first incurred because they require the use of current financial resources and are not reported in the governmental fund		236,777
Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, not reported in the governmental fund		(111,100)
Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
Bonds payable, net of bond premium and discounts		(44,276,799)
Accrued interest payable		(412,146)
		(456,445)
Net Assets (Deficit) - Governmental Activities	\$	<u>(37,632,940)</u>

The accompanying notes to financial statements are an integral part of these statements

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2009

REVENUES	
Rental Receipts	\$ 4,764,069
Taxes	2,991,230
Security Services	602,304
Parking Receipts	564,953
Investment Income	170,033
Other Income	54,391
Total Revenues	<u>9,146,980</u>
EXPENDITURES	
Contractual Services	3,052,778
Utilities	1,425,000
Building Maintenance and Repairs	296,280
Other	267,662
Supplies	104,609
Rental	31,313
Capital Outlays	9,381
Total Expenditures	<u>5,187,223</u>
REVENUES OVER EXPENDITURES	3,959,757
OTHER FINANCING SOURCES (USES)	
Debt Payments - Principal	2,165,000
Debt Payments - Interest	1,934,976
Transfer In - City of Lincoln	(845,323)
Transfer Of Capital Assets Acquired on Behalf of Lancaster County	514,830
Transfer Of Capital Assets Acquired on Behalf of City of Lincoln	514,830
Total Other Financing Sources (Uses)	<u>4,184,313</u>
EXPENDITURES AND OTHER FINANCING SOURCES (USES) OVER REVENUES	(224,556)
FUND BALANCE - BEGINNING OF THE YEAR	<u>7,100,125</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 6,875,569</u></u>

The accompanying notes to financial
statements are an integral part of these statements

**LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

Expenditures and Other Financing Sources (Uses) over Revenues - Governmental Fund	\$	(224,556)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the fund financial statements. However, they are presented as assets in the statement of activities and depreciated over their estimated economic lives.		9,381
Current year depreciation expense for total capital assets		(10,842)
Governmental funds recognize property tax revenues as revenues when received within 60 days of the end of the fiscal year. However, in the statement of activities, property tax revenues are recognized based on the total taxes levied. This amount of property tax revenues due to the County but not collected within 60 days of the fiscal year.		(318)
Debt payments are expenditures in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets: Bonds payable		2,165,000
Governmental funds report the effect on issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities		(24,212)
Certain items reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund. These activities consist of: Accrued interest expense		<u>61,549</u>
Change in Net Assets (Deficit)	\$	<u>1,978,002</u>

The accompanying notes to financial
statements are an integral part of these statements

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Lincoln/Lancaster County Public Building Commission (PBC) is presented to assist in understanding the PBC's financial statements. The financial statements and notes are representations of PBC's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The PBC was created pursuant to Section 13-1303 of the Nebraska State Statutes. The PBC was established to design, construct, maintain, operate, improve, remodel, remove, and reconstruct projects for use by both the City of Lincoln (the City) and Lancaster County, Nebraska (the County) as approved by the City and County, and all facilities necessary or convenient in connection with such projects. As provided by Nebraska State Statutes, the PBC and its corporate existence shall continue until all its liabilities and bonds have been paid in full or such liabilities and bonds have otherwise been discharged and the governing bodies of the City and County have jointly determined the PBC is no longer needed. When the PBC ceases to exist, all rights and/or properties of the PBC shall pass to and be vested in the City and County.

The PBC is governed by a five-member Board of Commissioners consisting of two representatives each from the Lincoln City Council and the Lancaster County Board of Commissioners and a fifth member appointed by the other four members. Powers and duties of the PBC, as provided by state law, include among others, the rights to sue and be sued, acquire, hold and dispose of personal property for its corporate purposes; levy, assess and certify to the County annually the amount of tax to be levied for the purposes of the PBC (not to exceed 1.7 cents for each one hundred dollars of actual valuation of all tangible taxable property in the County); and incur debt and issue bonds and notes for any corporate purpose. The bonds, notes, obligations, or liabilities of the PBC are not the debt of either the State of Nebraska (the State), the City or the County, nor shall such bonds, notes, obligations or liabilities be payable out of any money other than the money of the PBC. The PBC is authorized to request additional funding from the County and the City for principal and interest payments when the tax, rental receipts, and parking receipts are not adequate.

