

The Transit Authority of the City of Omaha

Accountants' Reports and Financial Statements

December 31, 2011 and 2010



The Transit Authority of the City of Omaha

December 31, 2011 and 2010

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Balance Sheets.....	9
Statements of Revenues, Expenses and Changes in Net Assets	10
Statements of Cash Flows	11
Notes to Financial Statements	13
Required Supplementary Information	
Schedule of Pension Funding Progress	25
Supplementary Information	
Schedule of Expenditures of Federal Awards	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	30
Schedule of Findings and Questioned Costs.....	32
Summary Schedule of Prior Audit Findings.....	36

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
The Transit Authority of the
City of Omaha
Omaha, Nebraska

We have audited the accompanying basic financial statements of The Transit Authority of the City of Omaha (the Authority) as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority'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 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 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 Transit Authority of the City of Omaha as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows 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 our report dated April 24, 2012, on our consideration of The Transit Authority of the City of Omaha's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

April 24, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This management's discussion and analysis of the financial performance of Transit Authority of the City of Omaha (the "Authority") provides an overview of the Authority's financial activities for the year ended December 31, 2011 as compared to December 31, 2010. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- The Authority's net assets increased in 2011 by \$588,248 or 1.29%. This increase is lower than 2010, but a positive change in net assets projects a continued healthy financial outlook for the Authority.
- The Authority reported operating losses in 2011 of \$26,203,534 as compared to the 2010 amount of \$25,011,687. This is a 4.77% increase which is within reason considering the rising cost of diesel fuel. The Authority receives nonoperating revenues in the form of property taxes and governmental grants to support operations. This is consistent with the Authority's operating history as the Authority was formed and is operated primarily to provide public transportation to the residents of Omaha and the surrounding area and is subsidized to that end. The Authority levies property taxes to provide sufficient resources to enable it to serve residents in the metropolitan area.
- Total nonoperating revenues decreased by \$67,372 or -.32% in 2011 versus the 2010 figure. The major decrease in 2011 nonoperating revenue is attributed to a decrease in Federal Operating Grants of \$368,008. This decrease is due to a shift of maintenance hours/labor from routine maintenance to capital projects during 2011.

Using This Annual Report

The Authority's financial statements consist of three statements - a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements on the accrual basis of accounting using the economic resources measurement focus.

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about any Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. The Authority's total net assets - the difference between assets and liabilities—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in legislation and regulations, measures of the quantity and quality of services provided to its passengers, and local economic factors should also be considered to assess the overall financial health of the Authority.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported in the Balance Sheet. The Authority's net assets increased in 2011 by \$588,248 or 1.29% over 2010 and \$5,779,259 or 14.57% in 2010 over 2009 as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2011	2010	2009
Assets			
Cash and investments	\$ 12,947,519	\$ 13,329,504	\$ 13,041,149
Other current assets	16,383,052	17,236,092	17,214,039
Capital assets, net	34,842,231	32,314,429	26,562,559
Other noncurrent assets	<u>141,594</u>	<u>147,870</u>	<u>154,146</u>
Total assets	<u>\$ 64,314,396</u>	<u>\$ 63,027,895</u>	<u>\$ 56,971,893</u>
Liabilities			
Current liabilities	\$ 17,957,971	\$ 17,254,718	\$ 16,926,265
Other employee benefits	314,000	319,000	332,000
Deferred compensation payable	<u>-</u>	<u>-</u>	<u>38,710</u>
Total liabilities	<u>18,271,971</u>	<u>17,573,718</u>	<u>17,296,975</u>
Net Assets			
Invested in capital assets, net of related debt	34,360,629	32,087,451	26,470,207
Unrestricted	<u>11,681,796</u>	<u>13,366,726</u>	<u>13,204,711</u>
Total net assets	<u>46,042,425</u>	<u>45,454,177</u>	<u>39,674,918</u>
Total liabilities and net assets	<u>\$ 64,314,396</u>	<u>\$ 63,027,895</u>	<u>\$ 56,971,893</u>

An increase in the Authority's 2011 net assets of \$588,248 or 1.29% and 2010 assets of \$5,779,259 or 14.57% is due mainly to the purchase of new revenue vehicles. The Authority continues to capture allowable operating costs and capitalizes these expenditures in the annual appropriation of the 5307 FTA funds. These funds are being invested while giving the Authority a greater means of working capital. The 2011 operating and nonoperating revenues decreased slightly from the 2010 amounts, in all revenues/expenses for 2011 were consistent with what was reported in 2010. The Authority is continuing to be more effective in the managing of grant funds and controlling operating expenses in order to keep them at a minimum.

