

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

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RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Railroad Transportation Safety District's (RTSD) financial performance provides an overview of the RTSD's financial activities for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS (BUDGETARY BASIS)

The RTSD's fund balance increased \$2,053,870, the amount that receipts exceeded expenditures for the year.

RTSD's administrative costs increased \$7,606, grade crossing and project construction expenditures decreased \$2,835,968.

Tax revenue amounting to \$4,309,474 for the year increased \$415,314 due to property valuation increases and collection of prior year's taxes.

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 RTSD'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 RTSD'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 RTSD include changes in the District's property tax base and condition of the District's railroad crossings and intersections.

FINANCIAL ANALYSIS

The net assets of RTSD at June 30, 2006 and 2005, reflect assets over liabilities, and consist of:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 8,724,068	\$ 6,529,641
Current liabilities	<u>216,224</u>	<u>634</u>
Net assets	<u>\$ 8,507,844</u>	<u>\$ 6,529,007</u>

The net assets of RTSD increased \$1,978,837 primarily due to project construction costs being delayed to future years.

Changes in net assets for the years ended June 30, 2006 and 2005, are as follows:

	<u>2006</u>	<u>2005</u>
Revenues:		
Property taxes	\$ 4,352,356	\$ 3,915,210
Other taxes	122,675	106,672
Reimbursement	-	250,000
Investment income	90,314	80,253
Total revenues	<u>4,565,345</u>	<u>4,352,135</u>
Expenses:		
Administrative	132,066	123,841
Project costs	2,454,442	5,066,508
Total expenses	<u>2,586,508</u>	<u>5,190,349</u>
Excess (deficiency) of revenue over expenses	1,978,837	(838,214)
Net Assets July 1,	<u>6,529,007</u>	<u>7,367,221</u>
Net Assets June 30,	<u>\$ 8,507,844</u>	<u>\$ 6,529,007</u>

RTSD realized an increase in property tax revenue due to higher assessed values on property (3.6%), for the June 30, 2006, fiscal year.

Project costs for the year ended June 30, 2006 and 2005, include the following:

	<u>2006</u>	<u>2005</u>
Grade crossings	\$ 10,000	\$ 450
Antelope Valley - Phase I	1,200,000	1,800,000
Harris overpass	930,000	1,870,000
14th & Hwy 2 Safety Project	150,000	-
Hickman overpass	145,225	45,790
South Salt Creek/3rd & A Street overpass	1,321	388,279
Salt Creek bridge	205	111,989
Southwest 40th	-	850,000
Miscellaneous	17,691	-
Total project costs	<u>\$ 2,454,442</u>	<u>\$ 5,066,508</u>

BUDGETARY HIGHLIGHTS

Project expenditures were below budgeted costs by \$6,212,645 primarily due to projects being delayed to future periods.

CAPITAL ASSET AND DEBT ADMINISTRATION

RTSD 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

RTSD's officials consider many factors when setting the fiscal year 2006-07 budget and tax rates. One of those factors is the levy limitations on RTSD. Since the State of Nebraska legislative bill LB1306 limits the RTSD tax request to \$.026 per \$100 of property valuation, increased property tax revenue is dependent on increase in assessed property valuation. RTSD's budgeted expenditures are limited to cash resources available plus current year property tax revenue.

RTSD's levy rate approved by the Lancaster County Commissioners for 2006-2007 is \$.024587 per \$100 of property valuation. At this rate and projecting a maximum levy rate of \$.024587 per \$100 of property valuation, project expenditures will be limited to current property tax receipts after June 30, 2007.

CONTACTING THE RTSD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of RTSD's finances and to show RTSD's 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 RTSD administrator), 531 Westgate Boulevard, Suite 100, Lincoln, Nebraska, 68528.

