

**AUDIT REPORT  
OF THE  
NEBRASKA RAILWAY COUNCIL**

**JULY 1, 2001 THROUGH JUNE 30, 2002**

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NEBRASKA RAILWAY COUNCIL

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## NEBRASKA RAILWAY COUNCIL

### BACKGROUND

The Nebraska Railway Council administers programs and funds for the acquisition, rehabilitation, and operation of light-density rail lines pursuant to State law and the Federal Rail Revitalization Act. All planning functions for participation in the federal act must be performed by a State agency designated by the Governor. Although the Council is an independent body, the Department of Roads provides planning functions and staff support.

Eight Council members are appointed to four-year terms by the Governor and approved by the Legislature. The Department of Roads Director-State Engineer serves as an ex officio member. Council members consist of:

- ◆ a light-density rail shipper;
- ◆ a railroad management employee;
- ◆ a Public Service Commissioner;
- ◆ a railroad maintenance-of-way employee;
- ◆ a Department of Economic Development representative;
- ◆ a Department of Agriculture representative;
- ◆ and two members of the public; one with private or public finance experience and one with marketing experience.

### MISSION STATEMENT

To promote adequate and efficient rail service on light-density rail lines and rail service oriented enterprises related to light-density rail line operators.

## NEBRASKA RAILWAY COUNCIL

### SUMMARY OF COMMENTS

During our audit of the Nebraska Railway Council, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. ***Expense Reimbursements:*** The Council did not maintain meal logs and two mileage reimbursements tested appeared excessive.
2. ***Annual Report:*** The Council has not submitted the statutorily required annual report since March 1997.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Council to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The Council declined to respond.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

# NEBRASKA RAILWAY COUNCIL

## COMMENTS AND RECOMMENDATIONS

### 1. Expense Reimbursements

Neb. Rev. Stat. Section 81-1178 R.R.S. 1999 states, “Any member of any state commission, council, committee, or board which has been created by statute shall be entitled to be reimbursed for expenses in the same manner as provided in sections 81-1174 to 81-1177 for state employees whether or not specific reference is made to such sections.” Nebraska Accounting System (NAS) Manual, Concept 005, Travel Expense Policies, Substantiation of Expenses, section 5 states, “Under our accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals, and other expenses. Adequate accounting generally requires the use of a documentation record such as an account book, expense diary or log, or similar record near the time of incurrence of the expense. Such log should list the date, amount, place (e.g. city) or description, and purpose for **each** expense or meal/food cost. A combination of receipts and detailed itemization is permitted.” Neb. Rev. Stat. Section 81-1176 R.R.S. 1999 states, “. . . one mileage request shall be allowed for each mile actually and necessarily traveled in each calendar month by the most direct route. . .”

We tested five of twelve Council expense reimbursements and noted the following:

- Four of the documents tested included meal reimbursements; none of these documents included a meal log or detailed meal receipts.
- Two of the documents tested included mileage reimbursements that appeared excessive. One document noted reimbursement for 405 miles each way when mileage per the Nebraska map was 327 miles each way. Another document noted reimbursement for 418 miles each way when the map indicated 366 miles each way. The variance reimbursed totaled \$89.
- One document included reimbursement for hotel costs of \$77. Upon review of the hotel receipt it was noted the \$77 included \$23 for meals. It appeared the \$23 was also included in meals claimed and was therefore reimbursed twice.

Non-compliance with State statutes and NAS policies increases the risk for overpayments to occur.

We recommend the Council comply with State Statutes and NAS policies.

### 2. Annual Report

Neb. Rev. Stat. Section 74-1415.01(9) R.R.S. 1996 requires the Council to submit an annual report to the Legislature detailing investments and purchases, including a statement for each project.

NEBRASKA RAILWAY COUNCIL

**COMMENTS AND RECOMMENDATIONS**

**2. Annual Report (Concluded)**

The Council last submitted a report in March 1997 for the calendar year ended December 1996. This was also noted in our prior audit report. The Council requested information from the loan recipient in January 2002, but did not receive a response.

