

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

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**CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT**  
Lincoln, Nebraska

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Lincoln/Lancaster County Railroad Transportation Safety District's (the District's) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012.

**FINANCIAL HIGHLIGHTS (BUDGETARY BASIS)**

The District's budgetary fund balance increased \$3,966,646, the amount that receipts exceeded expenditures for the year.

The District's administrative costs increased \$8,462, grade crossing and project construction expenditures decreased 3,094,059.

Tax revenue amounting to \$4,955,994 for the year increased \$36,170 due to changes in property valuations with no change in the levy rate.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 5 and 6) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 7. These statements tell how these services were financed in the short term as well as what remains for future spending.

These statements include all assets and liabilities using the modified accrual basis of accounting, taking into account all of the District's current year revenues and expenditures regardless of when paid or received.

By showing the change in fund balance for the year, the reader may ascertain whether the District's financial condition has improved or deteriorated. The changes which are discussed in the Management's Discussion and Analysis may be financial or non-financial in nature. Non-financial factors which may have an impact on the District include changes in the District's property tax base and condition of the District's railroad crossings and intersections.

**FINANCIAL ANALYSIS**

Net assets of the District at June 30, 2012 and 2011, reflect assets over liabilities, and consist of:

	2012	2011
Current assets	\$ 19,246,089	\$ 15,136,688
Current liabilities	355,375	96,709
Net assets	\$ 18,890,714	\$ 15,039,979

Net assets of the District increased \$3,850,735 primarily due to the timing of project construction and grade crossing protection expenditures being deferred to future periods.

Changes in net assets for the years ended June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Revenues:		
Property taxes	\$ 4,640,418	\$ 4,577,658
Investment income	80,496	73,671
Reimbursements	144,100	-
Other taxes	324,269	328,038
Total revenues	<u>5,189,283</u>	<u>4,979,367</u>
Expenses:		
Administrative	157,185	153,562
Project costs	<u>1,181,363</u>	<u>4,090,150</u>
Total expenses	<u>1,338,548</u>	<u>4,243,712</u>
Excess of revenues over expenses	3,850,735	735,655
Net Assets, July 1,	<u>15,039,979</u>	<u>14,304,324</u>
Net Assets, June 30,	<u>\$ 18,890,714</u>	<u>\$ 15,039,979</u>

Project costs for the year ended June 30, 2012 and 2011, include the following:

	<u>2012</u>	<u>2011</u>
Southwest 40th	\$ 716,861	\$ 191,021
Quiet Zone - Waverly	209,446	64,009
Quiet Zone - 14th & Yankee Hill	118,159	370,086
Quiet Zone - South Salt Creek	78,505	113,310
Quiet Zone - Hickman Study	26,600	-
Miscellaneous engineering	11,378	4,573
Quiet Zone - 33rd & 70th	8,080	-
Hickman overpass	-	2,673,112
OL & B Railroad & 18th Street	-	652,161
Harris overpass	-	8,205
Grade crossings	12,334	13,673
	<u>\$ 1,181,363</u>	<u>\$ 4,090,150</u>

#### BUDGETARY HIGHLIGHTS

Project expenditures were below budgeted costs by \$16,073,647 due to projects being budgeted for or delayed to future periods.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

The District does not invest or retain any capital assets. The project costs are on behalf of Lancaster County and the City of Lincoln, and are accounted for on their respective financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District officials consider many factors when setting the fiscal year 2012-2013 budget and tax rates. One of those factors is the levy limitations on the District. Since the State of Nebraska legislative bill LB1306 limits the District's tax request to \$.026 per \$100 of property valuation, increased property tax revenue is dependent on increase in assessed property valuation. The District's budgeted expenditures are limited to cash resources available plus current year property tax revenue.

The District's levy rate approved by the Lancaster County Commissioners for 2011-2012 is \$.026 per \$100 of assessed property valuation.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Engineering Services, Public Works and Utilities (acting District administrator), 901 West Bond Street, Suite 100, Lincoln, Nebraska, 68521.