To perform the function for which it was established, the PBC utilizes County employees, and thus incurs no direct personnel costs. However, the PBC reimburses the County for these incurred personnel costs.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the PBC. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for the support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures, such as principal and interest on general long-term debt, and claims and judgments, are recognized under the modified accrual basis of accounting when the related fund liability is due.

Applicable Standards

All Governmental Accounting Standards Board (GASB) pronouncements are applied, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The County Treasurer has pooled the cash resources of various funds for investment purposes. Investments consist primarily of certificates of deposit, time deposits, and U.S. government obligations. These investments are stated at cost, which approximates fair value, and are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the financial institution's agent in the County's name. At June 30, 2009, the PBC had \$1,877,187 of cash held by the County Treasurer.

Property Taxes

The tax levies applicable to the PBC for the tax year 2008-2009 were \$0.017 per \$100 of assessed property value utilized for debt service for the County/City Building and the Justice and Law Enforcement Center. The assessed value, upon which the 2008 levy was based, was \$18,786,286,695.

Based on the valuation as of January 1, property taxes are levied by the County Board of Commissioners on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are each due December 31 of the year in which the property is appraised. One-half of the taxes become delinquent April 1 and August 1 of the following year.

Counties are permitted by the State Constitution to levy a tax up to \$.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. They may levy taxes in addition to the \$.50 limitation upon a vote of the people. The tax levy remained below the \$.50 limitation for 2009.

Also, the \$.50 limit may only be levied to provide services offered jointly with another government under an interlocal agreement. The County may share \$.15 of its levy authority with rural fire districts and other political subdivisions no longer having any levy authority.

The legislature, as part of a property tax relief package, prohibited counties from adopting a budget containing "restricted funds" which are greater than 2.5% of the prior year budgeted restricted funds, plus the percentage change in valuation increase attributable to new construction and additions to buildings in excess of 2.5%. Restricted funds include property taxes, payment in-lieu-of taxes, and state aid less amounts budgeted for capital improvements and bonded indebtedness.

Capital Assets and Depreciation

The PBC issues bond debt to finance various construction projects for buildings to which the PBC holds the lease. However, since the PBC does not have title to these buildings, the buildings are not included as capital assets on the statement of net assets. All costs for construction projects paid for by bond financing are reflected in the statement of activities as

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation (Continued)

"Transfer of Capital Assets Acquired on Behalf of Lancaster County" and "Transfer of Capital Assets Acquired on Behalf of City of Lincoln".

In the government-wide financial statements (statement of net assets and statement of activities), expenditures for equipment and vehicles are capitalized at cost and accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of the donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Equipment	8 - 15
Vehicles	8

Bond Issue Costs

Bond premium and bond issue costs of the 2004 revenue bond and bond discount and bond issue costs of the 1998, 2002, 2005, and 2005B revenue bonds are amortized using the straight-line method over the respective terms of the bonds.

Net Assets

Net assets represent the difference between total assets and total liabilities. Unrestricted net assets are those that do not meet the definition of net assets invested in capital assets, net of related debt. Net assets invested in capital assets, net of related debt, consist of capital assets less accumulated depreciation and the net of outstanding balances of any debts used to finance those assets, such as capital leases and notes.

Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types.

At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charges for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year. There were no encumbrances as of June 30, 2009.

Income Taxes

The PBC qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

Budgets and Budgetary Accounting

The PBC follows the procedures described below in establishing the budgetary data reflected in the PBC's financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

On or before August 1, the County Board of Commissioners prepares and transmits a budget for the PBC showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and the amount to be raised by property taxation.