We recommend the Council pursue a response from the loan recipient and submit an annual report in accordance with Statute.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

**Kate Witek**  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

## NEBRASKA RAILWAY COUNCIL

### INDEPENDENT AUDITORS' REPORT

**Deann Haeffner, CPA**  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
[ddunlap@mail.state.ne.us](mailto:ddunlap@mail.state.ne.us)

**Pat Reding, CPA**  
Asst. Deputy Auditor  
[reding@mail.state.ne.us](mailto:reding@mail.state.ne.us)

**Tim Channer, CPA**  
Asst. Deputy Auditor  
[channer@mail.state.ne.us](mailto:channer@mail.state.ne.us)

**Mary Avery**  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

**Dennis Meyer**  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

**Mark Avery, CPA**  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

**Robert Hotz, JD**  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nebraska Railway Council (Council), as of and for the year ended June 30, 2002, which collectively comprise the Council's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Council's management. 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statements of the Nebraska Railway Council, are intended to present the cash balances and changes in cash balances of only that portion of the governmental activities and each major fund of the State

that is attributable to the transactions of the Nebraska Railway Council. They do not purport to, and do not, present fairly the cash balances of the governmental activities and each major fund of the State of Nebraska as of June 30, 2002, and its changes in cash balances for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities and each major fund of the Nebraska Railway Council, as of June 30, 2002, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2002, on our consideration of the Nebraska Railway Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The schedule, Management's Discussion and Analysis, and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule, Management's Discussion and Analysis, and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pat Reding, CPA

Assistant Deputy Auditor

December 12, 2002



## NEBRASKA RAILWAY COUNCIL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Railway Council's financial report presents a narrative overview and analysis of the financial activities of the Nebraska Railway Council for the fiscal year ended June 30, 2002. Please read it in conjunction with the Council's financial statements, which follow this section.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Nebraska Railway Council's basic financial statements. The Council's basic financial statements have three components: 1) council-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information in addition to the basic financial statements.

**Council-Wide Financial Statements.** The Statement of Net Assets Arising from Cash Transactions and the Statement of Activities – Cash Basis provide a broad overview of the Council's overall financial status. Over time, increases or decreases in the Council's net assets are one indicator of whether its financial health is improving or deteriorating. The Council's financial statements are prepared on the cash basis of accounting and do not include capital assets, accounts receivable and payable, or long-term debt activity, which would need to be considered to assess the financial health of the Council. Nonfinancial factors also need to be considered to assess the overall health of the Council. Council-wide financial statements divide the Council into three kinds of activities:

Governmental activities – The Council's basic services are included here. These activities are generally financed through loan repayments and interest.

Business-type activities – Activities financed by fees charged to external parties for goods or services would be included here. The Council had no business-type activities for fiscal year ended June 30, 2002.

Component units – No component units for the Council were identified.

**Fund Financial Statements.** Fund financial statements focus on the individual parts of the Council, reporting the Council's operations in more detail than the council-wide statements by providing information about the Council's most significant "major" funds. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

The governmental funds statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

The proprietary fund statements offer financial information about the activities the government operates like businesses. The Council currently has no proprietary funds.

## NEBRASKA RAILWAY COUNCIL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiduciary fund statements provide information about financial relationships in which the Council acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not included on the council-wide statements.

**Notes to the Financial Statements.** The notes to the financial statements are an integral part of the council-wide and fund financial statements and provide essential information necessary for fair presentation of the financial statements.

**Supplementary Information.** This Management Discussion and Analysis and the Budgetary Comparison Schedule represent financial information which provides users of this report with additional data that supplements the council-wide statements, fund financial statements, and notes. This report also includes optional financial information such as a schedule of fund balances. This information is provided to address certain specific needs of various users of the report.

#### **BASIS OF ACCOUNTING**

The Nebraska Railway Council's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities. Under the cash basis of accounting, receipts and disbursements and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Also, capital assets (land, buildings, furniture, equipment, and infrastructure) and the related depreciation are not recorded. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

#### **FINANCIAL ANALYSIS OF THE COUNCIL AS WHOLE**

##### **Changes in Net Assets**

For the fiscal year ended June 30, 2002, net assets of the Council (current assets resulting from cash basis transactions) increased seven percent.

