

**The Transit Authority of the City of Omaha
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS REPORT
For the years ended December 31, 2014, and 2013**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Transit Authority of the City of Omaha (the Transit Authority) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Transit Authority, as of December 31, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of pension funding progress on pages 5 –11 and 32 be presented to supplement the basic financial statements. Such information, although not a 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Transit Authority's basic financial statements. The schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of the Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Transit Authority's internal control over financial reporting and compliance.

Hayes & Associates, L.L.C.

Omaha, Nebraska

March 20, 2015

The Transit Authority of the City of Omaha
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended December 31, 2014 and 2013

Introduction

This management's discussion and analysis of the financial performance of The Transit Authority of the City of Omaha (the "The Transit Authority") provides an overview of the Transit Authority's financial activities for the year ended December 31, 2014 as compared to December 31, 2013. It should be read in conjunction with the accompanying financial statements of the Transit Authority.

Financial Highlights

The Transit Authority's net position decreased in 2014 by \$114,516 or .22%, a decrease in the net position amount is not a favorable outcome since this reflects the financial outlook for the Transit Authority, but there is an explanation for this decrease and the increase will be realized in the 2015 net position amount. The decrease in the 2014 net position amount is due to the Transit Authority's 2014 SGR Phase II refurbishment of the lower level of the administrative building and the disposal of several large assets. The completion date of these replacement assets is scheduled for early 2015 and at that time the transaction will be recorded and reflected in the net position amount at the end of 2015.

- Current liabilities and deferred inflows of resources for 2014 decreased by \$2,388,960 or 10.52%, the purchase of eight new revenue vehicles was included in the 2013 end of the year balance causing the large current liability decrease over 2014.
- The Transit Authority reported operating losses in 2014 of \$27,490,201 as compared to the 2013 amount of \$25,955,003, this is a 5.75% increase or \$1,495,198. The largest contributing factor in this increase is the 15.35% or \$659,999 increase in Depreciation Expense due to increase asset additions, these amounts have stayed reasonably consistent over the years. The Transit Authority receives nonoperating revenues in the form of property taxes and governmental grants to support operations. Reporting an operating loss is consistent with the Transit Authority's operating history, since the Transit 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 Transit Authority levies property taxes to provide sufficient resources to enable it to serve residents in the metropolitan area.
- Total nonoperating revenues decreased by \$534,472 or 2.27% in 2014 over the 2013 figure. A large portion of this decreased amount is due to the 2014 reduction of Federal Operating Grants or the use of the Annual 5307 FTA Formula Funds Grant for a capital purchase instead of nonoperating revenues.

The Transit Authority of the City of Omaha
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended December 31, 2014 and 2013

Using This Annual Report

The Transit Authority's financial statements consist of three statements - a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flow. These statements provide information about the activities of the Transit Authority, including resources held by the Transit Authority but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Transit 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 Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about any The Transit Authority's finances is "Is the Transit 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 Position report information about the Transit 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 and deferred inflows of resources 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 Transit Authority's net position and changes in the amount. The Transit Authority's total net position, the difference between assets, liabilities, and deferred inflows of resources, is one measure of the Transit Authority's financial health or financial position. Over time, increases or decreases in the Transit Authority's net position is 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 Transit 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 Transit Authority of the City of Omaha
 MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
 For the years ended December 31, 2014 and 2013

The Transit Authority's Net Position

The Transit Authority's net position is the difference between its assets, liabilities, and deferred inflows of resources reported in the Balance Sheet. The Transit Authority's net position decreased in 2014 by \$114,516 or .22% over 2013, this is due to SGR Phase II lower level refurbishment and the disposal of large structural assets and the replacement asset was not completed as of end of the year 2014. See Table 1.

Table 1: Assets, Liabilities and Net Position

	2014	2013	2012
Assets			
Cash and investments	\$ 9,370,651	\$ 10,016,435	\$ 12,451,916
Other Current assets	20,475,955	23,234,980	17,437,845
Capital assets, net	43,426,966	42,529,357	32,862,676
Other noncurrent assets	122,766	129,042	135,318
Total assets	\$ 73,396,338	\$ 75,909,814	\$ 62,887,755
Liabilities			
Current liabilities	\$ 5,058,409	\$ 8,185,159	\$ 4,387,400
Other employee benefits	322,000	332,000	311,000
Total Liabilities	5,380,409	8,517,159	4,698,400
Deferred Inflows of Resources			
Tax levy for future period	15,261,252	14,523,462	14,032,300
Net Position			
Invested in capital assets, net of related debt	47,286,361	38,749,248	32,759,857
Unrestricted	5,468,316	14,119,945	11,397,198
Total net position	52,754,677	52,869,193	44,157,055
Total liabilities, deferred inflows of resources and net position	\$ 73,396,338	\$ 75,909,814	\$ 62,887,755