**Micek & Crouch, P.C.**  
Certified Public Accountants

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Kurt L. Micek, C.P.A.  
Janalee Crouch, C.P.A.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the City of Lincoln/Lancaster County Railroad Transportation Safety District, Lincoln, Nebraska (the District), as of June 30, 2012 and 2011, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Lincoln/Lancaster County Railroad Transportation Safety District, Lincoln, Nebraska, as of June 30, 2012 and 2011, and the results of its changes in financial position for the years 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 a report dated July 31, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 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 read in conjunction with this report in considering the results of our audits.

Accounting principles for state and local governments generally accepted in the United States of America require that the Management's Discussion and Analysis; Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual on pages 1 through 3 and 17, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basis 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 auditing standards generally accepted in the United States

of America, 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Account with County Treasurer, Schedule of Investments, Schedule of Insurance, and Schedule of Valuations, Rates, Extensions, Collections and Net Taxes Receivable have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion of them.

*Mick & Crouch, P.C.*

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

STATEMENTS OF NET ASSETS  
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets:		
Cash	\$ 9,130,979	\$ 5,457,199
Cash on deposit - County treasurer	94,573	93,981
Property taxes receivable	2,043,605	2,040,333
Due from Lancaster County	144,100	-
Interest receivable	8,895	13,512
Investments	<u>7,823,937</u>	<u>7,531,663</u>
Total assets	<u>19,246,089</u>	<u>15,136,688</u>
Liabilities:		
Accounts payable	8,462	25,470
Due to City of Lincoln	346,913	65,818
Tax refund payable	<u>-</u>	<u>5,421</u>
Total liabilities	<u>355,375</u>	<u>96,709</u>
Net Assets:		
Unrestricted	<u>\$ 18,890,714</u>	<u>\$ 15,039,979</u>

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

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Primary Government:		
Expenses:		
Administration services	\$ 45,291	\$ 45,760
Office supplies and expense	614	610
Audit and budget	8,300	8,300
Legal	4,652	1,792
Other contractual	1,527	-
Insurance	500	2,120
Education	270	-
Bank charges	1,394	667
Travel	1,622	2,226
Meals	132	-
County Treasurer Commission	92,883	92,087
Railroad crossing improvements	12,334	13,673
Construction projects	1,169,029	4,076,477
Total expenses	<u>1,338,548</u>	<u>4,243,712</u>
General revenues:		
Tax revenue	4,964,687	4,905,696
Refund from Lancaster County	144,100	-
Investment income	80,496	73,671
Total general revenues	<u>5,189,283</u>	<u>4,979,367</u>
Change in net assets	3,850,735	735,655
Net Assets, Beginning of Year	<u>15,039,979</u>	<u>14,304,324</u>
Net Assets, End of Year	<u>\$ 18,890,714</u>	<u>\$ 15,039,979</u>

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

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

BALANCE SHEETS  
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 9,130,979	\$ 5,457,199
Cash on Deposit - County Treasurer	94,573	93,981
Property Taxes Receivable	2,043,605	2,040,333
Due from Lancaster County	144,100	-
Interest Receivable	8,895	13,512
Investments	<u>7,823,937</u>	<u>7,531,663</u>
Total assets	<u>\$ 19,246,089</u>	<u>\$ 15,136,688</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$ 8,462	\$ 25,470
Due to City of Lincoln	346,913	65,818
Tax refund payable	-	5,421
Deferred revenue	<u>208,914</u>	<u>210,778</u>
Total liabilities	564,289	307,487
Fund Balance - Unassigned	<u>18,681,800</u>	<u>14,829,201</u>
Total liabilities and fund balance	<u>\$ 19,246,089</u>	<u>\$ 15,136,688</u>

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

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
 TRANSPORTATION SAFETY DISTRICT  
 Lincoln, Nebraska

RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET  
 ASSETS OF GOVERNMENTAL ACTIVITIES  
 For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Total Governmental Fund Balance	\$ 18,681,800	\$ 14,829,201
Amounts reported for governmental activities in the statement of activities are different because:		
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>208,914</u>	<u>210,778</u>
Net Assets of Governmental Activities	<u>\$ 18,890,714</u>	<u>\$ 15,039,979</u>

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

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

STATEMENTS OF REVENUES AND EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Tax revenue	\$ 4,966,551	\$ 4,904,250
Refund from Lancaster County	144,100	-
Investment income	<u>80,496</u>	<u>73,671</u>
Total revenues	<u>5,191,147</u>	<u>4,977,921</u>
Expenditures:		
Administration services	45,291	45,760
Office supplies and expense	614	610
Audit and budget	8,300	8,300
Legal	4,652	1,792
Insurance	500	2,120
Education	270	-
Bank charges	1,394	667
Travel	1,622	2,226
Meals	132	-
Contractual services	1,527	-
County Treasurer Commission	92,883	92,087
Grade crossing protection	12,334	13,673
Construction projects	<u>1,169,029</u>	<u>4,076,477</u>
Total expenditures	<u>1,338,548</u>	<u>4,243,712</u>
Excess of revenues over expenditures	3,852,599	734,209
Fund Balance, Beginning of Year	<u>14,829,201</u>	<u>14,094,992</u>
Fund Balance, End of Year	<u>\$ 18,681,800</u>	<u>\$ 14,829,201</u>

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

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Years Ended June 30, 2012 and 2011

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	<u>2012</u>	<u>2011</u>
Net Change in Governmental Fund Balance	\$ 3,852,599	\$ 734,209
Amounts reported for governmental activities in the statement of activities are different because:		
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>(1,864)</u>	<u>1,446</u>
Change in Net Assets of Government Activities	<u>\$ 3,850,735</u>	<u>\$ 735,655</u>

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

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2012 and 2011

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Note 1 - Summary of Significant Accounting Policies:

- a) Organization: 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.

- b) Government-Wide and Fund Financial Statements: The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. There were no program revenues for the years ended June 30, 2012 and 2011.

- c) Measurement focus, basis of accounting, and financial statement presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the general 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.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Years Ended June 30, 2012 and 2011

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Note 1 - Summary of Significant Accounting Policies (Continued):

- d) **Fund Accounting:** The accounts of the District are maintained on the basis of fund accounting for its only fund type, 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.
- e) **Revenue – Exchange Transactions:** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.
- f) **Expenses and Expenditures:** On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.
- g) **Cash and investments** are stated at cost, which approximates market. At June 30, 2012 and 2011, the District's cash accounts amounted to \$9,130,979 and \$5,457,199, respectively, and its bank balances amounted to \$9,163,345 and \$5,457,310, respectively.

The June 30, 2012 and 2011, bank balance is categorized as follows:

Category 1 - Insured by the Federal Deposit Insurance Corporation or U.S. Government in the amount of \$500,000 and \$88,130, respectively.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name in the amount of \$8,663,345 and \$5,369,180, respectively.

Statutes authorize the District to invest in certificates of deposit, savings accounts, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Investments of \$7,823,937 and \$7,531,663 at June 30, 2012 and 2011, respectively, were invested in certificates of deposit and federal agency obligations in various financial institutions located in the District.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Years Ended June 30, 2012 and 2011

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Note 1 - Summary of Significant Accounting Policies (Continued):

The District's investments consist of the following:

	<u>2012</u>	<u>2011</u>
Certificates of Deposit	\$ 2,600,000	\$ 2,617,914
Certificate of Deposit Accounts Registry Service	<u>5,223,937</u>	<u>4,913,749</u>
	<u>\$ 7,823,937</u>	<u>\$ 7,531,663</u>

The District's investments 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 - Insured or registered, or securities held by the District or its agent in the District's name.

Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Investments are categorized by level of risk for the years ended June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Category 1	\$ 5,923,937	\$ 5,613,749
Category 2	<u>1,900,000</u>	<u>1,917,914</u>
	<u>\$ 7,823,937</u>	<u>\$ 7,531,663</u>

The following institutions held 5 percent or more of Category 2 investments:

	<u>2012</u>	<u>2011</u>
American National Bank	\$ 1,450,000	\$ 1,467,914
Union Bank and Trust Company	<u>450,000</u>	<u>450,000</u>
	<u>\$ 1,900,000</u>	<u>\$ 1,917,914</u>

- h) Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.
- i) The use of estimates are required to present the financial statements in conformity with accounting principles generally accepted in the United States of America.
- j) The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. During the year ended June 30, 2012, the District did not reduce insurance coverages from coverage levels in place as of June 30, 2011. No settlements have exceeded coverage levels in place during 2012 and 2011.

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Years Ended June 30, 2012 and 2011

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Note 1 - Summary of Significant Accounting Policies (Continued):

- k) The District has evaluated subsequent events through July 31, 2012, which is the date the financial statements were issued.

Note 2 - Fund Balance:

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. As of June 30, 2012 and 2011 the fund balance was unassigned, meaning, no constraints were imposed upon the resources.

Note 3 - 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, 2012 and 2011, were \$641,102 and \$1,372,603, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

SCHEDULE OF REVENUES AND EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET  
(NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2012

	Budget	Actual
Revenues:		
Property taxes	\$ 4,887,862	\$ 4,631,725
Interest and penalty on back taxes	-	12,441
Property tax credit	-	173,887
Homestead exemption	-	117,719
Motor vehicle prorated	3,000	14,692
Carline	-	2,901
In lieu of tax	2,000	2,629
Investment income	40,451	85,113
Total revenues	<u>4,933,313</u>	<u>5,041,107</u>
Expenditures:		
Administrative:		
Administration services	48,000	45,291
Office supplies and expense	1,000	614
Audit and budget	9,000	8,300
Legal	6,000	4,652
Insurance	2,000	500
Education	-	270
Bank charges	400	1,371
Travel	4,500	2,276
Meals	-	132
Contractual services	2,500	1,527
County treasurer commission	95,840	92,883
Total administrative expenditures	<u>169,240</u>	<u>157,816</u>
District projects:		
Railroad crossing improvements	300,000	26,007
Construction projects	16,690,292	890,638
Total District projects expenditures	<u>16,990,292</u>	<u>916,645</u>
Total expenditures	<u>17,159,532</u>	<u>1,074,461</u>
Excess (deficiency) of revenues over expenditures	(12,226,219)	3,966,646
Fund Balance, Beginning (Non GAAP Budgeting Basis)	<u>12,262,919</u>	<u>13,082,843</u>
Fund Balance, Ending (Non GAAP Budgeting Basis)	<u>\$ 36,700</u>	<u>17,049,489</u>
Adjustments to Generally Accepted Accounting Principles:		
Revenue accruals		1,987,686
Expenditure accruals		<u>(355,375)</u>
Fund Balance, Ending (GAAP Basis)		<u>\$ 18,681,800</u>

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2012

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Note 1 - Budgets and Budgetary Accounting: The District follows these procedures in establishing the budgetary data reflected in the financial statements: The Board of Directors 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 by the Board of Directors. Any revisions that alter the total expenditures of the District must be approved by public hearings.

The general fund budget is adopted on the modified cash basis of accounting, which is not in conformity with accounting principles generally accepted in the United States of America (GAAP). Adjustments have been made to adjust actual amounts to a modified cash basis for comparison.

Unused appropriation for all of the above annually budgeted funds lapse at the end of year.

The budget amounts shown in the financial statements are the final authorized amounts as of the beginning of the year.

