

***City of Lincoln/Lancaster County  
Railroad Transportation Safety District  
Lincoln, Nebraska***

***June 30, 2014 and 2013***

***Financial Statements  
and  
Reports of Independent Certified Public Accountants***

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

Year ended June 30, 2014 and 2013

TABLE OF CONTENTS

	<u>Page No.</u>
Report of Independent Certified Public Accountants	1-2
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statements of Net Position	3
Statements of Activities	4
Fund Financial Statements	
Balance Sheets - Governmental Funds	5
Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	6
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities	7
Notes to Financial Statements	8-12
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Statutory Basis	14
<b>Other Information</b>	
Schedule of Account with County Treasurer	16
Schedule of Investments	17
Schedule of Insurance Coverage	18
Schedule of Valuations, Rates, Extensions, Collections and Net Taxes Receivable	19
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Schedule of Findings and Responses	23

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
City of Lincoln/Lancaster County  
Railroad Transportation Safety District  
Lincoln, Nebraska

We have audited the accompanying financial statements of the governmental activity and each major fund of the City of Lincoln/Lancaster County Railroad Transportation Safety District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The 2013 financial statements were audited by other auditors whose report dated August 30, 2013 expressed an unmodified opinion on those statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and each major fund of the City of Lincoln/Lancaster County Railroad Transportation Safety District, as of June 30, 2014 and the respective changes in financial position, for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the budgetary comparison information on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that U.S. generally accepted accounting principles requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lincoln/Lancaster County Railroad Transportation Safety District's basic financial statements. The Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the District'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* in considering the District's internal control over financial reporting and compliance.

*HBE Becker Meyer Love LLP*

October 6, 2014

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

STATEMENTS OF NET POSITION

June 30,

ASSETS

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash (note A)	\$ 5,325,539	\$ 2,712,450
Cash at County Treasurer	42,672	32,256
Taxes receivable	1,197,963	836,048
Interest receivable	1,723	8,704
Investments (note A)	<u>6,942,000</u>	<u>7,842,537</u>
 Total assets	 <u>\$ 13,509,897</u>	 <u>\$ 11,431,995</u>

LIABILITIES AND NET POSITION

<b>LIABILITIES</b>		
Accounts payable	\$ 28,550	\$ 232,724
Due to City of Lincoln	<u>-</u>	<u>546</u>
	28,550	233,270
 <b>NET POSITION (note A)</b>		
Unrestricted	<u>13,481,347</u>	<u>11,198,725</u>
 Total liabilities and net position	 <u>\$ 13,509,897</u>	 <u>\$ 11,431,995</u>

See accompanying notes to financial statements.

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2014	2013
	Net Expense, Revenue and Changes in Net Position	Net Expense, Revenue and Changes in Net Position
Expenses:		
Governmental activities		
Administrative services	\$ 48,517	\$ 51,352
Office supplies and expense	752	453
Audit and budget	8,440	8,400
Legal	5,414	3,095
Other contractual services	475	-
Insurance	2,235	500
Education	330	315
Bank charges	17	1,154
Travel	1,214	2,742
Meals	80	149
County Treasurers commission	45,801	62,303
Railroad crossing improvements	15,945	73,139
Construction projects	427,623	9,612,104
Total expenses	556,843	9,815,706
General revenues:		
Property taxes (note B)	2,804,033	2,049,382
Investment income	35,432	74,335
Total general revenues	2,839,465	2,123,717
Change in net position	2,282,622	(7,691,989)
Net position, beginning of year	11,198,725	18,890,714
Net position, end of year	\$ 13,481,347	\$ 11,198,725

See accompanying notes to financial statements.

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

BALANCE SHEETS  
GOVERNMENTAL FUNDS

June 30,

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash (note A)	\$ 5,325,539	\$ 2,712,450
Cash at County Treasurer	42,672	32,256
Taxes receivable	1,197,963	836,048
Interest receivable	1,723	8,704
Investments (note A)	<u>6,942,000</u>	<u>7,842,537</u>
Total assets	<u>\$ 13,509,897</u>	<u>\$ 11,431,995</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 28,550	\$ 232,724
Due to City of Lincoln	-	546
Deferred taxes	<u>124,032</u>	<u>89,844</u>
Total liabilities	152,582	323,114
<b>FUND BALANCE (note A)</b>		
Unassigned	<u>13,357,315</u>	<u>11,108,881</u>
Total liabilities and fund balance	13,509,897	11,431,995
 Amounts reported for governmental activities in the statement of net position are different because:		
Some of the District's taxes will be collected after year-end but are not available soon enough to pay for current period's expenditures and therefore deffed in the funds.		
	<u>124,032</u>	<u>89,844</u>
Net position of governmental activities	<u>\$ 13,481,347</u>	<u>\$ 11,198,725</u>

See accompanying notes to financial statements.

