

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, 2011 AND 2010

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, 2011.

FINANCIAL HIGHLIGHTS (BUDGETARY BASIS)

The District's budgetary fund balance increased \$819,925, the amount that receipts exceeded expenditures for the year.

The District's administrative costs increased \$1,069, grade crossing and project construction expenditures increased \$1,050,735.

Tax revenue amounting to \$4,925,245 for the year increased \$39,725 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, 2011 and 2010, reflect assets over liabilities, and consist of:

	2011	2010
Current assets	\$ 15,136,688	\$ 14,317,378
Current liabilities	96,709	13,054
Net assets	\$ 15,039,979	\$ 14,304,324

Net assets of the District increased \$735,655 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, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Revenues:		
Property taxes	\$ 4,577,658	\$ 4,545,256
Investment income	73,671	96,943
Other taxes	333,459	337,611
Other general revenues	-	313,644
Total revenues	<u>4,984,788</u>	<u>5,293,454</u>
Expenses:		
Administrative	158,983	155,732
Project costs	<u>4,090,150</u>	<u>2,799,469</u>
Total expenses	<u>4,249,133</u>	<u>2,955,201</u>
Excess of revenues over expenses	735,655	2,338,253
Net Assets, July 1,	<u>14,304,324</u>	<u>11,966,071</u>
Net Assets, June 30,	<u>\$ 15,039,979</u>	<u>\$ 14,304,324</u>

Project costs for the year ended June 30, 2011 and 2010, include the following:

	<u>2011</u>	<u>2010</u>
Hickman overpass	\$ 2,673,112	\$ 10,000
OL & B Railroad & 18th Street	652,161	214,175
Quiet Zone - 14th & Yankee Hill	370,086	7,436
Southwest 40th	191,021	83,322
Quiet Zone - South Salt Creek	113,310	30,143
Quiet Zone - Waverly	64,009	26,206
Harris overpass	8,205	16,676
Antelope Valley - Phase I	-	2,000,000
Quiet Zone - 33rd & 70th	-	278,885
Miscellaneous	4,573	2,931
Grade crossings	<u>13,673</u>	<u>129,695</u>
	<u>\$ 4,090,150</u>	<u>\$ 2,799,469</u>

BUDGETARY HIGHLIGHTS

Project expenditures were below budgeted costs by \$12,979,588 primarily due to projects being 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 2011-2012 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 2011-2010 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, 2011 and 2010, 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 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, 2011 and 2010, and the results of its operations 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 August 23, 2011, 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 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 audits.

The management's discussion and analysis and budgetary comparison information on pages 1 through 3 and 16, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The schedules presented on pages 18 through 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lincoln, Nebraska
August 23, 2011

Micek & Crouch, P.C.