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
Railroad Transportation Safety District
Lincoln, Nebraska

We have audited the accompanying financial statements of the Railroad Transportation Safety District, Lincoln, Nebraska, as of June 30, 2006 and 2005, 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 Railroad Transportation Safety District, Lincoln, Nebraska, as of June 30, 2006 and 2005, 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 12, 2006, on our consideration of the Railroad Transportation Safety District, Lincoln, Nebraska'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 State 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 Railroad Transportation Safety District, Lincoln, Nebraska'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 12, 2006

Micek & Crouch, P.C.

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets:		
Cash	\$ 4,121,554	\$ 2,283,642
Cash on deposit - County treasurer	825,034	320,034
Reimbursement due from BNSF Railroad	-	250,000
Property taxes receivable	2,128,905	1,738,348
Investments	1,648,575	1,937,617
Total assets	<u>8,724,068</u>	<u>6,529,641</u>
Liabilities:		
Accounts payable	<u>216,224</u>	<u>634</u>
Total liabilities	<u>216,224</u>	<u>634</u>
Net Assets:		
Unrestricted	<u>\$ 8,507,844</u>	<u>\$ 6,529,007</u>

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

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Primary Government:		
Expenses:		
Administration services	\$ 42,135	\$ 53,890
Office supplies and expenses	398	787
Audit and budget	7,751	7,807
Legal	1,796	2,997
Insurance and bank charges	512	1,418
Travel	-	263
Commission - County treasurer	79,474	56,679
Grade crossing protection	10,000	6,057
Project construction	2,444,442	5,060,451
Total expenses	<u>2,586,508</u>	<u>5,190,349</u>
Program revenues:		
Reimbursements	<u>-</u>	<u>250,000</u>
Net program revenue	<u>(2,586,508)</u>	<u>(4,940,349)</u>
General revenues:		
Tax revenue	4,475,031	4,021,882
Investment income	90,314	80,253
Total general revenue	<u>4,565,345</u>	<u>4,102,135</u>
Change in net assets	1,978,837	(838,214)
Net Assets, July 1	<u>6,529,007</u>	<u>7,367,221</u>
Net Assets, June 30	<u>\$ 8,507,844</u>	<u>\$ 6,529,007</u>

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

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

BALANCE SHEETS
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	\$ 4,121,554	\$ 2,283,643
Cash on Deposit - County Treasurer	825,034	320,034
Reimbursement Due From BNSF Railroad	-	250,000
Property Taxes Receivable	2,128,905	1,738,348
Investments	<u>1,648,575</u>	<u>1,937,616</u>
Total assets	<u>\$ 8,724,068</u>	<u>\$ 6,529,641</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$ 216,224	\$ 634
Deferred revenue	<u>302,546</u>	<u>153,989</u>
Total liabilities	518,770	154,623
Fund Balance	<u>8,205,298</u>	<u>6,375,018</u>
Total liabilities and fund balance	<u>\$ 8,724,068</u>	<u>\$ 6,529,641</u>

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

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Total Governmental Fund Balance	\$ 8,205,298	\$ 6,375,018
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>302,546</u>	<u>153,989</u>
Net Assets of Governmental Activities	<u>\$ 8,507,844</u>	<u>\$ 6,529,007</u>

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

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

STATEMENTS OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues:		
Tax revenue	\$ 4,326,474	\$ 4,043,158
Investment income	90,314	80,253
Reimbursements	-	250,000
Total revenues	<u>4,416,788</u>	<u>4,373,411</u>
Expenditures:		
Administration services	42,135	53,890
Office supplies and expenses	398	787
Audit and budget	7,751	7,807
Legal	1,796	2,997
Insurance and bank charges	512	1,418
Travel	-	263
Commission - County treasurer	79,474	56,679
Grade crossing protection	10,000	6,057
Project construction	<u>2,444,442</u>	<u>5,060,451</u>
Total expenditures	<u>2,586,508</u>	<u>5,190,349</u>
Excess (deficiency) of revenues over expenditures	1,830,280	(816,938)
Fund Balance, July 1	<u>6,375,018</u>	<u>7,191,956</u>
Fund Balance, June 30	<u>\$ 8,205,298</u>	<u>\$ 6,375,018</u>

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

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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Net Change in Governmental Fund Balance	\$ 1,830,280	\$ (816,938)
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>148,557</u>	<u>(21,276)</u>
Change in Net Assets of Government Activities	<u>\$ 1,978,837</u>	<u>\$ (838,214)</u>

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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies:

- a) Organization: The Railroad Transportation Safety 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 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.