NEBRASKA RAILWAY COUNCIL

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

	Governmental Activities		% Change	\$ Change
	2002	2001		
Unrestricted	\$ 2,731,252	\$ 2,562,203	7%	\$ 169,049
Total Net Assets	\$ 2,731,252	\$ 2,562,203	7%	\$ 169,049

**Governmental Activities**

Receipts for the Council's governmental activities decreased 7 percent, while expenses increased 168 percent.

**ENTITIES CHANGES IN NET ASSETS**

	Governmental Activities		% Change
	2002	2001	
<b>RECEIPTS:</b>			
Program Receipts:			
Charges for Services	\$ 30,689	\$ 29,509	4%
General Receipts:			
Appropriations	4,160	1,553	168%
Investment Interest	138,360	155,143	-11%
Total Receipts	173,209	186,205	-7%
<b>DISBURSEMENTS:</b>			
Transportation	4,160	1,553	168%
Total Disbursements	4,160	1,553	168%
Increase (Decrease) in Net Assets	169,049	184,652	-8%
Beginning Net Assets July 1	2,562,203	2,377,551	8%
Ending Net Assets June 30	\$ 2,731,252	\$ 2,562,203	7%

NEBRASKA RAILWAY COUNCIL

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

**FINANCIAL ANALYSIS OF THE COUNCIL'S FUNDS**

As noted earlier, the Nebraska Railway Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. No significant changes from the prior year were noted.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

No significant differences were noted between the original and final budget amounts, or between final budget amounts and actual budget results for the General Fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As noted earlier, the financial statements are presented on the cash basis of accounting and therefore do not include capital assets or long-term debt activity.

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

No conditions were noted that would be expected to have a significant effect on the financial position or results of operations of the Nebraska Railway Council.

NEBRASKA RAILWAY COUNCIL  
STATEMENT OF NET ASSETS ARISING FROM CASH TRANSACTIONS  
June 30, 2002

	GOVERNMENTAL ACTIVITIES <b>TOTAL</b> (Memorandum <b>Only</b> )
<b>Assets</b>	
Cash in State Treasury	\$ 2,731,252
<b>Net Assets</b>	
Unrestricted	\$ 2,731,252

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

NEBRASKA RAILWAY COUNCIL  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
 June 30, 2002

	<b>Governmental Activities TOTAL (Memorandum Only)</b>	<u>FUNCTION</u>	
		<u>Transportation</u>	<u>Economic Development &amp; Assistance</u>
<b>Disbursements:</b>			
Personal Services	\$ 387	\$ 387	\$ -
Operating	254	254	-
Travel	3,519	3,519	-
Total Disbursements	<u>4,160</u>	<u>4,160</u>	<u>-</u>
<b>Program Receipts:</b>			
Charges for Services	30,689	-	30,689
Net Program Receipts (Disbursements)	<u>26,529</u>	<u>(4,160)</u>	<u>30,689</u>
<b>General Receipts:</b>			
Appropriations	4,160		
Unrestricted Investment Interest	<u>138,360</u>		
Total General Receipts	<u>142,520</u>		
Change in Net Assets	169,049		
Net Assets July 1, 2001	<u>2,562,203</u>		
Net Assets June 30, 2002	<u><u>\$ 2,731,252</u></u>		

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

NEBRASKA RAILWAY COUNCIL  
**STATEMENT OF ASSETS AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
June 30, 2002

	Major Funds		
Assets	General Fund 1000	Light Density Rail Line Assistance Fund 5901	Total Governmental Funds (Memorandum Only)
Cash in State Treasury	\$ -	\$ 2,731,252	\$ 2,731,252
<b>Fund Balances</b>			
Unreserved	\$ -	\$ 2,731,252	\$ 2,731,252

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

NEBRASKA RAILWAY COUNCIL  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2002

