# TOPEKA METROPOLITAN TRANSIT AUTHORITY

Financial Statements
with
Independent Auditors' Report
For the years ended June 30, 2013 and 2012

By

**DOUTHETT & CO. CPA, PA**
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TOPEKA METROPOLITAN TRANSIT AUTHORITY

FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

## TABLE OF CONTENTS

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Topeka Metropolitan Transit Authority

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, of Topeka Metropolitan Transit Authority (the Authority) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Topeka Metropolitan 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 and the applicable provisions of the Kansas Municipal Audit Guide. 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 opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Topeka Metropolitan Transit Authority, as of June 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Operating Fund – Budget and Actual comparison information on pages 3 through 11 and 28 through 29 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.

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

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of the Topeka Metropolitan Transit Authority's internal control over financial reporting and on 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 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 Topeka Metropolitan Transit Authority's internal control over financial reporting and compliance.

Douthett & Co. CPA, PA

Douthett & Co. CPA, PA
Topeka, Kansas
October 31, 2013

**Topeka Metropolitan Transit Authority**
**Management Discussion and Analysis**
**Annual Financial Report**
**Year Ended June 30, 2013**

BOARD OF DIRECTORS
Rodd Miller, Chair
Andy Sanchez, Vice-Chair
Andy Vogel
Jim Ogle
Jim Daniel
Beverly Hall

EXECUTIVE STAFF
Susan Duffy, GM
Chip Falldine, CFO
John Cassidy, General Counsel

# INTRODUCTION

This discussion and analysis is intended to serve as an introduction to Metro's basic financial statements for the year ending June 30, 2013, with selected comparative information for the year ending June 30, 2012. Metro uses an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto.

## OPERATIONAL HIGHLIGHTS

Metro accepted delivery of ten new paratransit buses from Glaval in March 2013, replacing the paratransit fleet that had been purchased in 2006. Metro sold six of the 2006 paratransit buses, and is retaining nine; three of these buses are still in service, and six have been placed in a Contingency Fleet for future requirements. Metro ordered ten fixed route buses from Gillig, and expects to accept delivery in December 2014. These ten new buses will replace the fleet purchased in 1998.

Metro initiated a new student pass program in FY2013 with Unified School District 501. The district purchased over a thousand annual student passes for the 2012-2013 school year. Students may also use their bus passes during school holidays and summer vacation.

## METRO FINANCIAL MANAGEMENT

This financial report is designed to provide the Metro Board of Directors, management, stakeholders, funding sources and other interested parties with a general overview of Metro's finances, and to demonstrate Metro's accountability for the funds it receives and expends. For additional information about this report:

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# ACTIVITY HIGHLIGHTS

## RIDERSHIP

Various attributes are summarized on the following pages for each type of service offered by Topeka Metro.

| Fiscal Year | Fixed Route | Lift | Eve/Sun | Total |
|---|---|---|---|---|
| 2009 | 1,550,823 | 88,083 | 24,483 | 1,663,389 |
| 2010 | 1,151,733 | 83,326 | 15,157 | 1,250,216 |
| 2011 | 1,152,306 | 82,405 | 16,408 | 1,251,119 |
| 2012 | 1,127,752 | 73,724 | 4,572 | 1,206,048 |
| 2013 | 1,136,393 | 66,253 | 0 | 1,202,646 |

## SERVICE CHANGES

Due to revenue constraints, Metro has made several adjustments to its fixed route, lift and Evening/Sunday services since 2009. The first service reduction took place in January 2009, resulting in an estimated ridership loss of 194,786. The next service reduction took place in January 2010. Total ridership loss from FY 2008 to FY 2010 due to these two service reductions was 607,959, or 33%.

The reduction of Evening/Sunday service (eliminating the 6:30 p.m. to 8:30 p.m. hours) took place in FY 2011. Further budget cuts caused the total elimination of Evening/Sunday service in FY 2012. Lift ridership also decreased in FY 2012 due to the reduction of the lift service area.

In FY 2013, fixed route ridership increased slightly, by 0.8%. The lift service area, reduced in FY 2012, was reinstated in FY 2013.