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Years ended June 30,

	<u>2014</u>	<u>2013</u>
Revenues		
Property taxes (note B)	\$ 2,769,845	\$ 2,168,452
Investment income	<u>35,432</u>	<u>74,335</u>
 Total revenues	 <u>2,805,277</u>	 <u>2,242,787</u>
Expenditures		
Administrative services	48,517	51,352
Office supplies and expense	752	453
Audit and budget	8,440	8,400
Legal	5,414	3,095
Other contractual services	475	-
Insurance	2,235	500
Education	330	315
Bank charges	17	1,154
Travel	1,214	2,742
Meals	80	149
County Treasurers commission	45,801	62,303
Railroad crossing improvements	15,945	73,139
Construction projects	<u>427,623</u>	<u>9,612,104</u>
 Total expenditures	 <u>556,843</u>	 <u>9,815,706</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 2,248,434	 (7,572,919)
 Beginning fund balance	 <u>11,108,881</u>	 <u>18,681,800</u>
 Ending fund balance	 <u>\$ 13,357,315</u>	 <u>\$ 11,108,881</u>

See accompanying notes to financial statements.

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF ACTIVITIES

Years ended June 30,

	<u>2014</u>	<u>2013</u>
Amounts reported for governmental activities in the statement of activities (page 4) are different because:		
Net change in fund balances - total governmental funds (page 6)	\$ 2,248,434	\$ (7,572,919)
Some of the District's taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	<u>34,188</u>	<u>(119,070)</u>
Change in net position of governmental activities (page 4)	<u>\$ 2,282,622</u>	<u>\$ (7,691,989)</u>



See accompanying notes to financial statements.

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of City of Lincoln/Lancaster County Railroad Transportation Safety District (the District) is presented to assist in understanding the District's government-wide and governmental fund financial statements. The District's management is responsible for the integrity and objectivity of these financial statements and notes. These accounting policies have been consistently applied in the preparation of the government-wide and governmental fund financial statements.

**Financial Reporting District.** The City of Lincoln/Lancaster County Railroad Transportation Safety District (the District) was formed on May 30, 1971, by the State of Nebraska, per legislative bill 919, for the purpose of inaugurating, developing and negotiating for programs which may involve the constructing, reconstructing, leasing, maintaining, or selling of work or works of public transportation improvement relating to railroads, conducive to the public health, safety, convenience or welfare in a county in which is located a city of primary class. The District coordinates these public transportation improvements between the City of Lincoln and the County of Lancaster, but is an entity distinctly separate from both. Although board members and directors concurrently share their positions with that of the City and County, the District has the authority to levy taxes, issue bonds, and enter into contracts on its own.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting District was made by applying the criteria set forth in U.S. generally accepted accounting principles. The basic-but not the only-criterion for including a potential component unit within the reporting District is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting District is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, management deemed there are no component units.

**Basis of Presentation.** The **government-wide financial statements**, which include the statement of net position and the statement of activities, report financial information for the District as a whole.

The **fund financial statements** of the reporting the District are maintained for its only fund, the general fund. The general fund is the operating fund of the District, which accounts for all financial resources of the District. There are no general fixed assets as they are supplied through the interlocal contract administration agreement with the City of Lincoln, Nebraska.

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Measurement Focus and Basis of Accounting, and Financial Statement Presentation.** The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District does not apply FASB pronouncements or APB opinion issued after November 30, 1989.

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

Government fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. The District reports deferred revenue on its balance sheet. Deferred revenues arise when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, such as uncollected property taxes from prior years' assessment. In subsequent years, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**Use of Estimates.** The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**Equity.** In the government-wide financial statements equity is classified as net position and displayed in three components:

**Invested in capital assets, net of related debt.** Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**Restricted.** Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

**Unrestricted.** Consists of all other assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

In the governmental fund financial statements equity is classified as fund balance. Beginning with fiscal year 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposed for which resources can be used.

**Nonspendable.** Amounts that are not in a spendable form or are required to be maintained intact.

**Restricted.** Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed.** Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

**Assigned.** Amounts the District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned.** Amounts that are available for any purpose.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the District. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fund assets or construction or for other purposes).

When fund balance resources are available for a specific purpose in more than one classification, it is the District’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned and unassigned as they are needed.

**Cash and Investments.** State Statutes authorize the District to invest in certificates of deposit and time deposits in any state or national bank in the State of Nebraska. Additionally, State Statutes require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the extent that deposits exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Cash and investments are stated at cost, which approximates market. At June 30, 2014 and 2013, the District's cash accounts amounted to \$5,325,539 and \$2,712,450, respectively, and its bank balances amounted to \$5,325,539 and \$2,735,738, respectively.