	Major Funds		<b>Total Governmental Funds (Memorandum Only)</b>
	General Fund 1000	Light Density Rail Line Assistance Fund 5901	
RECEIPTS:			
Appropriations	\$ 4,160	\$ -	\$ 4,160
Miscellaneous:			
Investment Interest	-	138,360	138,360
Other Miscellaneous	-	30,689	30,689
<b>TOTAL RECEIPTS</b>	4,160	169,049	173,209
DISBURSEMENTS BY FUNCTION:			
Transportation	4,160	-	4,160
Economic Development & Assistance	-	-	-
<b>TOTAL DISBURSEMENTS</b>	4,160	-	4,160
Excess of Receipts Over Disbursements	-	169,049	169,049
FUND BALANCES, JULY 1, 2001	-	2,562,203	2,562,203
FUND BALANCES, JUNE 30, 2002	\$ -	\$ 2,731,252	\$ 2,731,252

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



NEBRASKA RAILWAY COUNCIL

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2002

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Railway Council are on the basis of accounting as described in the Nebraska Accounting System Manual.

**A. Reporting Entity**

The Nebraska Railway Council (Council) is an entity established under and governed by the laws of the State of Nebraska. Per Neb. Rev. Stat. Section 74-1413 R.R.S. 1996, the Council is “a body politic and corporate, not a State agency, but an independent instrumentality.” Although the Council is not a State agency, the Council is part of the primary government in the State of Nebraska’s reporting entity. The Council receives monies appropriated by the Nebraska Legislature to implement the Nebraska Light-Density Rail Line Assistance Act. As such, the Council is exempt from State and Federal income taxes. The financial statements include all funds of the Council. The Council has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Council, or the significance of their relationship with the Council is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the Council to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Council.

These financial statements present the Nebraska Railway Council. No component units were identified. The Nebraska Railway Council is part of the primary government for the State of Nebraska’s reporting entity.

**B. Basis of Presentation**

**Council-wide Financial Statements.** The Statement of Net Assets Arising from Cash Transactions and Statement of Activities - Cash Basis display information about the activities of the Council, and are in the format of government-wide statements as required by Governmental Accounting Standards Board (GASB) Statement Number 34. These statements include all the financial activities of the Council. Internal activities in these statements have not been eliminated. Governmental generally accepted accounting principles (GAAP) would require internal activity to be eliminated to minimize double counting. The Council reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

NEBRASKA RAILWAY COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts 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. General receipts include all other receipts properly not included as program receipts. The Council reported the following general receipts: Investment Interest and Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

**Fund Financial Statements.** The fund financial statements provide information about the Council's funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The Council uses only the governmental fund category. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Council reports the following major governmental funds:

**General Fund.** This is the Council's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

**Light Density Rail Line Assistance Fund.** This fund is used by the Council to carry out its responsibilities under the Light-Density Rail Line Assistance Act and includes loan repayment money received and interest received on such money.

**C. Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Council are maintained and the Council-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets Arising From Cash Transactions and the Statement of Activities-Cash Basis. Revenues are recognized when received and expenditures are recognized when paid for all funds of the Council. This differs from governmental generally accepted accounting principles (GAAP), which requires the Council-wide fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and

NEBRASKA RAILWAY COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental generally accepted accounting principles (GAAP), which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and 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 purpose, the State of Nebraska considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**D. Assets and Net Assets**

**Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Council were designated for investment during fiscal year 2002.

**Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

**Capital Assets.** Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

NEBRASKA RAILWAY COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies (Concluded)**

Depreciation expenses on capital assets was not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

2. **Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

3. **GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. The State of Nebraska implemented the Statement for the fiscal year ending June 30, 2002.

The Council implemented GASB 34 by presenting its financial statements in a format as required by GASB 34. However, as explained in Note 1.C. the Council's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Previous period financial statements of the Council were also prepared on the cash basis of accounting; therefore, these financial statements, even though in a different format, are comparable to previous period financial statements of the Council.