## FARE CHANGES

The per trip fixed route bus fare increased in October 2011 from $1.25 to $2.00, resulting in a decrease in fixed route ridership in FY 2012.

## SERVICE HOURS

| Fiscal year | Fixed Route | Lift | Eve/Sun | Total |
|---|---|---|---|---|
| 2009 | 67,604 | 23,012 | 8,419 | 99,035 |
| 2010 | 62,643 | 25,090 | 6,554 | 94,287 |
| 2011 | 59,215 | 25,728 | 6,210 | 91,153 |
| 2012 | 54,380 | 27,195 | 1,730 | 83,305 |
| 2013 | 54,079 | 23,932 | 0 | 78,011 |

# FINANCIAL HIGHLIGHTS

## SUMMARY OF NET POSITION

| | 2013 | 2012 | Change |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | $10,687,751 | $ 9,525,873 | $1,161,878 |
| Fixed Assets, Net | 13,369,357 | 13,539,234 | (169,877) |
| Total Assets | $24,057,108 | $23,065,107 | $ 992,001 |
| **Liabilities** | | | |
| Current Liabilities | 386,778 | 467,255 | (80,478) |
| Long-Term Liabilities | 0 | 0 | 0 |
| Total Liabilities | 386,778 | 467,255 | (80,478) |
| **Net Assets** | | | |
| Invested in Fixed Assets | 13,369,357 | 13,539,234 | (169,877) |
| Restricted | 3,708,653 | 3,000,503 | 708,150 |
| Unrestricted | 6,592,320 | 6,058,115 | 534,205 |
| Total Net Assets | $23,670,330 | $22,597,852 | $1,072,478 |

## CURRENT ASSETS

Cash and Cash Equivalents are those funds kept on hand for operating and reserved funds. Investments and Restricted Investments include both certificates of deposit and funds invested in the State of Kansas Municipal Investment Pool. $500,000 of Restricted Investment is for the self-insurance program, and $3,208,653 was reserved by the Metro Governing Board for capital improvements.

Receivables consist of:

- Accounts Receivable, which consist of billings to third parties who have purchased some type of fare medium (tickets or passes), and reimbursement due for federal tax paid on gasoline purchases;
- Grants Receivable, which are funds due at the close of the fiscal year from funding agencies based on the allowable expenditures within a grant; and,
- Accrued Interest Receivable, which is the interest due on certificates of deposit.

Accounts Receivable maintained a consistent balance throughout the period. The age of an account receivable rarely exceeds 30 days – the majority of accounts are paid promptly and uncollectible accounts are negligible. Grants Receivable funds are received on a reimbursement basis, usually within ninety (90) days of the expenditure. The balance at the end of any year varies depending upon the capital procurements in process, operating expenses incurred, and timing of the availability of grant funds.

Inventory consists of diesel fuel, unleaded gasoline and several types of oil – all are used in the buses and service vehicles and kept in storage tanks on the property. These items are expensed monthly based on use.

Prepaid Expenses include employee benefits and a variety of operating expenditures. The largest monthly prepayment is for employee health insurance premiums. Prepaid Insurance (property, liability and workers compensation) is also included in this category.

## FIXED ASSETS

Assets purchased:

a) Ten (10) Glaval paratransit buses.

Asset disposals:

a) The 1986 Chance Trolley was donated to the Children's Discovery Center;
b) Six (6) 2006 Goshen paratransit buses were sold; and,
c) A voice recorder was replaced; the new recorder was expensed, and the old recorder discarded.

The net value of Metro's property and equipment decreased by $169,877 during fiscal year 2013; this was due to the net effect of (1) the purchase and disposal of assets, and (2) normal and customary depreciation.

## LIABILITIES

Accounts Payable remained fairly consistent throughout the year; any fluctuations were due solely to the timing of invoices.

Accrued Payroll and Related Liabilities includes all wages payable, payroll taxes (both withheld and the employer share), accrued vacation, and accrued contracted sick leave.

Unearned Revenue is comprised solely of pre-sold bus passes and tickets.