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

STATEMENTS OF NET ASSETS
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Cash	\$ 5,457,199	\$ 4,464,527
Cash on deposit - County treasurer	93,981	182,556
Property taxes receivable	2,040,333	2,054,460
Interest receivable	13,512	-
Investments	<u>7,531,663</u>	<u>7,615,835</u>
Total assets	<u>15,136,688</u>	<u>14,317,378</u>
Liabilities:		
Accounts payable	91,288	13,054
Tax refund payable	<u>5,421</u>	<u>-</u>
Total liabilities	<u>96,709</u>	<u>13,054</u>
Net Assets:		
Unrestricted	<u>\$ 15,039,979</u>	<u>\$ 14,304,324</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Primary Government:		
Expenses:		
Administration services	\$ 45,760	\$ 48,016
Office supplies and expenses	667	575
Audit and budget	8,300	7,971
Legal	1,792	5,822
Insurance	2,120	301
Bank charges	610	61
Travel	2,226	1,732
Commission - County treasurer	92,087	91,254
Tax refund	5,421	-
Grade crossing protection	13,673	129,695
Project construction	<u>4,076,477</u>	<u>2,669,774</u>
Total expenses	<u>4,249,133</u>	<u>2,955,201</u>
General revenues:		
Tax revenue	4,911,117	4,882,867
Reimbursement from City of Lincoln	-	313,644
Investment income	<u>73,671</u>	<u>96,943</u>
Total general revenues	<u>4,984,788</u>	<u>5,293,454</u>
Change in net assets	735,655	2,338,253
Net Assets, Beginning of Year	<u>14,304,324</u>	<u>11,966,071</u>
Net Assets, End of Year	<u>\$ 15,039,979</u>	<u>\$ 14,304,324</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 5,457,199	\$ 4,464,527
Cash on Deposit - County Treasurer	93,981	182,556
Property Taxes Receivable	2,040,333	2,054,460
Interest Receivable	13,512	-
Investments	<u>7,531,663</u>	<u>7,615,835</u>
Total assets	<u>\$ 15,136,688</u>	<u>\$ 14,317,378</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$ 91,288	\$ 13,054
Tax refund payable	5,421	-
Deferred revenue	<u>210,778</u>	<u>209,332</u>
Total liabilities	307,487	222,386
Fund Balance	<u>14,829,201</u>	<u>14,094,992</u>
Total liabilities and fund balance	<u>\$ 15,136,688</u>	<u>\$ 14,317,378</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Total Governmental Fund Balance	\$ 14,829,201	\$ 14,094,992
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>201,778</u>	<u>209,332</u>
Net Assets of Governmental Activities	<u>\$ 15,030,979</u>	<u>\$ 14,304,324</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Tax revenue	\$ 4,909,671	\$ 4,882,897
Reimbursement from City of Lincoln	-	313,644
Investment income	73,671	96,943
Total revenues	<u>4,983,342</u>	<u>5,293,484</u>
Expenditures:		
Administration services	45,760	48,016
Office supplies and expenses	667	575
Audit and budget	8,300	7,971
Legal	1,792	5,822
Insurance	2,120	301
Bank charges	610	61
Travel	2,226	1,732
Commission - County treasurer	92,087	91,254
Tax refund	5,421	-
Grade crossing protection	13,673	129,695
Project construction	4,076,477	2,669,774
Total expenditures	<u>4,249,133</u>	<u>2,955,201</u>
Excess of revenues over expenditures	734,209	2,338,283
Fund Balance, Beginning of Year	<u>14,094,992</u>	<u>11,756,709</u>
Fund Balance, End of Year	<u>\$ 14,829,201</u>	<u>\$ 14,094,992</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net Change in Governmental Fund Balance	\$ 734,209	\$ 2,338,283
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>1,446</u>	<u>(30)</u>
Change in Net Assets of Government Activities	<u>\$ 735,655</u>	<u>\$ 2,338,253</u>

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

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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2011 and 2010

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, 2011 and 2010.

- 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, 2011 and 2010

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, 2011 and 2010, the District's cash accounts amounted to \$5,457,199 and \$4,464,527, respectively, and its bank balances amounted to \$5,457,310 and \$4,464,991, respectively.

The June 30, 2011 and 2010, bank balance is categorized as follows:

- Category 1 - Insured by the Federal Deposit Insurance Corporation or U.S. Government in the amount of \$88,130 and \$663,675, 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 \$5,369,180 and \$3,801,316, 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 \$7,531,663 and \$7,615,835 at June 30, 2011 and 2010, 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, 2011 and 2010

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

The District's investments consist of the following:

	<u>2011</u>	<u>2010</u>
Certificates of Deposit	\$ 2,617,914	\$ 4,907,138
Certificate of Deposit Accounts Registry Service	4,913,749	2,200,000
Federal Agency Obligations	-	508,697
	<u>\$ 7,531,663</u>	<u>\$ 7,615,835</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, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Category 1	\$ 5,613,749	\$ 5,445,022
Category 2	<u>1,917,914</u>	<u>2,170,813</u>
	<u>\$ 7,531,663</u>	<u>\$ 7,615,835</u>

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

	<u>2011</u>	<u>2010</u>
American National Bank	1,467,914	1,620,813
Union Bank and Trust Company	\$ 450,000	\$ 450,000
	<u>\$ 1,917,914</u>	<u>\$ 2,070,813</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, 2011, the District did not reduce insurance coverages from coverage levels in place as of June 30, 2010. No settlements have exceeded coverage levels in place during 2011 and 2010.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2011 and 2010

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

- k) The District has evaluated subsequent events through August 23, 2011, which is the date the financial statements were issued.