The Transit Authority continues to capture allowable operating costs and capitalizes these expenditures in the annual appropriation of the 5307 FTA Formula funds. These funds are being invested while giving the Transit Authority a greater means of working capital. The 2014 total operating revenues decreased by \$30,307 or .61% as compared to the 2013 operating revenues. The majority of the decrease was in Passenger Fares, a result of decreased ridership in 2014. The 2014 operating expenses stayed consistent with what was reported in 2013, the amount increased by \$1,464,891 or 4.73% over 2013, this is higher than the trend for prior years and approximately 50% of the increase is in the Depreciation Expense. The Transit 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.

The Transit Authority of the City of Omaha
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
For the years ended December 31, 2014 and 2013

Table 2: Operating Results and Changes in Net Assets

	2014	2013	2012
Operating Revenues			
Passenger fares	\$ 3,927,032	\$ 4,056,292	\$ 4,202,427
Service contracts	649,786	643,059	695,915
Other	<u>372,726</u>	<u>280,500</u>	<u>274,764</u>
Total operating revenues	<u>4,949,544</u>	<u>4,979,851</u>	<u>5,173,106</u>
Operating Expenses			
Administration of transportation operations	597,627	551,265	452,900
Revenue vehicle movement control	630,611	557,320	560,341
Scheduling of transportation operations	47,928	42,020	79,637
Revenue vehicle operations	<u>17,337,764</u>	<u>17,082,723</u>	<u>16,705,475</u>
Maintenance administration	517,661	482,733	487,668
Servicing revenue vehicles	669,220	666,399	598,835
Maintenance of revenue vehicles	3,332,979	3,371,995	3,498,648
Maintenance of other equipment	926,540	972,334	846,856
Ticketing and fare collection	73,802	77,230	81,550
Customer services and promotion	512,395	485,788	470,407
Personnel, Legal and insurance	914,702	640,518	717,730
Finance, accounting and data processing	544,034	465,466	449,982
Purchasing and stores	197,388	191,926	183,091
General management	504,798	401,544	445,349
Interlocal expense	-	-	-
M.A.P.A. activities	216,391	196,971	118,775
General and administrative	454,880	487,596	709,924
Depreciation	<u>4,961,025</u>	<u>4,301,026</u>	<u>4,743,528</u>
Total operating expenses	<u>32,439,745</u>	<u>30,974,854</u>	<u>31,150,696</u>
Operating Loss	<u>(27,490,201)</u>	<u>(25,995,003)</u>	<u>(25,977,590)</u>
Nonoperating Revenues			
Property taxes	14,457,182	14,080,695	13,298,245
Federal operating grants	6,266,690	7,244,123	7,916,299
Federal operating grants - interlocal revenue	-	-	-
State operating grants	2,206,194	2,179,540	610,209
Investment income	76,134	23,896	44,808
Gain (loss) on disposal of capital assets	2,902	15,320	-
Total nonoperating revenues	<u>23,009,102</u>	<u>23,543,574</u>	<u>21,869,561</u>
Loss before Capital Contributions	<u>(4,481,099)</u>	<u>(2,451,429)</u>	<u>(4,108,029)</u>
Capital Contributions	<u>4,366,583</u>	<u>11,163,567</u>	<u>2,222,659</u>
Increase (Decrease) in Net Position	<u>(114,516)</u>	<u>8,712,138</u>	<u>(1,885,370)</u>
Net Position, Beginning of Year	<u>52,869,193</u>	<u>44,157,055</u>	<u>46,042,425</u>
Net Position, End of Year	<u>\$ 52,754,677</u>	<u>\$ 52,869,193</u>	<u>\$ 44,157,055</u>

The Transit Authority of the City of Omaha
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
For the years ended December 31, 2014 and 2013

Operating Losses

The first component of the overall change in the Transit Authority's net position 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 Transit Authority has reported an operating loss. As previously stated, this is consistent with the Transit Authority's operating history as the Transit 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 Transit Authority levies property taxes to provide sufficient resources to enable it to serve residents in the metropolitan area.

The operating loss for 2014 increased compared to 2013 by \$1,495,198 or 5.75%. As you can see from the tables, there is an overall decrease in operating revenues and a significant increase in operating expenses which is also a cause of the increased operating loss.