## NET ASSETS

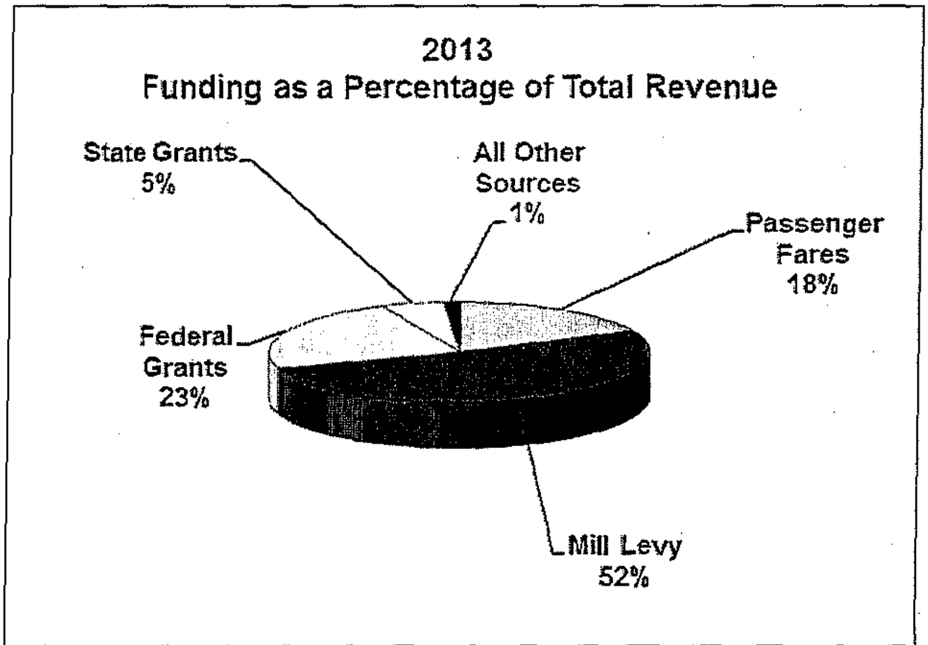
Restricted and Unrestricted Net Assets are the equivalent of Total Fund Balances. Investment in Capital Assets is the book value of Metro's assets (purchase price less accumulated depreciation) net of related debt. Restricted Net Assets is comprised of the Self Insurance Fund, with a balance of $500,000, and any Board-Restricted Capital Reserve – at year-end fiscal year 2013, Restricted Capital Reserve was $3,208,653. Unrestricted Net Assets is the balance of equity.

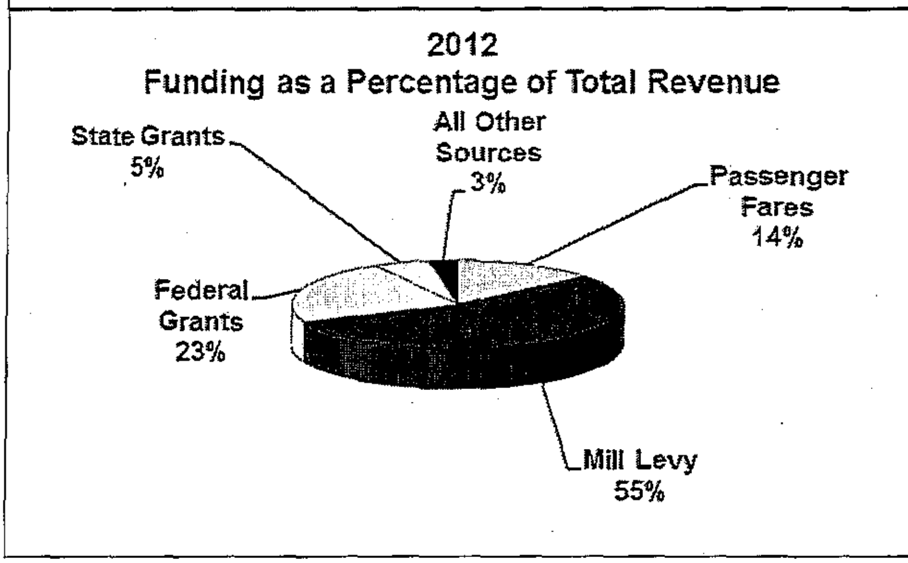
## Summary of Operations and Change in Net Position