Operating Results and Changes in the Authority's Net Assets

Table 2: Operating Results and Changes in Net Assets

	2011	2010	2009
Operating Revenues			
Passenger fares	\$ 3,499,788	\$ 3,440,449	\$ 3,337,370
Service contracts	713,434	740,900	804,823
Other	200,358	234,004	221,846
	<u>4,413,580</u>	<u>4,415,353</u>	<u>4,364,039</u>
Operating Expenses			
Administration of transportation operations	375,961	406,769	509,006
Revenue vehicle movement control	529,252	571,004	582,828
Scheduling of transportation operations	64,974	104,734	89,876
Revenue vehicle operations	16,136,599	14,849,271	15,013,390
Maintenance administration	461,631	433,371	390,028
Servicing revenue vehicles	579,048	592,158	557,928
Maintenance of revenue vehicles	3,479,563	3,719,856	3,837,558
Maintenance of other equipment	848,163	962,655	954,949
Ticketing and fare collection	87,577	73,464	74,246
Customer services and promotion	453,656	493,131	494,894
Personnel, legal and insurance	593,663	738,754	778,290
Finance, accounting and data processing	478,925	533,512	543,621
Purchasing and stores	181,271	181,815	158,318
General management	423,278	488,206	494,308
Interlocal expense	-	-	63,388
M.A.P.A. activities	162,281	181,986	50,314
General and administrative	788,763	716,675	680,978
Depreciation	4,918,907	4,396,358	3,713,943
Loss (gain) on disposal of capital assets	53,602	(16,679)	1,293
	<u>30,617,114</u>	<u>29,427,040</u>	<u>28,989,156</u>
Operating Loss	<u>(26,203,534)</u>	<u>(25,011,687)</u>	<u>(24,625,117)</u>
Nonoperating Revenues			
Property taxes	13,022,242	12,597,773	12,213,241
Federal operating grants	6,833,708	7,201,716	7,332,970
Federal operating grants - interlocal revenue	-	-	63,388
State operating grants	779,037	897,148	802,771
Investment income	71,723	77,445	133,167
	<u>20,706,710</u>	<u>20,774,082</u>	<u>20,545,537</u>
Loss before Capital Contributions	(5,496,824)	(4,237,605)	(4,079,580)
Capital Contributions	<u>6,085,072</u>	<u>10,016,864</u>	<u>3,621,564</u>
Increase (Decrease) in Net Assets	<u>588,248</u>	<u>5,779,259</u>	<u>(458,016)</u>
Net Assets, Beginning of Year	<u>45,454,177</u>	<u>39,674,918</u>	<u>40,132,934</u>
Net Assets, End of Year	<u>\$ 46,042,425</u>	<u>\$ 45,454,177</u>	<u>\$ 39,674,918</u>

Operating Losses

The first component of the overall change in the Authority's net assets is its operating income or loss - generally, the difference between net passenger service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Authority has reported an operating loss. As previously stated, this is consistent with the Authority's operating history as the Authority was formed and is operated primarily to provide public transportation to the residents of Omaha and the surrounding area and is subsidized to that end. The Authority levies property taxes to provide sufficient resources to enable it to serve residents in the metropolitan area.

The operating loss for 2011 increased over 2010 by \$1,191,847 or 4.77%. The primary component of the increased operating loss was an increase in revenue vehicle operations expense of \$1,287,328 or 8.67% which is primarily due to an increase in fuel costs. As you can see from the tables, there is a slight decrease in revenues and a moderate increase in expenses which is the cause of the increased operating loss.

The operating loss for 2010 increased over 2009 by \$386,570 or 1.57%. The primary component of the increased operating loss in 2010 was an increase in depreciation expense of \$682,415 or 18.37% over the 2009 amount which is due to the addition of new revenue vehicles.

The Authority is a labor intensified industry with employee costs in salaries, wages, and fringe benefits amounting to the majority of the total operating expenses in 2011 and 2010. The increase in labor expenses of 2.48% in 2011 over 2010 is in range with prior years.

Nonoperating Revenues

Nonoperating revenues consist primarily of property taxes levied by the Authority, federal and state operating grants, and investment income. Nonoperating revenues decreased in 2011 by \$67,372, or -.32% over 2010. The net is the combination of the increase in property taxes by \$424,469 or 3.37% and the combined decreases in state operating grants of \$118,111 or -13.17% and federal operating grants of \$368,008 or -5.11%. The decrease in the federal operating grants of \$368,008 or -5.11% in 2011 is due to shifting of maintenance hours to capital projects. The 2011 interest income was consistent with what was earned in 2010.

The Authority's Cash Flows

Increased changes in the Authority's cash flows are due mainly to the utilization of the grant activities and the more efficient collection of receivables.

Net cash used in operating activities increased \$379,912 in 2011 or 1.83% over the 2010 amounts and \$85,147 in 2010 or .41% over the 2009 amount. The authority continued to acquire new assets in 2011 and 2010, particularly revenue vehicles. Better utilization of federal grants continues, as discussed earlier, to bring an increase in cash and investments providing the Authority with better working capital.