The Transit 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 2014. The increase in labor expenses in 2014 over 2013 is in range with prior years.

Nonoperating Revenues

Nonoperating revenues consist primarily of property taxes levied by the Transit Authority, federal and state operating grants, and investment income. Nonoperating revenues decreased in 2014 by \$534,472 or 2.27% over 2013. The majority of the decrease is seen in the Federal operating grants, which consists primarily of Preventative Maintenance expenditures. Both newer vehicles with fewer mechanical repairs and a decrease in maintenance employees will cause the Federal operating revenues to decrease. The Transit Authority again was awarded a contract by NDOR for the 2014 fiscal year and the amount it consistent with 2013.

The Transit Authority's Cash Flows

Increased changes in the Transit 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 decreased \$3,802,887 in 2014 or 17.52% as compared to the 2013 amounts. As discussed earlier, better utilization of federal grants continues to provide an increase in cash and investments giving the Transit Authority better working capital. Emphasis has been placed on how the Transit Authority has managed its cash to increase working capital. Working capital is the value of a company's current assets minus its current liabilities and deferred inflows of resources. It is considered a good measure of both a company's efficiency and its financial health. Working capital has remained fairly consistent for the last several years.

The Transit Authority of the City of Omaha
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
For the years ended December 31, 2014 and 2013

Table 3: Statements of Cash Flows

	2014	2013	2012
Operating Activities			
Received from customers and users	\$ 5,055,294	\$ 4,992,477	\$ 5,055,250
Payments to suppliers	(14,750,287)	(10,818,719)	(10,384,075)
Payments to employees	(15,770,145)	(15,881,565)	(15,712,004)
Net cash used in operating activities	<u>(25,465,138)</u>	<u>(21,707,807)</u>	<u>(21,040,829)</u>
Noncapital Financial Activities			
State grants	1,979,540	186,590	630,595
Federal grant revenue	9,874,933	4,535,263	7,491,674
Property taxes received	14,457,182	14,080,695	13,298,246
Net cash provided by noncapital financing activities	<u>26,311,655</u>	<u>18,802,548</u>	<u>21,420,515</u>
Capital and Related Financing Activities			
Purchase of capital assets	(5,937,920)	(10,290,417)	(3,142,756)
Proceeds on sales of capital assets	2,902	15,320	-
Principal payments on note payable	-	-	-
Federal capital grants received	<u>4,366,583</u>	<u>10,720,979</u>	<u>2,222,659</u>
Net cash used in capital and related financing activities	<u>(1,568,435)</u>	<u>445,882</u>	<u>(920,097)</u>
Investing Activities			
Proceeds from sale and maturities of investment	-	-	-
Purchase of investment securities	-	-	-
Investment income received	<u>76,134</u>	<u>23,896</u>	<u>44,808</u>
Net cash provided by investing activities	<u>76,134</u>	<u>23,896</u>	<u>44,808</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(645,784)</u>	<u>(2,435,481)</u>	<u>(495,603)</u>
Cash and Cash Equivalents, Beginning of Year	<u>9,016,435</u>	<u>11,451,916</u>	<u>11,947,519</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,370,651</u>	<u>\$ 9,016,435</u>	<u>\$ 11,451,916</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating loss	(27,490,201)	(25,995,003)	\$ (25,977,590)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	4,961,025	4,301,026	4,743,528
Changes in assets and liabilities			
Accounts Receivable	114,324	(11,485)	(124,771)
Inventories	(17,856)	(92,767)	(10,754)
Prepaid and other assets	25,034	(51,047)	(34,259)
Accounts payable and accrued expenses	<u>(3,057,464)</u>	<u>141,469</u>	<u>363,017</u>
Net cash used in operating activities	<u>\$ (25,465,138)</u>	<u>\$ (21,707,807)</u>	<u>\$ (21,040,829)</u>

The Transit Authority of the City of Omaha
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED
For the years ended December 31, 2014 and 2013

Capital Assets

The Transit Authorities procured a total of capital assets, including work in progress of \$11,874,059 in 2014 compared to the 2013 amount of \$10,224,487. This is an increase of \$1,649,572 or 16.13%.

Other Economic Factors

A large segment of ridership is comprised of individuals subsidized by state and local agencies. Government and Social Service agencies' purchases of bus tickets continue to increase each year. The Transit Authority is always looking at new ways to attract new riders and increase ridership.