The budget is prepared on the cash receipts and disbursements basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board of Commissioners.

On or before September 20 each year, the County Board of Commissioners, after the action of the State Board of Equalization and Assessment has been certified to the County Clerk, the budget, as revised, is adopted and the amounts provided therein are appropriated.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE B – CONCENTRATION OF CREDIT RISK

Deposits

At June 30, 2009, the reported amount of the PBC's cash and money market deposits held by the County Treasurer amounted to \$1,877,187. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. PBC's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The County's cash deposits or certificates of deposit in excess of the \$100,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the County and thus no custodial risk exists. On October 3, 2008, with the passage of the Emergency Economic Stabilization Act of 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

Investments

Nebraska State Statute Section 77-2315 authorizes the County Treasurer, with the consent of the County Board, to invest in U.S. government bonds, bonds and debentures issued either singularly or collectively by any of the twelve federal land banks, the twelve intermediate credit banks, the thirteen banks for cooperatives under the supervision of the Farm Credit Administration, United States Treasury notes, bills or certificates of indebtedness maturing within two years from the date of purchase, or in certificates of deposit.

The City may legally invest in U.S. government securities and agencies, U.S. government sponsored agencies, and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, bankers' acceptances, and investment agreements.

Cash and investments held in trust consisted of the following as of June 30, 2009:

<u>Cash and Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and Investments held by the PBC:		
Series 1998 - Reserve Fund	\$ 289,981	\$ 289,981
Series 2002 - Construction Fund	227,380	227,380
Series 2004 - Construction Fund	110,925	110,925
Series 2005 - Bond Fund	<u>46,127</u>	<u>46,127</u>
Total PBC Cash and Investments held by the PBC	\$ 674,413	\$ 674,413

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE B – CONCENTRATION OF CREDIT RISK (Continued)

	<u>Cost</u>	<u>Fair Value</u>
Cash and Investments held by the City as Agency Funds:		
Series 2004 - Reserve Fund	\$ 958,927	\$ 958,927
Series 2005 - Reserve Fund	1,910,253	1,910,253
Series 2005B - Reserve Fund	167,570	167,570
Total PBC Cash and Investments held by the City	<u>3,036,750</u>	<u>3,036,750</u>
Total PBC Cash and Investments	<u>\$ 3,711,163</u>	<u>\$ 3,711,163</u>

The City holds the 2004 Reserve Fund, 2005 Reserve Fund, and 2005B Reserve Fund as agency funds for the PBC. The City has agreed to be the Trustee for these Reserve Funds until such time as the Bonds are fully retired.

The PBC or its agent, the City, held the following types of investments at June 30, 2009:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Mutual Fund	\$ 289,980	\$ 289,980
U.S. Treasury Bills	384,433	384,433
Federal Farm Credit Bank Collateralized Repurchase Agreement	1,126,497	1,126,497
	<u>1,910,253</u>	<u>1,910,253</u>
	<u>\$ 3,711,163</u>	<u>\$ 3,711,163</u>

Collateralized Repurchase Agreement

The fair value of securities underlying the City's repurchase agreements amounted to \$2,239,879. The City's repurchase agreement was fully collateralized at June 30, 2009.

NOTE C – DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies consisted of amounts due from Lancaster County of \$148,725 as of June 30, 2009.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE D – CAPITAL ASSETS

The changes in capital assets designated for the operation of the PBC for the year ended June 30, 2009, are as follows:

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Equipment	\$ 37,586	\$ 9,381	\$ -	\$ 46,967
Vehicles	134,762	-	-	134,762
Less accumulated depreciation	(116,128)	(10,842)	-	(126,970)
	<u>\$ 56,220</u>	<u>\$ (1,461)</u>	<u>\$ -</u>	<u>\$ 54,759</u>

The amount of capital assets that were acquired on behalf of Lancaster County is \$514,830 and \$514,830 was acquired on behalf of the City.