| | Fiscal Year Ending June 30 2013 | 2012 | Change |
|---|---|---|---|
| Operating Revenue | | | |
| Fares | $ 1,591,321 | $ 1,193,284 | $ 398,037 |
| Other Operating | 91,484 | 174,227 | (82,743) |
| Total Operating Revenue | 1,682,805 | 1,367,511 | 315,294 |
| Operating Expense | | | |
| Salaries and Benefits | 4,688,848 | 4,937,462 | (248,614) |
| Contracted Services | 539,328 | 860,575 | (321,247) |
| Materials and Supplies | 1,227,121 | 1,467,894 | (240,773) |
| General Overhead | 264,253 | 288,412 | (24,159) |
| Depreciation | 982,194 | 945,044 | 37,150 |
| Total Operating Expense | 7,701,744 | 8,499,387 | (797,643) |
| Operating Deficit | (6,018,939) | (7,131,876) | 1,112,937 |
| Non-Operating Revenue | | | |
| Interest & Gain/(Loss) on Disposal | 32,416 | 58,202 | (25,786) |
| Grants | 2,517,380 | 2,423,009 | 94,371 |
| Mill Levy | 4,541,621 | 4,630,098 | (88,477) |
| Total Non-Operating Revenue | 7,091,417 | 7,111,309 | (19,892) |
| Excess/(Deficit) before Capital Grants | 1,072,478 | (20,567) | 1,093,045 |
| Prior Year Bus Shelter Donation | 0 | 3,801 | (3,801) |
| Capital Grants | 0 | 0 | 0 |
| Change in Net Assets | 1,072,478 | (16,766) | 1,089,244 |
| Net Assets – Beginning Balance | 22,597,852 | 22,614,618 | (16,766) |
| Net Assets – Ending Balance | $23,670,330 | $22,597,852 | $1,072,478 |

Operating expenses decreased 9% in fiscal year 2013. There were decreases in all categories of expense except Depreciation, which increased due to the purchase of buses. Contract Services decreased 38% due to a decrease in required maintenance costs. Materials and Supplies decreased 16% due to three factors: (1) $78,000 decrease in fuel cost; (2) $60,000 decrease in maintenance parts and supplies; and (3) radios were replaced in FY2012 at a cost of $97,000. Fares increased 33% due to the new pass program with USD501.