Contacting the Transit Authority's Financial Management

This financial report is designed to provide a general overview of the Transit Authority's finances and to show the Transit Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Transit Authority's Finance Director by telephoning (402) 341-7560 or emailing dfinken@ometro.com or csimon@ometro.com.

The Transit Authority of the City of Omaha
STATEMENTS OF NET POSITION
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8,370,651	\$ 9,016,435
Certificates of deposit	1,000,000	1,000,000
Accounts and grants receivable	4,429,473	7,925,386
Property taxes receivable	15,061,094	14,323,304
Materials and supplies inventory	782,562	764,706
Prepaid expenses and other	<u>202,826</u>	<u>221,584</u>
Total current assets	29,846,606	33,251,415
Capital assets, net	43,426,966	42,529,357
Other assets	<u>122,766</u>	<u>129,042</u>
Total assets	<u>\$ 73,396,338</u>	<u>\$ 75,909,814</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 1,085,274	\$ 4,618,314
Accrued wages and vacation payable	910,024	949,113
Other accrued salaries and related	1,749,709	1,600,259
Accrued expenses	428,943	437,517
Claim liabilities	<u>884,459</u>	<u>579,956</u>
Total current liabilities	5,058,409	8,185,159
Other employee benefits payable	<u>322,000</u>	<u>332,000</u>
Total liabilities	5,380,409	8,517,159
DEFERRED INFLOW OF RESOURCES		
Tax levy for future period	15,261,252	14,523,462
NET POSITION		
Net investment in capital assets	39,567,571	38,749,248
Unrestricted	<u>13,187,106</u>	<u>14,119,945</u>
Total net position	<u>52,754,677</u>	<u>52,869,193</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 73,396,338</u>	<u>\$ 75,909,814</u>

See accompanying notes and independent auditor's report.

**The Transit Authority of the City of Omaha
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the years ended December 31, 2014 and 2013**

	2014	2013
OPERATING REVENUES		
Passenger fares	\$ 3,927,032	\$ 4,056,292
Service contracts	649,786	643,059
Other	372,726	280,500
Total operating revenues	<u>4,949,544</u>	<u>4,979,851</u>
OPERATING EXPENSES		
Administration of transportation operations	597,627	551,265
Revenue vehicle movement control	630,611	557,320
Scheduling of transportation operations	47,928	42,020
Revenue vehicle operations	17,337,764	17,082,723
Maintenance administration	517,661	482,733
Servicing revenue vehicles	669,220	666,399
Maintenance of revenue vehicles	3,332,979	3,371,995
Maintenance of other equipment	926,540	972,334
Ticketing and fare collection	73,802	77,230
Customer services and promotion	512,395	485,788
Personnel, legal, and insurance	914,702	640,518
Finance, accounting and data processing	544,034	465,466
Purchasing and stores	197,388	191,926
General management	504,798	401,544
M.A.P.A activities	216,391	196,971
General and administrative	454,880	487,596
Depreciation	4,961,025	4,301,026
Total operating expenses	<u>32,439,745</u>	<u>30,974,854</u>
OPERATING LOSS		
	(27,490,201)	(25,995,003)
NONOPERATING REVENUE AND GAINS		
Property taxes	14,457,182	14,080,695
Federal operating grants	6,266,690	7,686,711
State operating grants	2,206,194	2,179,540
Investment income	76,134	23,896
Gain (loss) on disposal of capital assets	2,902	15,320
Total nonoperating revenues	<u>23,009,102</u>	<u>23,986,162</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS		
	(4,481,099)	(2,008,841)
CAPITAL CONTRIBUTIONS		
	<u>4,366,583</u>	<u>10,720,979</u>
INCREASE (DECREASE) IN NET POSITION		
	(114,516)	8,712,138
NET POSITION, BEGINNING OF YEAR		
	<u>52,869,193</u>	<u>44,157,055</u>
NET POSITION, END OF YEAR		
	<u>\$ 52,754,677</u>	<u>\$ 52,869,193</u>

See accompanying notes and independent auditor's report.