Emphasis has been placed on how the Authority has managed its cash to increase working capital. Working capital is the value of a company's current assets minus its current liabilities. It is considered a good measure of both a company's efficiency and its financial health. Working capital has remained fairly consistent between 2011, 2010 and 2009.

Table 3: Statements of Cash Flows

	2011	2010	2009
Operating Activities			
Received from customers and users	\$ 4,424,377	\$ 4,381,288	\$ 4,260,225
Payments to suppliers	(10,390,964)	(9,525,279)	(9,176,461)
Payments to employees	(15,187,024)	(15,629,708)	(15,772,316)
Net cash used in operating activities	<u>(21,153,611)</u>	<u>(20,773,699)</u>	<u>(20,688,552)</u>
Noncapital Financial Activities			
State grants	1,375,047	896,933	-
Federal grant revenue	7,166,960	7,823,034	7,309,989
Property taxes received	13,022,241	12,597,773	12,213,241
Net cash provided by noncapital financing activities	<u>21,564,248</u>	<u>21,317,740</u>	<u>19,523,230</u>
Capital and Related Financing Activities			
Purchase of capital assets	(7,263,551)	(10,006,959)	(5,158,196)
Proceeds on sales of capital assets	17,864	16,679	-
Principal payments on note payable	-	(6,643)	(11,588)
Federal capital grants received	6,381,342	9,611,251	4,070,794
Net cash used in capital and related financing activities	<u>(864,345)</u>	<u>(385,672)</u>	<u>(1,098,990)</u>
Investing Activities			
Proceeds from sale and maturities of investment securities	-	12,000,000	17,000,000
Purchases of investment securities	-	(1,000,000)	(15,000,000)
Investment income received	71,723	129,986	233,430
Net cash provided by investing activities	<u>71,723</u>	<u>11,129,986</u>	<u>2,233,430</u>
Increase (Decrease) in Cash and Cash Equivalents	(381,985)	11,288,355	(30,882)
Cash and Cash Equivalents, Beginning of Year	<u>12,329,504</u>	<u>1,041,149</u>	<u>1,072,031</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,947,519</u>	<u>\$ 12,329,504</u>	<u>\$ 1,041,149</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	\$ (26,203,534)	\$ (25,011,687)	\$ (24,625,117)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	4,918,907	4,396,358	3,713,943
Loss (gain) on disposal of capital assets	53,602	(16,679)	1,293
Changes in assets and liabilities			
Accounts receivable	91,886	65,585	(118,171)
Inventories	(29,143)	64,679	233,543
Prepaid and other assets	29,518	28,901	(9,675)
Accounts payable and accrued expenses	(14,847)	(300,856)	115,632
Net cash used in operating activities	<u>\$ (21,153,611)</u>	<u>\$ (20,773,699)</u>	<u>\$ (20,688,552)</u>

Capital Assets

At the end of 2011 and 2010, the Authority had \$34,842,231 and \$32,314,429 respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 3 to the financial statements. In 2011, the Authority's capital asset additions, including work in progress were \$7,565,549, with the majority of this amount being the acquisition of nine new revenue vehicles and the renovation/rehab of the administrative building.

Other Economic Factors

A large segment of ridership is comprised of individuals subsidized by state and local agencies. Government agencies purchases of bus tickets continue to increase each year.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority's Finance Department by telephoning (402) 341-0800 or emailing dfinken@ometro.com or csimon@ometro.com.

**The Transit Authority of the
City of Omaha
Balance Sheets
December 31, 2011 and 2010**

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 11,947,519	\$ 12,329,504
Certificate of deposit	1,000,000	1,000,000
Accounts and grants receivable	2,240,492	3,557,910
Property taxes receivable	13,357,649	12,899,172
Materials and supplies inventory	661,185	632,042
Prepaid expenses and other	123,726	146,968
Total current assets	29,330,571	30,565,596
Capital Assets, net	34,842,231	32,314,429
Other Assets	141,594	147,870
Total assets	\$ 64,314,396	\$ 63,027,895

Liabilities

Current Liabilities		
Accounts payable	\$ 1,151,819	\$ 900,843
Accrued wages and vacation pay	1,060,044	1,072,032
Deferred revenue - property taxes	13,557,806	13,099,330
Accrued expenses	1,704,772	1,570,326
Claim liabilities	483,530	612,187
Total current liabilities	17,957,971	17,254,718
Other Employee Benefits	314,000	319,000
Total liabilities	18,271,971	17,573,718

Net Assets

Invested in Capital Assets, Net of Related Debt	34,360,629	32,087,451
Unrestricted	11,681,796	13,366,726
Total net assets	46,042,425	45,454,177
Total liabilities and net assets	\$ 64,314,396	\$ 63,027,895