Construction Commitments

The PBC has an active construction project as of June 30, 2009. The project is for the relocation of the City Attorney's Office. At June 30, 2009, the PBC had a remaining commitment of \$68,199.

NOTE E – BONDS PAYABLE

Transactions for the bonds payable for the year ended June 30, 2009, are summarized as follows:

	Balance June 30, 2008	Proceeds	Repayments	Balance June 30, 2009	Amount Due Within One Year
Series 1998, due in 2018	\$ 2,545,000	\$ -	\$ 160,000	\$ 2,385,000	\$ 170,000
Series 2002, due in 2022	7,490,000	-	425,000	7,065,000	440,000
Series 2004, due in 2026	10,670,000	-	645,000	10,025,000	660,000
Series 2005, due in 2026	24,285,000	-	880,000	23,405,000	915,000
Series 2005B, due in 2026	1,575,000	-	55,000	1,520,000	55,000
	46,565,000	-	2,165,000	44,400,000	2,240,000
Less deferred amounts: For issuance discounts/ premiums, net	(130,995)	-	(7,794)	(123,201)	-
Total Bonds Payable	<u>\$46,434,005</u>	<u>\$ -</u>	<u>\$ 2,157,206</u>	<u>\$44,276,799</u>	<u>\$ 2,240,000</u>

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE E – BONDS PAYABLE (Continued)

Bonds payable as of June 30, 2009, are summarized as follows:

<p>\$3,695,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 1998, issued August 15, 1998, payable in scheduled semiannual installments including principal amounts ranging between \$77,500 to \$122,500 plus interest, due on October 15, and April 15, commencing October 15, 1998, with interest ranging from 3.75% to 5.15%, final payment due October 15, 2018.</p>	<p>\$ 2,385,000</p>
<p>\$9,895,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 2002, issued August 21, 2002, payable in scheduled semiannual installments including principal amounts ranging between \$205,000 to \$312,500 plus interest, due on February 15 and August 15, commencing August 15, 2003, with interest ranging from 1.90% to 4.90%, final payment due August 15, 2022.</p>	<p>7,065,000</p>
<p>\$11,295,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 2004, issued July 28, 2004, payable in scheduled annual installments including principal amounts ranging between \$312,500 to \$432,500 plus interest, due on December 1, commencing with interest payments on December 1, 2004, and principal payments on December 1, 2007, with interest ranging from 2.35% to 5.00%, final payment due December 1, 2026.</p>	<p>10,025,000</p>
<p>\$26,375,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 2005, issued June 4, 2005, payable in scheduled semiannual installments including principal amounts ranging between \$425,000 to \$967,500 plus interest, due on April 15 and October 15, commencing with interest and principal payments on October 15, 2005, with interest ranging from 2.25% to 5.00%, final payment due October 15, 2026.</p>	<p>23,405,000</p>
<p>\$1,700,000 Tax Supported Lease Rental Revenue Building Bonds, Series 2005B, issued November 18, 2005, payable in scheduled semiannual installments including principal amounts ranging between \$27,500 to \$45,000 plus interest, due on April 15 and October 15, commencing with interest payments on April 15, 2006, and principal payments on October 15, 2006, with interest ranging from 3.35% to 4.75%, final payment due October 15, 2025.</p>	<p>1,520,000</p>
	<p><u>\$44,400,000</u></p>

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE E - BONDS PAYABLE (Continued)

Principal and interest requirements to maturity on bonds outstanding prior to the effects of the unamortized premium and discounts at June 30, 2009 are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 2,240,000	\$ 1,860,672	\$ 4,100,672
2011	2,305,000	1,782,966	4,087,966
2012	2,295,000	1,941,346	4,236,346
2013	2,400,000	1,838,280	4,238,280
2014 - 2018	13,215,000	7,368,722	20,583,722
2019 - 2023	12,365,000	3,901,368	16,266,368
2024 - 2028	9,580,000	958,241	10,538,241
	<u>44,400,000</u>	<u>19,651,595</u>	<u>64,051,595</u>
Less current portion	<u>(2,240,000)</u>	<u>(1,880,672)</u>	<u>(4,100,672)</u>
	<u>\$ 42,160,000</u>	<u>\$ 17,790,923</u>	<u>\$ 59,950,923</u>

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the PBC performed calculations of excess investment earnings on various bonds and financings and at June 30, 2009 does not expect to incur a liability.