The Transit Authority of the City of Omaha
 STATEMENTS OF CASH FLOWS
 For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 5,055,294	\$ 4,992,477
Cash paid to suppliers	(14,750,287)	(10,818,719)
Cash paid to employees	(15,770,145)	(15,881,565)
CASH FLOWS FROM OPERATING ACTIVITIES	(25,465,138)	(21,707,807)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State grants	1,979,540	186,590
Federal grants	9,874,933	4,535,263
Property taxes received	14,457,182	14,080,695
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	26,311,655	18,802,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(5,937,920)	(10,290,417)
Proceeds on sale of capital assets	2,902	15,320
Federal capital grants received	4,366,583	10,720,979
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,568,435)	445,882
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	76,134	23,896
CASH FLOWS FROM INVESTING ACTIVITIES	76,134	23,896
CHANGE IN CASH AND CASH EQUIVALENTS		
	(645,784)	(2,435,481)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,016,435	11,451,916
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,370,651	\$ 9,016,435
RECONCILIATION OF OPERATING LOSS TO NET USED IN OPERATING ACTIVITIES		
Operating loss	\$ (27,490,201)	\$ (25,995,003)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation	4,961,025	4,301,026
Change in accounts receivable	114,324	(11,485)
Change in inventories	(17,856)	(92,767)
Change in prepaid and other assets	25,034	(51,047)
Change in accounts payable and prepaid expenses	(3,057,464)	141,469
NET CASH USED IN OPERATING ACTIVITIES	\$ (25,465,138)	\$ (21,707,807)
SUPPLEMENTAL CASH FLOWS INFORMATION		
Accounts payable incurred for purchase of property and equipment	\$ (3,859,395)	\$ 3,780,109

See accompanying notes and independent auditor's report.

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

NOTE A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The Transit 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 Transit 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 Transit Authority has the right to eminent domain and the power to enter into contracts and to purchase equipment. The Transit 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 Transit Authority is solely responsible for financing deficits or the disposition of surplus funds. The Transit Authority collects revenues, controls disbursements and has title to all assets. The Transit 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.

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

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Accounting

The financial statements of the Transit 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 Transit 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 Transit Authority is not subject to federal or state income taxes.

3. 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 position during the reporting period. Significant estimates include the assumptions used in computing the Transit Authority's pension benefit obligation. Actual results could differ from those estimates.

4. Cash Equivalents

The Transit Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted primarily of a money market account with a bank.

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Certificates of Deposit and Investment Income

Investments in nonnegotiable certificates of deposit are carried at cost. Investment income consists of interest income.

6. Accounts, Grants and Property Taxes Receivable

Accounts receivable consist of amounts due from customers for the 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 Transit Authority has evaluated outstanding receivables and determined that no allowance is necessary at December 31, 2014 and 2013.

7. 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.

8. Capital Assets

Assets which cost \$5,000 or more and with a useful life of more than one year are capitalized. Capital assets are recorded at cost, or if contributed property, at their fair value at the time of contribution. 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 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

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Accrued Vacation Pay

The Transit 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 Transit 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 position date plus an additional amount for compensation-related payments such as pension and social security and Medicare taxes computed using rates in effect at that date.

10. Net Position Classification

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

Net Investment in Capital Assets

This component of net position 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 position consists of constraints placed on net position 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 Transit Authority had no restricted net position at December 31, 2014 and 2013.

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Net Position Classification - Continued

Unrestricted

This component of net position consists of net position 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 Transit Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

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

The Transit 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 Transit 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.

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE A. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. 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 B. DEPOSITS AND INVESTMENT INCOME

1. 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 Transit Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law. As of December 31, 2014 and 2013 the Transit Authority's banks of deposit and money market balances were \$8,003,167 and \$6,913,099, respectively. As of December 31, 2014 and 2013 the amounts were fully insured or collateralized with collateral in the Transit Authority's name.

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 Transit Authority invested \$1,000,000 in a certificate of deposit linked to performance of a basket of twelve large cap companies.

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE B. DEPOSITS AND INVESTMENT INCOME- CONTINUED

1. Deposits – Continued

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 Transit 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 Transit Authority will not receive any interest payments. The certificate of deposit has a term of five years and matures in 2015.

2. Summary of Carrying Value

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

	<u>2014</u>	<u>2013</u>
Carrying value:		
Deposits	\$ 8,844,760	\$ 9,589,081
Cash at County Treasurer	<u>525,891</u>	<u>427,354</u>
	<u>\$ 9,370,651</u>	<u>\$ 10,016,435</u>

Included in the following balance sheet captions:

Cash and equivalents	\$ 8,370,651	\$ 9,016,435
Certificates of deposit	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 9,370,651</u>	<u>\$ 10,016,435</u>

3. Investment Income

Investment income for the years ended December 31, 2014 and 2013 consisted of interest income of \$76,134 and \$23,896, respectively.