**The Transit Authority of the
City of Omaha**
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Passenger fares	\$ 3,499,788	\$ 3,440,449
Service contracts	713,434	740,900
Other	200,358	234,004
	<u>4,413,580</u>	<u>4,415,353</u>
Operating Expenses		
Administration of transportation operations	375,961	406,769
Revenue vehicle movement control	529,252	571,004
Scheduling of transportation operations	64,974	104,734
Revenue vehicle operations	16,136,599	14,849,271
Maintenance administration	461,631	433,371
Servicing revenue vehicles	579,048	592,158
Maintenance of revenue vehicles	3,479,563	3,719,856
Maintenance of other equipment	848,163	962,655
Ticketing and fare collection	87,577	73,464
Customer services and promotion	453,656	493,131
Personnel, legal and insurance	593,663	738,754
Finance, accounting and data processing	478,925	533,512
Purchasing and stores	181,271	181,815
General management	423,278	488,206
M.A.P.A. activities	162,281	181,986
General and administrative	788,763	716,675
Depreciation	4,918,907	4,396,358
Loss (gain) on disposal of capital assets	53,602	(16,679)
	<u>30,617,114</u>	<u>29,427,040</u>
	<u>(26,203,534)</u>	<u>(25,011,687)</u>
Operating Loss		
Nonoperating Revenues		
Property taxes	13,022,242	12,597,773
Federal operating grants	6,833,708	7,201,716
State operating grants	779,037	897,148
Investment income	71,723	77,445
	<u>20,706,710</u>	<u>20,774,082</u>
Loss before Capital Contribution	(5,496,824)	(4,237,605)
Capital Contributions	<u>6,085,072</u>	<u>10,016,864</u>
Increase in Net Assets	588,248	5,779,259
Net Assets, Beginning of Year	<u>45,454,177</u>	<u>39,674,918</u>
Net Assets, End of Year	<u>\$ 46,042,425</u>	<u>\$ 45,454,177</u>

**The Transit Authority of the
City of Omaha**
Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Activities		
Received from customers and users	\$ 4,424,377	\$ 4,381,288
Payments to suppliers	(10,390,964)	(9,525,279)
Payments to employees	<u>(15,187,024)</u>	<u>(15,629,708)</u>
Net cash used in operating activities	<u>(21,153,611)</u>	<u>(20,773,699)</u>
Noncapital Financing Activities		
State grants	1,375,047	896,933
Federal grant revenue	7,166,960	7,823,034
Property taxes received	<u>13,022,241</u>	<u>12,597,773</u>
Net cash provided by noncapital financing activities	<u>21,564,248</u>	<u>21,317,740</u>
Capital and Related Financing Activities		
Purchase of capital assets	(7,263,551)	(10,006,959)
Proceeds on sales of capital assets	17,864	16,679
Principal payments on note payable	-	(6,643)
Federal capital grants received	<u>6,381,342</u>	<u>9,611,251</u>
Net cash used in capital and related financing activities	<u>(864,345)</u>	<u>(385,672)</u>
Investing Activities		
Proceeds from the sale and maturities of certificates of deposit	-	12,000,000
Purchases of certificates of deposit	-	(1,000,000)
Investment income received	<u>71,723</u>	<u>129,986</u>
Net cash provided by investing activities	<u>71,723</u>	<u>11,129,986</u>
Increase (Decrease) in Cash and Cash Equivalents	(381,985)	11,288,355
Cash and Cash Equivalents, Beginning of Year	<u>12,329,504</u>	<u>1,041,149</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,947,519</u>	<u>\$ 12,329,504</u>
Supplemental Cash Flows Information		
Accounts payable incurred for purchase of property and equipment	\$ 481,602	\$ 226,978

**The Transit Authority of the
City of Omaha**
Statements of Cash Flows - Continued
Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (26,203,534)	\$ (25,011,687)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	4,918,907	4,396,358
Loss (gain) on disposal of capital assets	53,602	(16,679)
Changes in assets and liabilities		
Accounts receivable	91,886	65,585
Inventories	(29,143)	64,679
Prepaid and other assets	29,518	28,901
Accounts payable and accrued expenses	(14,847)	(300,856)
Net Cash Used in Operating Activities	\$ (21,153,611)	\$ (20,773,699)

The Transit Authority of the City of Omaha

Notes to Financial Statements

December 31, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The Transit Authority of the City of Omaha (the “Authority”) operates a timed-transfer system offering fixed, express/commuter and circulator route services. The Authority serves 100 square miles or approximately 85% of the City of Omaha. In addition, the Authority offers MOBY, American with Disabilities Act complementary paratransit service. MOBY is an origin-to-destination, curb-to-curb service operation within Omaha’s city limits.