The June 30, 2014 and 2013, bank balances exposed to custodial risk were collateralized by securities held by the pledging financial institution in the amount of \$2,574,358 and \$2,692,346, respectively.

City of Lincoln/Lancaster County  
 Railroad Transportation Safety District

NOTES TO FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Investments of \$6,942,000 and \$7,842,537 at June 30, 2014 and 2013 , respectively, were all invested in certificates of deposits.

The District's investments that are exposed to custodial risk are categorized to give an indication of the level of risk assumed by the District at fiscal year-end. The categories are described as follows:

- Category 1 – Collateralized by securities held by the pledging financial institution.
- Category 2 – Uncollateralized.

Investments exposed to custodial risk as of June 30, 2014 and 2013, are as follows:

	2014	2013
Category 1	\$ 3,492,000	\$ 4,002,220
Category 2	-	140,317
	\$ 3,492,000	\$ 4,142,537

The following institutions held 5 percent or more of investments exposed to credit risk as of June 30:

American National Bank	\$ 750,000	\$ 1,450,000
Nebraska Bank of Commerce	750,000	-
Union Bank and Trust Company	1,992,000	2,692,537
	\$ 3,492,000	\$ 4,142,537

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting.** The District follows these procedures in establishing the budgetary data reflected in the financial statements: the Board proposes an operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means to finance them. Public hearings are conducted to obtain taxpayer comments. Prior to September 20th, the budget is legally enacted through passage of an ordinance. The budget is prepared on the cash basis, which is the statutory method required by the State of Nebraska. This cash basis is not in accordance with U.S. generally accepted accounting principles. All annual appropriations lapse at year end.

**Property Taxes.** Property tax levies are set by the local governing board and filed with the County Clerk on or before September 20. Real and personal property taxes are due and become an enforceable lien on property on December 31. The first half of real estate and personal property taxes become delinquent on April 1, and the second half become delinquent August 1 following the levy date. The County bills and collects property taxes and remits to the District monthly.

The tax rate to finance the District for the year ended June 30, 2014, was 0.01300 per \$100 of the 2013 assessed valuation of \$20,848,760,247.

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

NOTES TO FINANCIAL STATEMENTS

**NOTE C - RISK MANAGEMENT**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE D - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

**NOTE E - INTERLOCAL CONTRACT ADMINISTRATION AGREEMENT**

In accordance with an interlocal agreement with the City of Lincoln, the City provides administrative services and shared location to the District on an annual basis. Remuneration is based upon 25% of the City of Lincoln engineer's compensation, including social security expense and fringe benefits, and reimbursement to the City the cost of salary and fringe benefits for clerical services for the District.

The District also enters into various interlocal agreements with the City of Lincoln, Nebraska, Lancaster County, and municipalities within Lancaster County, to assist in the design, construction, maintenance, sale or lease of such works of the District, and other activities in furtherance of the objectives of the District.

Total payments to the City of Lincoln for the years ended June 30, 2014 and 2013, were \$56,363 and \$8,879,596, respectively.



REQUIRED SUPPLEMENTARY INFORMATION

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - STATUTORY BASIS

Year ended June 30, 2014

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis) (See Note B)</u>	<u>Variance with Final Budget</u>
<b>Revenue:</b>			
Property taxes (note B)	\$ 2,657,195	\$ 2,290,037	\$ (367,158)
Property tax credit	-	85,222	85,222
Homestead exemption	-	57,519	57,519
Motor vehicle prorated	7,000	7,556	556
Carline	-	1,061	1,061
In lieu of tax	500	724	224
Other income	-	441	441
Investment income	54,000	41,971	(12,029)
Total revenues	<u>2,718,695</u>	<u>2,484,531</u>	<u>(234,164)</u>
<b>Expenditures:</b>			
General government			
Operating expenses	87,400	98,282	(10,882)
Capital improvements	13,174,838	663,281	12,511,557
Total expenditures	<u>13,262,238</u>	<u>761,563</u>	<u>12,500,675</u>
Excess (deficiency) of revenues over expenditures	(10,543,543)	1,722,968	12,266,511
Beginning budgetary fund balance	<u>10,587,243</u>	<u>10,587,243</u>	<u>-</u>
Ending budgetary fund balance	<u>\$ 43,700</u>	12,310,211	<u>\$ 12,266,511</u>
<b>Reconciliation from Statutory Basis to Government Wide Basis:</b>			
Revenue accruals		1,199,686	
Expenditure accruals		<u>(28,550)</u>	
		<u>\$ 13,481,347</u>	