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE C. CAPITAL ASSETS

Capital assets activity for the years ended December 31, 2014 and 2013 were:

	2014				
	Beginning Balance	Additions	Adjustments and Retirements	Transfers	Ending Balance
Land	\$ 2,761,335	\$ -	\$ -	\$ -	\$ 2,761,335
Construction in progress	6,967,667	5,900,441	(41,808)	(8,866,346)	3,959,954
Total nondepreciable capital assets	9,729,002	5,900,441	(41,808)	(8,866,346)	6,721,289
Buildings and improvements	30,735,116	-	(1,318,776)	2,860,311	32,276,651
Motor coaches	37,215,824	-	(941,887)	3,922,397	40,196,334
Service cars and other equipment	7,737,648	-	(17,679)	98,282	7,818,251
Office furniture and equipment	1,922,413	19,075	(19,899)	45,934	1,967,523
Fees & Studies	-	-	-	1,939,422	1,939,422
Total depreciable capital assets	77,611,001	19,075	(2,298,241)	8,866,346	84,198,181
Less: accumulated depreciation	(44,810,646)	(4,961,025)	2,279,164	-	(47,492,504)
Total depreciable capital assets, net	32,800,355	(4,941,950)	(19,077)	8,866,346	36,705,677
Net capital assets	<u>\$ 42,529,357</u>	<u>\$ 958,491</u>	<u>\$ (60,885)</u>	<u>\$ -</u>	<u>\$ 43,426,966</u>
	2013				
	Beginning Balance	Additions	Adjustments and Retirements	Transfers	Ending Balance
Land	\$ 2,761,335	\$ -	\$ -	\$ -	\$ 2,761,335
Construction in progress	1,944,537	14,525,511	(532,362)	(8,970,019)	6,967,667
Total nondepreciable capital assets	4,705,872	14,525,511	(532,362)	(8,970,019)	9,729,002
Buildings and improvements	27,686,192	-	(5,710)	3,054,634	30,735,116
Motor coaches	36,469,900	-	(2,349,389)	3,095,313	37,215,824
Service cars and other equipment	6,993,013	-	(2,075,437)	2,820,072	7,737,648
Office furniture and equipment	1,944,802	-	(22,389)	-	1,922,413
Fees & Studies	-	-	-	-	-
Total depreciable capital assets	73,093,907	-	(4,452,925)	8,970,019	77,611,001
Less: accumulated depreciation	(44,937,103)	(4,301,024)	4,427,479	-	(44,810,646)
Total depreciable capital assets, net	28,156,804	(4,301,024)	(25,446)	8,970,019	32,800,355
Net capital assets	<u>\$ 32,862,676</u>	<u>\$ 10,224,487</u>	<u>\$ (557,808)</u>	<u>\$ -</u>	<u>\$ 42,529,357</u>

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE D. RISK MANAGEMENT

The Transit 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 Transit 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 Transit 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 Transit Authority's retention of \$500,000 per occurrence. The Nebraska Political Tort Claims Act limits the Transit 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 Transit Authority funds its self-insurance program on an "incurred loss" basis. Provisions for these liabilities have been made based upon historical experience. The Transit Authority has internally designated approximately \$2,000,000 of its cash equivalents as a reserve for the 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:

	<u>2014</u>	<u>2013</u>
Balance, January 1	\$ 579,956	\$ 571,005
Current year claims and change in estimates	4,461,930	3,830,856
Claim payments	(4,157,427)	(3,821,905)
Balance, December 31	<u>\$ 884,459</u>	<u>\$ 579,956</u>

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE E. PENSION PLANS

1. Defined Benefit Plans

Plan Description

The Transit 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, termination, and disability benefits. The Transit 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 Transit Authority and the Transportation Workers of America become eligible under the Hourly Employees' Pension Plan ("Hourly Plan") and 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.

2. Funding Policy

Salaried Employees' Plan

The Plan requires all salaried participants to contribute 6.00% of their annual salary to the Plan. The Transit 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 Transit 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 THE FINANCIAL STATEMENTS – CONTINUED
 For the years ended December 31, 2014 and 2013

NOTE E. PENSION PLANS – CONTINUED

3. Annual Pension Cost and Net Pension Obligation

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

	<u>Hourly Plan</u>	<u>Salaried Plan</u>
Year ended December 31, 2014:		
Annual required contribution	\$ 833,212	\$ 219,791
Interest on net pension obligation	91,176	(7,497)
Adjustment to annual required contribution	<u>(107,317)</u>	<u>8,825</u>
Annual pension cost	817,071	221,119
Contribution made	<u>702,245</u>	<u>218,892</u>
Increase in net pension obligation	114,826	2,227
Net pension obligation (asset), beginning of year	<u>1,302,521</u>	<u>(107,105)</u>
Net pension obligation (asset), end of year	<u><u>\$ 1,417,347</u></u>	<u><u>\$ (104,878)</u></u>