Note 2 - Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on April 1 and August 1. The County bills and collects property taxes and remits to the District as requested by the board of directors. District property tax revenues are recognized in the year they are levied.

Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

The tax rate is subject to County Board approval. The tax rate to finance the District for the year ended June 30, 2012, was .026 per \$100 upon the actual valuation of \$19,027,837,576.

Note 3 - District Projects:

The Schedule of Revenues and Expenditures and Changes in Fund Balance ~ Budget (Non-GAAP Budgeting Basis) and Actual reports actual project expenditures for District as being below budgeted project expenditures by \$16,073,647. This was the result of the construction projects being budgeted for or delayed to future periods.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

SCHEDULE OF ACCOUNT WITH COUNTY TREASURER  
For the Year Ended June 30, 2012

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Balance per County Treasurer's Records, Beginning of Year		\$	93,981
Add - Receipts:			
Real estate taxes	\$	4,631,725	
Interest and penalty on back taxes		12,441	
Property tax credit		173,887	
Homestead exemption		117,719	
Motor vehicle prorata		14,692	
Carline		2,901	
In lieu of tax		2,629	
		<u>          </u>	<u>4,955,994</u>
Total to account for			5,049,975
Deduct - Disbursements:			
Transfers to District		4,862,519	
County treasurer commission		92,883	
		<u>          </u>	<u>4,955,402</u>
Balance, per County Treasurer's Records, End of Year		\$	<u>94,573</u>

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

SCHEDULE OF INVESTMENTS  
June 30, 2012

<u>Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost/ Market Value</u>
Heartland Bank:			
Certificate of Deposit	0.75	07-26-12	\$ 100,000
West Gate Bank:			
Certificate of Deposit	0.50	01-01-13	100,000
Union Bank and Trust Company:			
Certificate of Deposit	0.55	01-01-13	100,000
Certificate of Deposit	0.60	08-22-12	300,000
Certificate of Deposit	1.10	09-22-13	200,000
Certificate of Deposit	1.10	09-27-13	100,000
Certificate of Deposit (CDARS)	1.00	05-30-13	2,223,937
Certificate of Deposit (CDARS)	0.80	12-05-13	2,500,000
Certificate of Deposit (CDARS)	0.80	12-05-13	500,000
American National Bank:			
Certificate of Deposit	0.50	11-28-12	700,000
Certificate of Deposit	0.49	05-14-14	1,000,000
Total Investments			\$ <u>7,823,937</u>

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
TRANSPORTATION SAFETY DISTRICT  
Lincoln, Nebraska

SCHEDULE OF INSURANCE COVERAGE  
June 30, 2012

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Insurance Coverage Data

General Liability	Bodily injury	\$ 500,000 each occurrence/ 1,000,000 aggregate
	Property damage	500,000 each occurrence/ 1,000,000 aggregate
	Fire damage	100,000 any one fire
	Medical	5,000 any one person
Public Employees Blanket Bond	-	500,000 aggregate

CITY OF LINCOLN/LANCASTER COUNTY RAILROAD  
 TRANSPORTATION SAFETY DISTRICT  
 Lincoln, Nebraska

VALUATIONS, RATES, EXTENSIONS, COLLECTIONS AND NET TAXES RECEIVABLE  
 June 30, 2012

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Valuations	\$ <u>19,027,837,576</u>	\$ <u>18,799,468,423</u>	\$ <u>18,641,136,908</u>	\$ <u>18,786,286,695</u>
Rates	<u>.026000</u>	<u>.026000</u>	<u>.026000</u>	<u>.026000</u>
Extensions	\$ 4,947,238	4,887,862	4,846,696	4,884,435
Collections	<u>2,908,692</u>	<u>4,885,500</u>	<u>4,844,717</u>	<u>4,883,717</u>
Net Taxes Receivable	\$ <u>2,038,546</u>	\$ <u>2,362</u>	\$ <u>1,979</u>	\$ <u>718</u>
Percent Taxes Receivable	<u>41%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

**Micek & Crouch, P.C.**  
Certified Public Accountants

130 Cherry Hill Boulevard  
Lincoln, Nebraska 68510  
Phone: (402) 488-4900  
Fax: (402) 488-5525

Kurt L. Micek, C.P.A.  
Janalee Crouch, C.P.A.