4. **Loans Receivable**

The Nebraska Railway Council makes loans to rail carriers for the acquisition, revitalization, or operation of light-density rail lines within Nebraska. Loan terms are negotiated between the Council and the carrier.

The Council has one light-density rail line loan outstanding at June 30, 2002. Scheduled repayments are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2003	\$ 31,917	\$ 2,604	\$ 34,521
June 30, 2004	33,193	1,328	34,521
Total	<u>\$ 65,110</u>	<u>\$ 3,932</u>	<u>\$ 69,042</u>

NEBRASKA RAILWAY COUNCIL  
**SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2002

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PROGRAM:				
113-Branch Rail Revitalization	\$ 6,385	\$ 6,385	\$ 4,160	\$ 2,225
TOTAL DISBURSEMENTS	<u>\$ 6,385</u>	<u>\$ 6,385</u>	<u>\$ 4,160</u>	<u>\$ 2,225</u>

See Notes to Supplementary Information

**NEBRASKA RAILWAY COUNCIL**  
**SUPPLEMENTARY INFORMATION**  
**MAJOR SPECIAL REVENUE FUNDS**  
**BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM**  
**BUDGET AND ACTUAL**  
 For the Fiscal Year Ended June 30, 2002

	Light Density Rail Assistance Fund			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	
	ORIGINAL	FINAL		
PROGRAM:				
185-Rail Line Assistance	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 500,000</b>

## NEBRASKA RAILWAY COUNCIL

### NOTES TO SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2002

#### BUDGETARY COMPARISON SCHEDULES

##### **GAAP Requirements**

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the general fund, and for each major special revenue fund that has a legally adopted annual budget. For each program, the Legislature appropriated the Council's legally adopted annual budget amount. The Council's budgetary comparison schedules include the general fund and the light-density rail line assistance fund.

GAAP also requires the budgetary comparison schedules to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as signed into law or otherwise legally authorized.

##### **Budgetary Process**

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Council and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and presents the appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths vote of the Legislature.

The approved appropriations will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. As a result, the budgetary comparison schedules only report total disbursements *by program*.

Appropriations are usually made for each year of the biennium, with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