	<u>Hourly Plan</u>	<u>Salaried Plan</u>
Year ended December 31, 2013:		
Annual required contribution	\$ 847,072	\$ 224,671
Interest on net pension obligation	83,676	(5,679)
Adjustment to annual required contribution	<u>(97,361)</u>	<u>6,608</u>
Annual pension cost	833,387	225,600
Contribution made	<u>726,238</u>	<u>251,577</u>
Increase in net pension obligation	107,149	(25,977)
Net pension obligation (asset), beginning of year	<u>1,195,372</u>	<u>(81,128)</u>
Net pension obligation (asset), end of year	<u><u>\$ 1,302,521</u></u>	<u><u>\$ (107,105)</u></u>

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE E. PENSION PLANS – CONTINUED

3. Annual Pension Cost and Net Pension Obligation – Continued

The net pension obligation is included in accrued expenses at December 31, 2014 and 2013.

The annual required contribution for the current year was determined as part of the January 1, 2014 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 7.00% for the Hourly Plan and 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 30 years with a closed period for the Salaried and Hourly Plan.

4. Funded Status and Funding Progress

Salaried Employees' Plan

At January 1, 2014, the most recent valuation date, the Plan was 70.03% funded. The actuarial accrued liability for benefits was \$8,164,901 and the actuarial value of assets was \$5,717,828 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,447,073. The covered payroll (annual payroll of active employees covered by the Plan) was \$2,071,861 and the ratio of the UAAL to covered payroll was 118.11%.

Hourly Employees' Plan

At January 1, 2014, the most recent valuation date, the Plan was 64.07% funded. The actuarial accrued liability was \$31,038,929 and the actuarial value of assets was \$19,886,881 resulting in an unfunded actuarial accrued liability of \$11,152,048. The covered payroll was \$11,362,603 and the ratio of the UAAL to covered payroll was 98.15%.

The Transit Authority of the City of Omaha
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 For the years ended December 31, 2014 and 2013

NOTE E. PENSION PLANS – CONTINUED

5. 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		Net Pension Liability (Asset)
		APC Contributed	APC Contributed	
2014	\$ 221,119	98.99%	\$ (104,878)	
2013	225,600	111.50%	(107,105)	
2012	241,192	102.40%	(81,128)	

**Three Year Trend Information
 Hourly Employees' Pension Plan**

Year ended December 31,	Annual Pension Cost (APC)	Percentage of		Net Pension Liability (Asset)
		APC Contributed	APC Contributed	
2014	\$ 817,071	85.95%	\$ 1,417,347	
2013	833,387	87.14%	1,302,521	
2012	884,806	81.30%	1,195,372	

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE E. PENSION PLANS – CONTINUED

6. Deferred Compensation Plan

The Transit 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 F. OTHER EMPLOYEE BENEFITS

The Transit 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 liability is the amount owed to employees who are eligible at their retirement date to receive the benefit. At December 31, 2014 and 2013, the Transit Authority recorded a liability of \$322,000 and \$332,000, respectively. No portion of this liability is considered current as of December 31, 2014 and 2013, respectively.

NOTE G. COMMITMENTS AND CONTINGENCIES

1. Government Grants

The Transit 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, 2014 and 2013, in the opinion of management of the Transit Authority, any disallowance resulting from a federal audit would not be material.

The Transit Authority of the City of Omaha
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the years ended December 31, 2014 and 2013

NOTE G. COMMITMENTS AND CONTINGENCIES – CONTINUED

2. Claims and Litigation

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

3. 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 Transit Authority.

A significant decline in governmental support, grant revenue, tax revenue, etc. could have an adverse impact on the Transit 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 Transit Authority's ability to maintain sufficient liquidity.