Reporting Entity

The Authority, a public benefit corporation, was created by the City of Omaha, Nebraska, by Ordinance No. 26335 on May 10, 1972, under statutes of Nebraska known as the Transit Authority Law. The Authority is an independent political subdivision of the State of Nebraska. As a political subdivision, it is distinct from, and is not an agency of, the State of Nebraska or any other local governmental unit. The Authority has the right to eminent domain and the power to enter into contracts and to purchase equipment. The Authority consists of a five-member board appointed by the mayor and confirmed by Omaha’s City Council and the County Board of Douglas County, Nebraska. The Authority is solely responsible for financing deficits or the disposition of surplus funds. The Authority collects revenues, controls disbursements and has title to all assets. The Authority has and retains full and exclusive jurisdiction and control over all public passenger transportation systems in the City of Omaha, excluding taxicabs and railroad systems.

Transit service outside of the Omaha city limits is provided by contractual agreement between the Authority and the respective political jurisdictions and agencies.

Basis of Accounting

The financial statements of the Transit Authority of the City of Omaha (the “Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority’s financial statements consist of a single-purpose business type activity which is reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized in the period they are earned and expenses are recognized in the period they are incurred. The Authority is not subject to federal or state income taxes.

The Authority prepares its financial statements as a special-purpose government in conformity with applicable pronouncements of GASB. Pursuant to GASB Statement No. 20, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989 to the extent they do not conflict with or contradict GASB pronouncements.

The Transit Authority of the City of Omaha

Notes to Financial Statements

December 31, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Significant estimates include the assumptions used in computing the Authority's pension benefit obligation. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011 and 2010, cash equivalents consisted primarily of a money market account with a bank.

Certificates of Deposit and Investment Income

Investments in nonnegotiable certificates of deposit are carried at cost.

Investment income consists of interest income.

Accounts, Grants and Property Taxes Receivable

Accounts receivable consist of amounts due from customers for transit services, accrued interest and various other items. Grants receivable consist of amounts due from the federal and state government under grant contracts as reimbursement for funds expended in accordance with those grant agreements. Tax collections receivable consist of uncollected property taxes. The Authority has evaluated outstanding receivables and determined that no allowance is necessary at December 31, 2011 and 2010.

Materials and Supplies Inventory

Materials and supplies are stated at the lower of cost (first-in, first-out method) or market. Inventory generally consists of maintenance parts and supplies for rolling stock and other miscellaneous items.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Costs of maintenance and repairs are charged to operations as incurred; costs of improvements are capitalized and depreciated over the remaining useful lives of the related assets.

The Transit Authority of the City of Omaha

Notes to Financial Statements December 31, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Capital Assets - Continued

The Authority computes depreciation using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	15-40 years
Motor coaches	6-12 years
Service cars and other equipment	2-20 years

Accrued Vacation Pay

The Authority policies permit most employees to accumulate vacation benefits that may be realized as paid time off. Under the terms of the Operating Policy, employees of the Authority are granted vacation varying from one to five weeks based upon length of service. Expense and related liability for accrued vacation pay is earned in the current year to be used in the following year. There is no carryover of unused vacation. Accrued vacation pay is computed using the regular pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Asset Classification

Net assets are required to be classified into three components - invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and costs to be recovered from future revenues, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

Restricted - This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Authority had no restricted net assets at December 31, 2011 and 2010.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

The Transit Authority of the City of Omaha

Notes to Financial Statements December 31, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Revenue Recognition

Operating revenues occur from passenger fares, service contracts, rental of property, and sale of advertising space. Operating expenses include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. Resources received or recognized as receivable before time requirements are met, are reported as deferred revenues.

Passenger fares are recorded as revenue at the time the service is provided.

Property taxes receivable are recorded when the Authority has an enforceable legal claim to the resources and the related revenues are recorded as nonoperating in the period when use of the resources is required or first permitted by time requirements. The Authority recognizes a receivable and deferred revenue on the levy date for the following year's property taxes.

The Authority recognizes federal and state grant income when eligibility requirements are met. The Federal Transit Administration ("FTA") and the State of Nebraska provide financial assistance and distribute grants directly to the Authority for operations and acquisition of property and equipment. Operating grants made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement periods, based on qualifying expenditures. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables when the related grant expenditures are incurred.

Property Taxes

The tax levies for all political subdivisions in Douglas County are certified by the county board on or before October 15. Real estate taxes are due and become an enforceable lien on property on December 31. The first half of the real estate taxes becomes delinquent on April 1 and the second half become delinquent on August 1 following the levy date. Personal property taxes are due on December 31 and become delinquent on April 1 and August 1 following the levy date. Delinquent taxes bear 14% interest.

Note 2: Deposits and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Transit Authority of the City of Omaha

Notes to Financial Statements December 31, 2011 and 2010

Note 2: Deposits and Investment Income - Continued

Deposits - Continued

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Nebraska; bonds of any city, county, school district or special road district of the state of Nebraska; bonds or obligations of another state, or political subdivision of another state, which are rated within the two highest classifications of prime by at least one of the standard rating services; or a surety bond having an aggregate value at least equal to the amount of deposits.