NOTE F - OPERATING LEASES

The PBC leases the County/City Building, the 233 Building, the K Street Power Plant, the Justice and Law Enforcement, the 9th and J Building, and performs all construction and maintenance for the City and the County. The PBC uses the premises for the purpose of providing space to the County and City departments, agencies, and functions. The PBC is responsible for furnishing services, including heat, water, electricity, air conditioning, elevator service, cleaning services and maintenance, and repair to the City and County departments inhabiting the space. The costs to the PBC are funded through charges to the inhabitants based upon the number of square feet of space allocated annually. The amount charged to the inhabitants is based on total expenditures incurred in the previous year. These charges are then allocated based on square footage held by the inhabitant. This is done each year. The leases for the County/City Building, the 233 Building and parking space continue until all of the bonds have been fully paid and are no longer outstanding. The lease for the K Street Power Plant expires on October 15, 2014. The City and County reimbursed the PBC a total of \$3,950,758 in the form of rental payments for the year ended June 30, 2009.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009

NOTE G – RISK MANAGEMENT

The PBC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions; injuries to employees; and natural disasters. All suits against the PBC arising out of tort claims shall be defended by the City's law department but the County Attorney's Office will be notified in writing of the filing of such suit and be entitled to participate in the defense thereof. The City and the County shall share equally any uninsured or underinsured claim expenses and/or damages that may occur.

The PBC is included in the insurance coverage of the County for various commercial insurance policies (with various deductibles), with the exception of workers' compensation and general liability. The PBC is insured by the County for up to \$600,000 per occurrence for workers' compensation risks and up to \$250,000 per occurrence for general liability risks. The self-insurance programs are administered by the County's Workers' Compensation and Risk Manager. Commercial insurance covers the excess of the self-insured amount to the maximum of \$1,000,000 for employers' liability and statutory limits for workers' compensation and \$5,000,000 for general liability.

The PBC is included in the insurance coverage of the City for property insurance, equipment breakdown coverage (boiler and machinery) and business interruption and extra expenses coverage. The City had a self-insured retention for building and contents property exposures up to \$50,000 per occurrence. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to \$1 million per individual and \$5 million per occurrence.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET TO ACTUAL (Budgetary Basis)
 Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Rental Receipts	\$ 5,378,242	\$ 5,378,242	\$ 4,780,572	\$ (597,670)
Taxes	3,172,000	3,172,000	2,962,280	(209,720)
Security Services	-	-	594,199	594,199
Parking Receipts	569,519	569,519	564,553	(4,966)
Investment Income	63,000	60,000	167,333	107,333
Other Income	-	-	54,206	54,206
Total Revenues	<u>9,175,761</u>	<u>9,179,751</u>	<u>9,123,943</u>	<u>(56,218)</u>
EXPENDITURES				
Contractual Services	2,486,353	2,486,353	3,052,778	566,425
Utilities	-	-	1,425,000	1,425,000
Building Maintenance and Repairs	3,409,486	3,409,486	263,620	(3,145,866)
Other	-	-	267,862	267,862
Supplies	178,067	176,087	104,609	(71,478)
Rental	-	-	31,313	31,313
Capital Outlays	-	-	9,381	9,381
Total Expenditures	<u>6,071,926</u>	<u>6,071,926</u>	<u>5,154,563</u>	<u>(917,363)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,107,835</u>	<u>3,107,835</u>	<u>3,968,990</u>	<u>861,145</u>
OTHER FINANCING SOURCES (USES)				
Debt Payments	(2,628,537)	(2,628,537)	(4,099,976)	(1,471,439)
Transfers In	-	-	945,323	945,323
Transfers Out	(780,616)	(780,616)	(1,158,001)	(377,385)
Total Other Financing Sources (Uses)	<u>(3,409,153)</u>	<u>(3,409,153)</u>	<u>(4,312,654)</u>	<u>(903,501)</u>
EXCESS (DEFICIENCY) OF EXPENDITURES OVER REVENUES AND OTHER FINANCING SOURCES (USES) - BUDGETARY BASIS	<u>\$ (301,318)</u>	<u>\$ (301,318)</u>	<u>(343,674)</u>	<u>\$ (42,356)</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To Adjust Receipts for Accruals (Net)			23,437	
To Adjust Expenditures for Accruals (Net)			95,981	
EXCESS (DEFICIENCY) OF EXPENDITURES (MODIFIED ACCRUAL BASIS) OVER REVENUES			<u>\$ (224,556)</u>	