- 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2006 and 2005

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.

Fixed assets provided to the district consists of office equipment that is shared with the City of Lincoln.

- d) 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.
- e) 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.
- e) Cash and investments are stated at cost, which approximates market. At June 30, 2006 and 2005, the District's cash accounts amounted to \$4,121,554 and \$2,283,642, respectively, and its bank balances amounted to \$4,114,235 and \$2,338,467, respectively.

The June 30, 2006 and 2005, bank balance is categorized as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name in the amount of \$128,807.

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 \$3,985,428 and \$2,238,467, respectively.

Statutes authorize the District to invest in certificates of deposit, passbooks, 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 \$1,648,575 and \$1,937,617 at June 30, 2006 and 2005, respectively, were invested in certificates of deposit and U.S. government obligations in various financial institutions located in the District.

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2006 and 2005

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

The District's investments consist of the following:

	<u>2006</u>	<u>2005</u>
Certificates of Deposit	\$ 1,000,000	\$ 1,300,000
U.S. Treasuries	<u>648,575</u>	<u>637,617</u>
	<u>\$ 1,648,575</u>	<u>\$ 1,937,617</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 and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the District's name.

Investments, categorized by level of risk for the years ended June 30, 2005 and 2004, are as follows:

	<u>2006</u>	<u>2005</u>
Category 1	\$ 1,048,575	\$ 1,037,617
Category 2	600,000	900,000
Category 3	-	-
	<u>\$ 1,648,575</u>	<u>\$ 1,937,617</u>

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

	<u>2006</u>	<u>2005</u>
Union Bank and Trust Company	<u>\$ 600,000</u>	<u>\$ 900,000</u>

- f) 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.
- g) The use of estimates are required to present the financial statements in conformity with accounting principles generally accepted in the United States of America.
- h) 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, 2006, the District did not reduce insurance coverages from coverage levels in place as of June 30, 2005. No settlements have exceeded coverage levels in place during 2006 and 2005.

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2006 and 2005

Note 2 - Reimbursements:

The District has elected to report reimbursements separately as revenue rather than netted with District Project Expenditures. Reimbursements for the years ended June 30, 2005 and 2004, are as follows:

	<u>2006</u>	<u>2005</u>
Burlington Northern Santa Fe Railroad	\$ <u> -</u>	\$ <u> 250,000</u>

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, 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, 2006 and 2005, were \$2,335,057 and \$4,118,670, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2006

	<u>Budget</u>	<u>Actual</u>
Revenues:		
Property taxes	\$ 3,948,836	\$ 3,961,799
Interest and penalty on back taxes	-	11,907
Homestead exemption	-	96,923
Motor vehicle prorate	3,000	10,873
In lieu of tax - Housing	2,000	884
Carline	-	2,088
Reimbursements	-	250,000
Investment income	130,317	90,314
Total revenues	<u>4,084,153</u>	<u>4,424,788</u>
Expenditures:		
Administrative:		
Administration services	42,500	42,230
Office expenses	1,000	443
Accounting and budget	8,000	7,751
Legal	6,500	1,248
Meeting and travel	1,550	-
Insurance	400	324
Contractual services	4,000	-
County treasurer commission	77,428	79,474
Total administrative expenditures	<u>141,378</u>	<u>131,470</u>
District projects:		
Railroad crossing improvements	300,000	10,000
Capital improvement - Construction	8,152,093	2,229,448
Total district projects expenditures	<u>8,452,093</u>	<u>2,239,448</u>
Total expenditures	<u>8,593,471</u>	<u>2,370,918</u>
Excess (deficiency) of revenues over expenditures	(4,509,318)	2,053,870
Fund Balance, Beginning (Non GAAP Budgeting Basis)	<u>4,541,293</u>	<u>4,541,293</u>
Fund Balance, Ending (Non GAAP Budgeting Basis)	<u>\$ 31,975</u>	6,595,163
Adjustments to Generally Accepted Accounting Principles:		
Revenue accruals		1,826,359
Expenditure accruals		<u>(216,224)</u>
Fund Balance, Ending (GAAP Basis)		<u>\$ 8,205,298</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2006 and 2005