Required Supplementary Information

The Transit Authority of the City of Omaha
 SCHEDULE OF PENSION FUNDING PROGRESS
 For the year ended December 31, 2014

Three Year Trend Information
 Salaried Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2014	5,717,828	8,164,901	2,447,073		70.03%	2,071,861	118.11%
January 1, 2013	5,265,852	7,812,438	2,546,586		67.40%	1,905,917	133.61%
January 1, 2012	4,943,779	7,653,627	2,709,848		64.59%	1,891,652	143.25%

Three Year Trend Information
 Hourly Employee' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2014	19,886,881	31,038,929	11,152,048		64.07%	11,362,603	98.15%
January 1, 2013	18,335,855	30,577,378	12,241,523		59.97%	11,350,348	107.85%
January 1, 2012	17,290,974	29,235,461	11,944,487		59.14%	11,120,512	107.41%

See accompanying independent auditor's report

Supplementary Information

The Transit Authority of the City of Omaha
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended December 31, 2014

<u>Cluster/Program</u>	<u>Federal Agency/ Pass Through Entity</u>	<u>CFDA Number</u>	<u>Grant/Identifying Number</u>	<u>Amount Expended</u>
Federal Transit Cluster				
Federal Transit - Formula Grants	Department of Transportation	20.507	NE-90-X099	\$ 5,119,638
Federal Transit - Formula Grants	Department of Transportation	20.507	NE-90-X096	1,003,622
Federal Transit - Formula Grants	Department of Transportation	20.507	NE-90-X094	191,611
Federal Transit - Formula Grants	Department of Transportation	20.507	NE-95-0001	<u>49,144</u>
				<u>6,364,015</u>
Federal Transit - Capital Investment Grants	Department of Transportation	20.500	NE-04-X043	29,015
Federal Transit - Capital Investment Grants	Department of Transportation	20.500	NE-04-X044	749
Federal Transit - Capital Investment Grants	Department of Transportation	20.500	NE-04-X045	1,778,822
Federal Transit - Capital Investment Grants	Department of Transportation	20.500	NE-04-X046	1,670,530
Federal Transit - Capital Investment Grants	Department of Transportation	20.500	NE-04-X047	<u>2,450</u>
				<u>3,481,566</u>
Federal Transit - Capital Grant	Department of Transportation	20.526	NE-34-0001	868,778
Total Federal Transit Cluster				10,714,359
Job Access - Reverse Commute (JARC)	Department of Transportation	20.516	NE-37-X002	57,840
Metropolitan Transportation Planning - Metropolitan Planning Program	Department of Transportation/ Metropolitan Area Planning Agency	20.505	MAPA-METRO 546-600	<u>114,880</u>
				<u>\$10,887,079</u>

See accompanying independent auditor's report

The Transit Authority of the City of Omaha
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2014 and 2013

NOTE A. NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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	Subrecipieint	Amount Provided
Federal Transit- Formula Grants	20.507	City of Bellevue	\$ 237,444
Federal Transit- Formula Grants	20.507	City of Council Bluffs	276,180
Federal Transit- Formula Grants	20.507	Tri Communities (Cities of Ralston, Papillion, and La Vista)	181,716



**INDEPENDENT AUDITOR'S 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
The Transit Authority of the City of Omaha
Omaha, Nebraska

We have audited, in accordance with the 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, the financial statements of The Transit Authority of the City of Omaha (the Transit Authority) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Transit Authority of the City of Omaha basic financial statements, and have issued our report thereon dated March 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit Authority's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transit Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hayes & Associates, L.L.C.
Omaha, Nebraska
March 20, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
The Transit Authority of the City of Omaha

Report on Compliance for Each Major Federal Program

We have audited The Transit Authority of the City of Omaha's (the Transit Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Transit Authority's major federal programs for the years ended December 31, 2014. The Transit Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Transit Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Transit 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Transit Authority complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of the Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Transit Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Transit 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hayes & Associates, L.L.C.

Omaha, Nebraska

March 20, 2015

The Transit Authority of the City of Omaha
SCHEDULE OF FINDINGS AND QUESTIONED COST – CONTINUED
For the years ended December 31, 2014 and 2013

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issues: **Unmodified**

Internal controls over financial reporting:

- Material weaknesses identified: **None**
- Significant deficiencies identified: **None reported**

Noncompliance material to financial statements noted: **None reported**

Federal Awards

Internal control over major programs:

- Material weaknesses identified: **None**
- Significant deficiencies identified: **None reported**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to Be reported in accordance with Section 510(a) of OMB Circular A-133: **None**

Identification of major programs:

CFDA Numbers Name of Federal Program or Cluster
20.500 & 20.507 Federal The Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Audit qualified as low-risk auditee: **Yes**

The Transit The Transit Authority of the City of Omaha
SCHEDULE OF FINDINGS AND QUESTIONED COST – CONTINUED
For the year ended December 31, 2014 and 2013

II. FINANCIAL STATEMENT FINDINGS

None reported.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

The Transit Authority of the City of Omaha
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2014 and 2013

II. FINANCIAL STATEMENT FINDINGS

None reported.

III. MAJOR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.