During 2010, as a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Authority invested \$1,000,000 in a certificate of deposit linked to performance of a basket of twelve large cap companies. This certificate of deposit provides exposure to potential price appreciation in a basket of twelve publicly traded securities, and if held to maturity, one hundred percent principal protection. The Authority will receive interest annually based upon the securities' average performance, always versus their initial levels, subject to the cap (nine percent) and floor level (zero percent) on each individual stock within the basket. There is no minimum return on this certificate of deposit. If the securities fail to appreciate in value, the Authority will not receive any interest payments. The certificate of deposit has a term of five years and matures in 2015.

Summary of Carrying Values

The carrying values of cash and deposits are included in the balance sheets as follows:

	2011	2010
Carrying value		
Deposits	\$ 12,311,039	\$ 12,939,880
Cash at county treasurer	636,480	389,624
	<u>\$ 12,947,519</u>	<u>\$ 13,329,504</u>
 Included in the following balance sheet captions		
Cash and cash equivalents	\$ 11,947,519	\$ 12,329,504
Certificate of deposit	1,000,000	1,000,000
	<u>\$ 12,947,519</u>	<u>\$ 13,329,504</u>

Investment Income

Investment income for the years ended December 31, 2011 and 2010, consisted of interest income of \$71,723 and \$77,445, respectively.

The Transit Authority of the City of Omaha

Notes to Financial Statements December 31, 2011 and 2010

Note 4: Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption, errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. The Authority is self-insured for workers' compensation risks up to \$550,000 per individual, \$1,000,000 per occurrence; property risks up to \$100,000 per occurrence; public transportation liability risks up to \$500,000 per occurrence; and employee health claims up to \$125,000 per person with an aggregate maximum of \$3,285,304. The self-insurance programs, except for health insurance, are administered through the Human Relations Department. Commercial insurance is purchased for coverage above self-insurance limits.

Public official risks continue to be insured through a commercial policy. Workers' compensation is covered by a policy which provides \$5,000,000 limits above the Authority's retention of \$550,000 per individual and \$1,000,000 per occurrence. Public transportation is covered by a policy which provides \$4,500,000 limits above the Authority's retention of \$500,000 per occurrence. The Nebraska Political Tort Claims Act limits the Authority's liability for tort claims to \$1,000,000 per individual and \$5,000,000 for all individuals per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

The Authority funds its self-insurance program on an "incurred loss" basis. Provisions for these liabilities have been made based upon historical experience. The Authority has internally designated approximately \$2,000,000 of its cash equivalents as a reserve for transit liability and casualty losses.

The following is a summary of the changes in the estimated claims liability for each of the years ended December 31:

	2011	2010
Balance, January 1	\$ 612,187	\$ 674,992
Current year claims and changes in estimates	3,719,968	3,113,141
Claim payments	(3,848,625)	(3,175,946)
Balance, December 31	\$ 483,530	\$ 612,187

The Transit Authority of the City of Omaha

Notes to Financial Statements

December 31, 2011 and 2010

Note 5: Pension Plans

Defined Benefit Plans

Plan Description

The Authority contributes, as a single employer, to a separate pension plan for both its hourly and salaried employees (“the Plans”) administered by a third party administrator. Participation is mandatory for all employees. Both plans are defined benefit plans, which provide retirement, death and termination benefits, and, in addition, the hourly plan provides disability benefits. The Authority does not issue a separate report that includes financial statements and supplementary information for the Plans.

Hourly employees who are covered by a collective bargaining agreement between the Authority and the Transportation Workers of America become eligible under the Hourly Employees’ Pension Plan (“Hourly Plan”) after completion of the probation period of service. Salaried employees become eligible under the Salaried Employees’ Pension Plan (“Salaried Plan”) the first day of the month following completion of 120 days of service. Vesting for employer contributions under both Plans is achieved upon completion of ten years of service. Employee contributions are fully vested. The Plans were established by the Board of Directors and the employer reserves the right to amend, suspend or terminate the plans at any time by action of the Board of Directors.

Funding Policy

Salaried Employees’ Plan

The Plan requires all salaried participants to contribute 5.30% (6.0% after April 30, 2011) of their annual salary to the Plan. The Authority is required to contribute the balance of funds needed as determined from an actuarial valuation for the Salaried Employees’ Plan.

Hourly Employees’ Plan

The Plan requires all hourly participants to contribute 6.00% of their annual salary to the Plan. The Authority is required to contribute 6.50% of the hourly participant’s annual salary to the Plan.