The accompanying notes to required supplementary information are an integral part of this statement.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2009

NOTE A – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET TO ACTUAL (Budgetary Basis)

Basis of Accounting

The accompanying statement of revenues, expenditures, and change in fund balance – budget to actual is presented on the cash basis of accounting which is the PBC's budgetary basis of accounting.

Budget Law

The PBC is required by state law to hold public hearings and adopt annual budgets for all funds on the budgetary basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Lincoln/Lancaster County Public Building Commission Board of Commissioners
Lincoln/Lancaster County Public Building Commission
Lincoln, Nebraska

We have audited the financial statements of the governmental activities and the general fund of the Lincoln/Lancaster County Public Building Commission (PBC) as of and for the year ended June 30, 2009, which collectively comprise the Lincoln/Lancaster County Public Building Commission's financial statements and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the PBC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PBC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the PBC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-3 and 2009-1 to be significant deficiencies in internal control over financial reporting.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)

Internal Control Over Financial Reporting (Continued)

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

We noted other matters involving the internal control over financial reporting, which we have reported to the management of the PBC in a separate letter dated December 18, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PBC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the PBC in a separate letter dated December 18, 2009.

The PBC's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit PBC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the PBC, the PBC Board of Commissioners, and the State of Nebraska and this report is not intended to be and should not be used by anyone other than these specified parties

Bland & Associates, P.C.

Omaha, Nebraska
December 18, 2009

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

SIGNIFICANT DEFICIENCIES

2008-3 **Condition:** The responsibility for the preparation of financial statements resides with the management of the PBC.

Criteria: Statement on Auditing Standards Number 112 suggests that management prepare its financial statements in order to prevent or detect material misstatements, including footnote disclosures. Management is fully capable of preparing its financial statements but faced time constraints during the current fiscal year which precluded the preparation of the financial statements.

Effect: Material disclosures and classification misstatements may not be detected.

Recommendation: Management of the PBC should prepare the financial statements in the future.

Response: The management of the PBC understands the responsibility for the preparation of financial statements resides with them. The main obstacle is the limited number of accounting staff. The PBC will have discussions with Lancaster County to determine what options are available.

2009-1 **Condition:** It was determined that accounts payable and the related expense accounts were understated before adjusting journal entries were posted.

Criteria: Management should use proper cutoff at year end to ensure they have included all current obligations and expenses incurred during the fiscal year in the financial statements.

Effect: Current liabilities and expenses will be understated and the financial statements for both the current and succeeding year will not reflect the true financial position of the PBC.

Recommendation: We recommend that management of the PBC review all invoices around and after year end and record all those that correspond to expenses incurred during the current fiscal year.

Response: The PBC will more thoroughly inspect invoices received after year end to make sure they are accounted for in the correct fiscal year.