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, 2006, was .026000 per \$100 upon the actual valuation of \$15,932,331,879.

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 \$6,212,645. This was primarily the result of the construction projects delayed to future periods.

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

SCHEDULE OF ACCOUNT WITH COUNTY TREASURER
For the Year Ended June 30, 2006

Balance per County Treasurer's Records, July 1, 2005		\$	320,034
Add - Receipts:			
Real estate taxes	\$	3,961,799	
Interest and penalty on back taxes		11,907	
Homestead exemption		96,923	
Prorate motor vehicle allocation		10,873	
Carline		2,088	
In lieu of tax - Housing authority		884	
		<u> </u>	<u>4,084,474</u>
Total to account for			4,404,508
Deduct - Disbursements:			
Transfers to District		3,500,000	
County treasurer commission		79,474	
		<u> </u>	<u>3,579,474</u>
Balance, per County Treasurer's Records, June 30, 2006		\$	<u>825,034</u>

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

SCHEDULE OF INVESTMENTS
June 30, 2006

<u>Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost/ Market Value</u>
Certificates of Deposit:			
Heartland Bank:			
9462	1.3	07-26-06	\$ 100,000
Westgate Bank:			
72499	4.25	01-01-07	100,000
Union Bank and Trust Company:			
3130	3.44	08-22-06	300,000
3502	3.44	09-22-06	200,000
3096	4.25	01-01-07	100,000
806389	3.40	09-27-06	100,000
Farmers & Merchants:			
135	2.35	09-04-06	<u>100,000</u>
Total Certificates of Deposit			<u>1,000,000</u>
U.S. Government Securities:			
U.S. Bank N.A.:			
62706	5.331	12-15-06	<u>648,575</u>
Total U.S. government securities			<u>648,575</u>
			<u>\$ 1,648,575</u>

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

SCHEDULE OF INSURANCE COVERAGE
June 30, 2006

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	-	250,000 aggregate

RAILROAD TRANSPORTATION SAFETY DISTRICT
Lincoln, Nebraska

VALUATIONS, RATES, EXTENSIONS, COLLECTIONS AND NET TAXES RECEIVABLE
June 30, 2006

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Valuations	\$ <u>15,932,331,879</u>	<u>15,375,859,915</u>	\$ <u>14,958,476,056</u>	\$ <u>13,081,633,040</u>
Rates	<u>.026000</u>	<u>.026000</u>	<u>.024805</u>	<u>.021954</u>
Extensions	\$ <u>4,142,406</u>	<u>3,997,725</u>	\$ <u>3,710,450</u>	\$ <u>2,871,942</u>
Collections	<u>2,113,119</u>	<u>3,902,161</u>	<u>3,708,637</u>	<u>2,869,701</u>
Net Taxes Receivable	\$ <u><u>2,029,287</u></u>	<u><u>95,564</u></u>	\$ <u><u>1,813</u></u>	\$ <u><u>2,241</u></u>
Percent Taxes Receivable	<u><u>49%</u></u>	<u><u>2%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></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 AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Railroad Transportation
Safety District
Lincoln, Nebraska

We have audited the financial statements of the Railroad Transportation Safety District, Lincoln, Nebraska, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 12, 2006. 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 Railroad Transportation Safety District, Lincoln, Nebraska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Railroad Transportation Safety District, in a separate letter dated August 12, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Railroad Transportation Safety District, Lincoln, Nebraska'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 12, 2006