The Transit Authority of the City of Omaha

Notes to Financial Statements December 31, 2011 and 2010

Note 5: Pension Plans - Continued

Annual Pension Cost and Net Pension Obligation

The Authority's annual pension costs and net pension obligation to (asset of) the Plans were as follows:

December 31, 2011	Hourly Plan	Salaried Plan
	<u> </u>	<u> </u>
Annual required contribution	\$ 871,783	\$ 275,039
Interest on net pension obligation	65,951	(6,625)
Adjustment to annual required contribution	<u>(84,443)</u>	<u>8,556</u>
Annual pension cost	853,291	276,970
Contributions made	<u>703,006</u>	<u>257,653</u>
Increase in net pension obligation	150,285	19,317
Net pension obligation (asset), beginning of year	<u>879,346</u>	<u>(94,638)</u>
Net pension obligation (asset), end of year	<u>\$ 1,029,631</u>	<u>\$ (75,321)</u>
	Hourly Plan	Salaried Plan
	<u> </u>	<u> </u>
Annual required contribution	\$ 888,807	\$ 295,364
Interest on net pension obligation	52,020	(4,528)
Adjustment to annual required contribution	<u>(65,328)</u>	<u>5,738</u>
Annual pension cost	875,499	296,574
Contributions made	<u>689,756</u>	<u>326,529</u>
Increase (decrease) in net pension obligation	185,743	(29,955)
Net pension obligation (asset), beginning of year	<u>693,603</u>	<u>(64,683)</u>
Net pension obligation (asset), end of year	<u>\$ 879,346</u>	<u>\$ (94,638)</u>

The net pension obligation is included in accrued expenses at December 31, 2011 and 2010.

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the entry age cost method. The actuarial assumptions included a rate of return on the investment of present and future assets of 7.50% for the Hourly Plan and 7.00% for the Salaried Plan per year and projected salary increases of 4.50% for each plan. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by setting such value equal to the expected value, based on the assumed rate of return, plus 25% of the difference between market and expected values for the Salaried Plan and Hourly Plan. Increases in the unfunded actuarial liability are amortized over 25 years with a closed period for the Salaried and Hourly Plan.

The Transit Authority of the City of Omaha

Notes to Financial Statements December 31, 2011 and 2010

Note 5: Pension Plans - Continued

Funded Status and Funding Progress

Salaried Employees' Plan

At January 1, 2011, the most recent valuation date, the Plan was 62.71% funded. The actuarial accrued liability for benefits was \$7,432,385 and the actuarial value of assets was \$4,660,767, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,771,618. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,962,025 and the ratio of the UAAL to covered payroll was 141.26%.

Hourly Employees' Plan

At January 1, 2011, the most recent valuation date, the Plan was 61.66% funded. The actuarial accrued liability was \$26,854,504 and the actuarial value of assets was \$16,558,358 resulting in an unfunded actuarial accrued liability of \$10,296,146. The covered payroll was \$11,120,590 and the ratio of the UAAL to covered payroll was 92.59%.

Additional Information

The Schedule of Pension Funding Progress, presented as RSI following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for the Hourly Employees' Plan for financial reporting purposes does not explicitly incorporate the potential effects of the limitation of funding percentage on the employer's portion.

Three Year Trend Information Salaried Employees' Pension Plan

Year ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2011	\$ 276,970	93.0%	\$ 75,321
2010	296,574	110.1%	94,638
2009	277,986	126.4%	64,683

The Transit Authority of the City of Omaha

Notes to Financial Statements December 31, 2011 and 2010

Note 5: Pension Plans - Continued

Three Year Trend Information Hourly Employees' Pension Plan

Year ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 853,291	82.4%	\$ 1,029,631
2010	875,499	78.8%	879,346
2009	909,795	75.3%	693,603

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan permits employees to defer a portion of their salary until termination, retirement, death or unforeseeable emergency. Participation in the plan is optional.

Note 6: Other Employee Benefits

The Authority provides a death benefit to all employees ranging from \$3,000 to \$5,000 based on the year of retirement. After July 1, 2005 (for bargaining unit employees) and May 2009 for administrative employees, a retiree may opt to take \$4,000 cash at retirement in lieu of the \$5,000 death benefit. The Authority estimates the liability based on current retirees and employee census data. At December 31, 2011 and 2010, the Authority recorded a liability of \$344,000 and \$349,000, respectively. The current portion of this liability was \$30,000 at both December 31, 2011 and 2010.

Note 7: Commitments and Contingencies

Refined Fuel Fixed Contracts

At December 31, 2011, the Authority had refined fuel fixed purchase contracts totaling 637,500 gallons for delivery through August 2012. These contracts ranged in price from \$2.9599 to \$2.9698 per gallon for delivery. The Authority uses these contracts to manage the exposure to price risk associated with fuel purchases. The contract amounts are expected to be used in the normal course of operations.

The Transit Authority of the City of Omaha

Notes to Financial Statements December 31, 2011 and 2010

Note 7: Commitments and Contingencies - Continued

Government Grants

The Authority is currently participating in numerous grants from various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. At December 31, 2011, in the opinion of management of the Authority, any disallowance resulting from a federal audit would not be material.

Claims and Litigation

The Authority is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. Management believes the ultimate disposition of the actions will not have a material effect on the financial statements of the Authority.