NEBRASKA RAILWAY COUNCIL

**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

**BUDGETARY COMPARISON SCHEDULES**

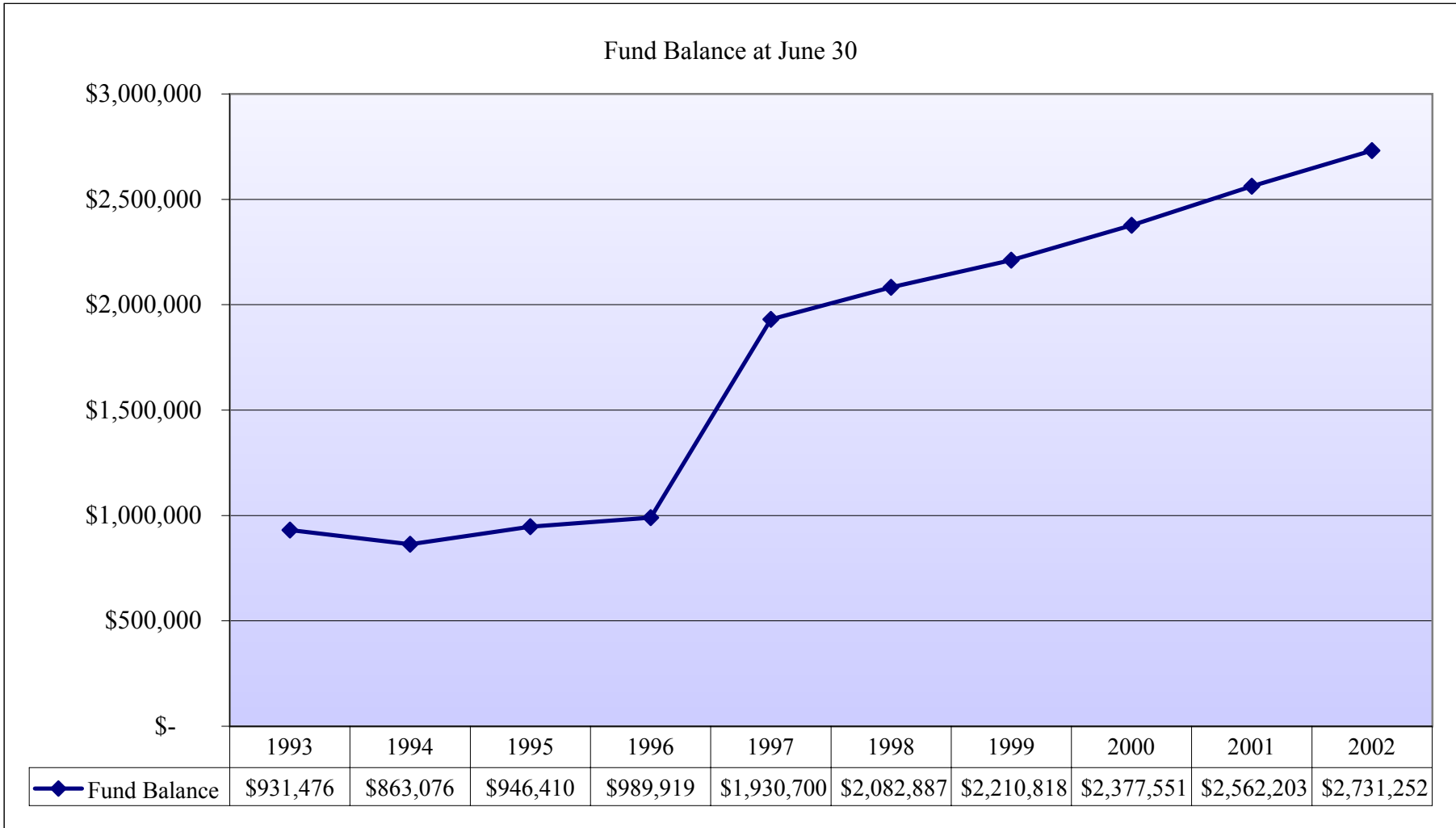
(Concluded)

All State budgetary disbursements for the general fund, and the Council's light-density rail line assistance fund are made pursuant to the appropriations, which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major objects of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from the Council's light-density rail line assistance fund may be increased to the extent receipts of the fund exceed the original budget estimate.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budgetary Comparison Schedule.



NEBRASKA RAILWAY COUNCIL  
**SCHEDULE OF FUND BALANCE**  
 Fiscal Years Ended June 30, 1993 through 2002  
 UNAUDITED



# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
www.auditors.state.ne.us

**Kate Witek**  
State Auditor  
kwitek@mail.state.ne.us

## NEBRASKA RAILWAY COUNCIL REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Deann Haeffner, CPA**  
Deputy State Auditor  
haeffner@mail.state.ne.us

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
ddunlap@mail.state.ne.us

**Pat Reding, CPA**  
Asst. Deputy Auditor  
reding@mail.state.ne.us

**Tim Channer, CPA**  
Asst. Deputy Auditor  
channer@mail.state.ne.us

**Mary Avery**  
SAE/Finance Manager  
MaryJAvery@aol.com

**Dennis Meyer**  
Budget Coordinator  
dmeyer@mail.state.ne.us

**Mark Avery, CPA**  
Subdivision Audit  
Review Coordinator  
mavery@mail.state.ne.us

**Robert Hotz, JD**  
Legal Counsel  
robhotz@mail.state.ne.us

We have audited the financial statements of the Nebraska Railway Council as of and for the year ended June 30, 2002, and have issued our report thereon dated December 12, 2002. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Railway Council. 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.

### Compliance

As part of obtaining reasonable assurance about whether the Nebraska Railway Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Railway Council in the Comments Section of this report as Comment Number 1 (Expense Reimbursements) and Comment Number 2 (Annual Report).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Railway Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements

and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Council, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

Pat Reding, CPA

Assistant Deputy Auditor

December 12, 2002