Note 2 - 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, 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, 2011 and 2010, were \$1,372,603 and \$2,768,751, 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, 2011

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Property taxes	\$ 4,887,862	\$ 4,591,786
Interest and penalty on back taxes	-	12,263
Property tax credit	-	180,648
Homestead exemption	-	122,399
Motor vehicle prorated	3,000	13,780
Carline	-	4,103
In lieu of tax	2,000	266
Investment income	40,451	60,159
Total revenues	<u>4,933,313</u>	<u>4,985,404</u>
Expenditures:		
Administrative:		
Administration services	48,000	45,760
Office expenses	1,000	714
Accounting and budget	9,000	8,300
Legal	6,000	2,988
Insurance	2,000	2,120
Bank charges	400	554
Meeting and travel	4,500	2,252
Contractual services	2,500	-
County treasurer commission	95,840	92,087
Total administrative expenditures	<u>169,240</u>	<u>154,775</u>
District projects:		
Railroad crossing improvements	300,000	-
Capital improvement - Construction	16,690,292	4,010,704
Total District projects expenditures	<u>16,990,292</u>	<u>4,010,704</u>
Total expenditures	<u>17,159,532</u>	<u>4,165,479</u>
Excess (deficiency) of revenues over expenditures	(12,226,219)	819,925
Fund Balance, Beginning (Non GAAP Budgeting Basis)	<u>12,262,919</u>	<u>12,262,919</u>
Fund Balance, Ending (Non GAAP Budgeting Basis)	<u>\$ 36,700</u>	<u>13,082,844</u>
Adjustments to Generally Accepted Accounting Principles:		
Revenue accruals		2,053,845
Expenditure accruals		<u>(96,710)</u>
Net Assets, Ending (GAAP Basis)		<u>\$ 15,039,979</u>

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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, 2011, was .026 per \$100 upon the actual valuation of \$18,799,468,423.

Note 3 - District Projects:

The Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgeting Basis) and Actual reports expenditures for District projects as being over budgeted by \$12,979,588. This was primarily the result of the construction projects delayed to future periods.

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

SCHEDULE OF ACCOUNT WITH COUNTY TREASURER
 For the Year Ended June 30, 2011

Balance per County Treasurer's Records, Beginning of Year		\$	182,556
Add - Receipts:			
Real estate taxes	\$	4,591,786	
Interest and penalty on back taxes		12,263	
Property tax credit		180,648	
Homestead exemption		122,399	
Motor vehicle prorated		13,780	
Carline		4,103	
In lieu of tax		266	
		<u> </u>	<u>4,925,245</u>
Total to account for			5,107,801
Deduct - Disbursements:			
Transfers to District		4,921,733	
County treasurer commission		92,087	
		<u> </u>	<u>5,013,820</u>
Balance, per County Treasurer's Records, End of Year		\$	<u>93,981</u>

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

SCHEDULE OF INVESTMENTS
June 30, 2011

<u>Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost/ Market Value</u>
Heartland Bank:			
Certificate of Deposit	1.89	07-26-11	\$ 100,000
West Gate Bank:			
Certificate of Deposit	0.75	01-01-12	100,000
Union Bank and Trust Company:			
Certificate of Deposit	0.65	01-01-12	100,000
Certificate of Deposit	0.85	08-22-11	300,000
Certificate of Deposit	0.85	09-22-11	200,000
Certificate of Deposit	0.85	09-27-11	100,000
Certificate of Deposit (CDARS)	0.25	05-30-13	2,201,749
American National Bank:			
Certificate of Deposit	0.35	08-12-11	705,918
Certificate of Deposit	0.49	11-27-11	1,011,996
Piper Jaffray			
Certificate of Deposit (CDARS)	0.27	12-01-11	<u>2,712,000</u>
Total Investments			<u>\$ 7,531,663</u>

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

SCHEDULE OF INSURANCE COVERAGE
June 30, 2011

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	-

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

VALUATIONS, RATES, EXTENSIONS, COLLECTIONS AND NET TAXES RECEIVABLE
 June 30, 2011

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Valuations	\$ <u>18,799,468,423</u>	<u>18,641,136,908</u>	\$ <u>18,786,286,695</u>	\$ <u>18,343,871,223</u>
Rates	<u>.026000</u>	<u>.026000</u>	<u>.026000</u>	<u>.026000</u>
Extensions	\$ 4,887,862	4,846,696	4,884,435	\$ 4,769,407
Collections	<u>2,855,023</u>	<u>4,840,640</u>	<u>4,883,628</u>	<u>4,768,776</u>
Net Taxes Receivable	\$ <u>2,032,839</u>	<u>6,056</u>	\$ <u>807</u>	\$ <u>631</u>
Percent Taxes Receivable	<u>42%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

Micek & Crouch, P.C.

Certified Public Accountants

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE 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, 2011, and have issued our report thereon dated August 23, 2011. 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 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*.

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.

Micek & Crouch, P.C.

Lincoln, Nebraska
August 23, 2011