**OTHER INFORMATION**

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

Schedule of Account with County Treasurer

Year ended June 30, 2014

Balance per County Treasurer's records, beginning of year		\$	32,256
Receipts			
Real estate taxes	\$ 2,290,037		
Property tax credit	85,222		
Homestead exemption	57,519		
Motor vehicle prorate	7,556		
Carline	1,061		
In lieu of tax	724		
			<u>2,442,119</u>
Total to account for			2,474,375
Disbursements			
Transfers to District	2,385,902		
County treasurer commission	45,801		
			<u>2,431,703</u>
Balance, per County Treasurer's records, end of year		\$	<u>42,672</u>

**HBE**  
Becker Meyer Love LLP  
Certified Public Accountants & Consultants

City of Lincoln/Lancaster County  
 Railroad Transportation Safety District

Schedule of Investments

Year ended June 30, 2014

Number	Interest Rate	Maturity Date	Cost/ Market Value
First Nebraska Bank Certificate of Deposit	0.45	7/26/2014	\$ 100,000
Nebraska Bank of Commerce Certificate of Deposit	0.30	12/9/2014	1,000,000
Union Bank and Trust Company:			
Certificate of Deposit	0.30	11/30/2014	2,242,000
Certificate of Deposit	0.30	12/5/2014	2,000,000
Certificate of Deposit	0.30	12/6/2014	250,000
Certificate of Deposit	0.30	9/27/2014	100,000
Certificate of Deposit	0.40	8/22/2014	300,000
Certificate of Deposit	0.45	3/22/2014	200,000
American National Bank:			
Certificate of Deposit	0.20	10/29/2014	<u>750,000</u>
Total Investments			<u><u>\$ 6,942,000</u></u>

City of Lincoln/Lancaster County  
Railroad Transportation Safety District

Schedule of Insurance Coverage

Year ended June 30, 2014

Insurance Coverage Data

General Liability	General	\$ 500,000 each occurrence
		1,000,000 aggregate
	Rental	100,000 any one premises
	Medical	5,000 any one person
Public Employees Blanket Bond		500,000 aggregate



City of Lincoln/Lancaster County  
Railroad Transportation Safety District

Valuations, Rates, Extensions, Collections and Net Taxes Receivable

June 30, 2014

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Valuations	<u>\$ 20,848,760,247</u>	<u>\$ 20,119,951,547</u>	<u>\$ 19,027,837,576</u>	<u>\$ 18,799,468,423</u>
Rate	<u>0.013000</u>	<u>0.010000</u>	<u>0.026000</u>	<u>0.026000</u>
Taxes assessed	\$ 2,710,339	\$ 2,011,995	\$ 4,947,238	\$ 4,887,862
Collections	<u>1,517,082</u>	<u>2,010,588</u>	<u>4,944,811</u>	<u>4,886,990</u>
Net Taxes Receivable	<u>\$ 1,193,257</u>	<u>\$ 1,407</u>	<u>\$ 2,427</u>	<u>\$ 872</u>
Percent Taxes Receivable	<u>41%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 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*

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The District Board  
City of Lincoln/Lancaster County  
Railroad Transportation Safety District  
Lincoln, Nebraska

We have audited, in accordance with the U.S. generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Lincoln/Lancaster County Railroad Transportation Safety District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 6, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of finding and responses, we identified a deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2014-1).

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 a certain matter that we reported to management of the District in a separate letter dated October 6, 2014.

## **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HBE Becker Meyer Howe LLP*

October 6, 2014

Railroad Transportation Safety District

SCHEDULE OF FINDINGS AND RESPONSES

Year ended June 30, 2014

**Findings – Financial Statement Audit**

The audit disclosed a material weakness in the District's internal control over financial reporting summarized as follows:

2014-1 - **Criteria:** SAS 115 requires the communication, in writing, to management and those charged with governance, of significant deficiencies and material weaknesses identified in an audit.

**Condition:** The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

**Cause:** The District does not have accounting personnel to prepare financial statements, including note disclosures, in accordance with generally accepted accounting principles. This is not an unusual deficiency for an entity of this size.

**Effect or potential effect:** The material weakness is a significant deficiency that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

**Recommendation:** The District's management and Board of Directors must rely on its review and oversight authority to mitigate this inherent weakness in its internal control system.

**Responses – Financial Statement Audit**

The corrective action plan for the internal control material weakness, financial statement preparation (2014-1), is summarized as follows:

**Corrective Action Planned:** The District's management and Board of Directors must rely on its review and oversight authority to mitigate this inherent weakness in its internal control system. It should be noted, however, that the District's management is made up of staff from both the City Engineer's office and the County Budget and Fiscal office and they segregate duties for additional checks and balances.

**Anticipated Completion Date:** Continuous.

**Responsible:** Management and Board of Directors.

  
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Roger Figard, Executive Director