July 31, 2012

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

We have audited the financial statements of City of Lincoln/Lancaster County Railroad Transportation Safety District (the District) for the year ended June 30, 2012, and have issued our report thereon dated July 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2012. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate of future project construction costs.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 31, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the City of Lincoln/Lancaster County Railroad Transportation Safety District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Micek & Crouch, PC

**Micek & Crouch, P.C.**  
Certified Public Accountants

130 Cherry Hill Boulevard  
Lincoln, Nebraska 68510  
Phone: (402) 488-4900  
Fax: (402) 488-5525

Kurt L. Micek, C.P.A.  
Janalee Crouch, C.P.A.

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

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

We have audited the financial statements of the governmental activities of the City of Lincoln/Lancaster County Railroad Transportation Safety District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated July 31, 2012. 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

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*.

This report is intended for the information and use of the audit committee, management, and the State of Nebraska Auditor of Public Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Lincoln, Nebraska  
July 31, 2012

TENTATIVE AND PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY.  
SUBJECT TO ADDITIONAL CHANGES.

*Micek & Crouch, P.C.*

July 31, 2012

Micek & Crouch, P.C.  
Certified Public Accountants  
130 Cherry Hill Blvd., Suite One  
Lincoln, Nebraska 68510

We are providing this letter in connection with your audit of the financial statements of City of Lincoln/Lancaster County Railroad Transportation Safety District (the District) as of June 30, 2012 and 2011, and for the years then ended.

You conducted your audit to express an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. In addition, you have performed certain audit procedures with respect to the District's 2012 Management's Discussion and Analysis (MD&A) and other supplementary information, which is included as part of the 2012 financial statements of the District.

Certain representations in this letter are described as being limited to matters that are material. For purposes of this letter, matters are considered material if they involve \$53,000 or more. Items also are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits. These representations pertain to both years' financial statements, and update the representations we provided in the prior year:

1. We are responsible for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for the preparation of the MD&A, required supplementary information (RSI), and other supplementary information.
2. The financial statements are fairly presented in conformity with U.S. generally accepted accounting principles. The MD&A, and RSI, and other supplementary information are fairly presented and are consistent with the financial statements.
3. We have made available to you all--
  - a. Financial records and related data;
  - b. Where applicable, minutes of meetings of the Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared; and
  - c. Any communications from the Office of Management and Budget (OMB) concerning noncompliance with or deficiencies in financial reporting.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the notes to the financial statements.

5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the District involving:
  - a. Management
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, analysts, regulators, or others.
8. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
9. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the District is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
11. We are responsible for the District's compliance with laws and regulations applicable to it; and we have identified, and disclosed to you, all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
12. There are no--
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting and amending budgets), terms of contractual agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with generally accepted accounting principles, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
  - d. Reservations or designation of fund equity that were not properly authorized and approved.

13. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
14. The District has complied with all aspects of contractual agreements that would have a material effect on the general purpose financial statements in the event of noncompliance.
15. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
16. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
17. Deposits and investment securities are properly classified in category of custodial credit risk, and investments are properly valued.
18. We acknowledge our responsibility for --
  - a. The presentation of required supplementary information (RSI) and other supplementary information.
  - b. RSI methods of measurement or presentation changed from those used in the prior period and, if so, the reason for such changes.
  - c. RSI significant assumptions or interpretations underlying the measurement or presentation.
19. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: Andy Stubbins

Title: Treasurer

Signed: Roger A. Jigand

Title: Executive Director RTSD  
31 Aug 12