Current Economic Conditions

The current economic environment presents governmental agencies with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in governmental support, grant revenue, tax revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Authority.

A significant decline in governmental support, grant revenue, tax revenue, etc. could have an adverse impact on the Authority's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for accounts receivable and pension obligations that could negatively impact the Authority's ability to maintain sufficient liquidity.

Required Supplementary Information

**The Transit Authority of the
City of Omaha**
Schedule of Pension Funding Progress
Year Ended December 31, 2011

Three Year Trend Information
Salaried Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2011	\$ 4,660,767	\$ 7,432,385	\$ 2,771,618	62.71%	\$ 1,962,025	141.26%
January 1, 2010	4,253,059	7,202,156	2,949,097	59.05%	1,912,505	154.20%
January 1, 2009	3,897,935	6,871,804	2,973,869	56.72%	1,621,232	183.43%

Three Year Trend Information
Hourly Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2011	\$ 16,558,358	\$ 26,854,504	\$ 10,296,146	61.66%	\$ 11,120,590	92.59%
January 1, 2010	15,554,309	26,514,580	10,960,271	58.66%	11,300,899	96.99%
January 1, 2009	14,798,912	25,463,897	10,664,985	58.12%	10,128,156	105.30%

Supplementary Information

**The Transit Authority of the
City of Omaha**
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount Expended
Federal Transit – Formula Grants	Federal Transit Administration	20.507	NE-90-X074 NE-90-X092	\$ 662,802 6,648,392
ARRA – Federal Transit – Formula Grants	Federal Transit Administration	20.507	NE-96-X002	<u>82,869</u>
				<u>7,394,063</u>
Federal Transit – Capital Investment Grants	Federal Transit Administration	20.500	NE-04-0044 NE-04-0045 NE-04-0043 NE-03-0041	99,503 2,385,685 2,714,096 <u>(14,109)</u>
				<u>5,185,175</u>
Federal Transit Cluster				12,579,238
Federal Transit – Job Access – Reverse Commute	Federal Transit Administration	20.516	NE-37-X002 NE-90-X090	44,910 <u>117,421</u>
				<u>162,331</u>
Federal Transit – New Freedom Program	Federal Transit Administration	20.521	NE-57-X003	<u>14,907</u>
Transit Services Programs Cluster				177,238
Federal Transit – Metropolitan Planning Grants	Federal Transit Administration/ Metropolitan Area Planning Agency	20.505	MAPA-MAT 546-600	<u>128,931</u>
Federal Transit – Alternatives Analysis	Federal Transit Administration	20.522	NE-39-0001	<u>347</u>
				<u>\$ 12,885,754</u>

The Transit Authority of the City of Omaha

Schedule of Expenditures of Federal Awards - Continued Year Ended December 31, 2011

Notes to Schedule:

1. This schedule includes the federal awards activity of The Transit Authority of the City of Omaha and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, The Transit Authority of the City of Omaha provided federal awards to sub-recipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Federal Transit – Formula Grants	20.507	City of Bellevue	\$ 177,708
Federal Transit – Formula Grants	20.507	City of Council Bluffs	268,742
Federal Transit – Formula Grants	20.507	Tri Communities (Cities of Ralston, Papillion and LaVista)	88,944

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
The Transit Authority of the
City of Omaha
Omaha, Nebraska

We have audited the financial statements of The Transit Authority of the City of Omaha as of and for the year ended December 31, 2011, and have issued our report thereon dated April 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness on the Authority'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 would not necessarily identify all deficiencies in internal control that might be 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Authority's management in a separate letter dated April 24, 2012.

This report is intended solely for the information and use of the governing body, management and others within the Authority and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

April 24, 2012

Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
The Transit Authority of the
City of Omaha
Omaha, Nebraska

Compliance

We have audited the compliance of The Transit Authority of the City of Omaha with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the compliance of The Transit Authority of the City of Omaha based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, The Transit Authority of the City of Omaha complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of The Transit Authority of the City of Omaha is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management, others within the Authority, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

April 24, 2012

**The Transit Authority of the
City of Omaha**
Schedule of Findings and Questioned Costs - Continued
Year Ended December 31, 2011

7. The Authority's major program was:

Cluster/Program	CFDA Number
Federal Transit Cluster	
Federal Transit Formula Grants	20.507
Federal Transit Formula Grants - ARRA	20.507
Federal Transit - Capital Investment Grants	20.500

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$386,573.

9. The Authority qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

Yes

No

**The Transit Authority of the
City of Omaha**

**Schedule of Findings and Questioned Costs - Continued
Year Ended December 31, 2011**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No matters are reportable	

**The Transit Authority of the
City of Omaha**

**Schedule of Findings and Questioned Costs - Continued
Year Ended December 31, 2011**

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
-----------------------------	----------------	-----------------------------

No matters are reportable

**The Transit Authority of the
City of Omaha**
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Reference Number	Summary of Finding	Status
	No matters are reportable	