## Revenue and Funding

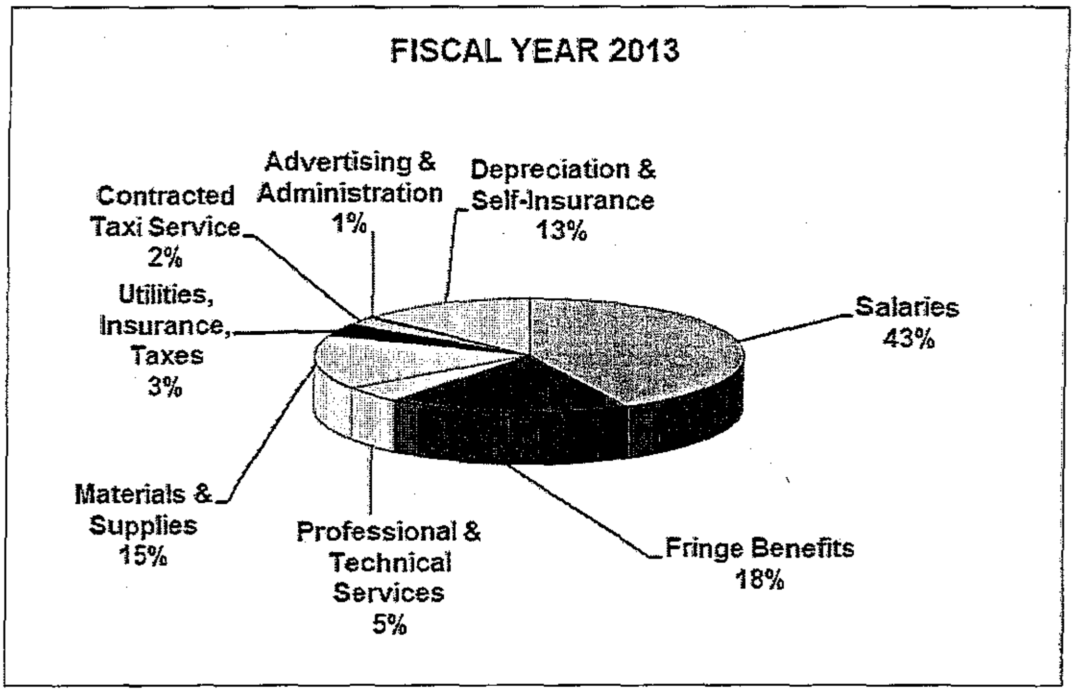


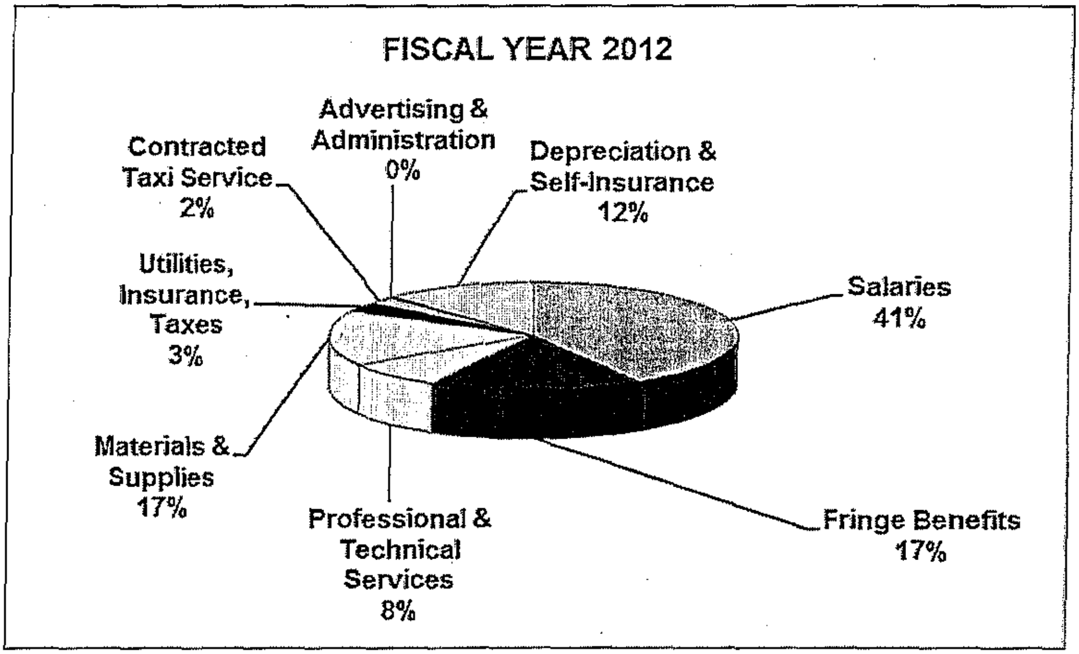



| **Sources of Operational Funding** | Fiscal year Ending June 30 | | |
|---|---|---|---|
| (Capital Grants not Included) | 2013 | 2012 | Variance |
| Fares | $1,591,321 | $1,191,512 | $399,809 |
| Mill Levy | 4,541,621 | 4,630,098 | (88,477) |
| Federal Grants | 2,056,918 | 1,962,547 | 94,371 |
| State Grants | 460,462 | 460,462 | 0 |
| All Other Sources | 123,900 | 234,201 | (110,301) |
| Total Operating Revenue | $8,774,222 | $8,478,820 | $295,402 |

Fare revenue reflects an increase due to the new annual student pass program with USD501. Federal grants increased due to an increase in the amount appropriated by FTA. Other Sources reflect a decrease due to the receipt of $100,000 in FY2012 for the transfer of 5 trolleys to Wichita.

## OPERATING EXPENSES



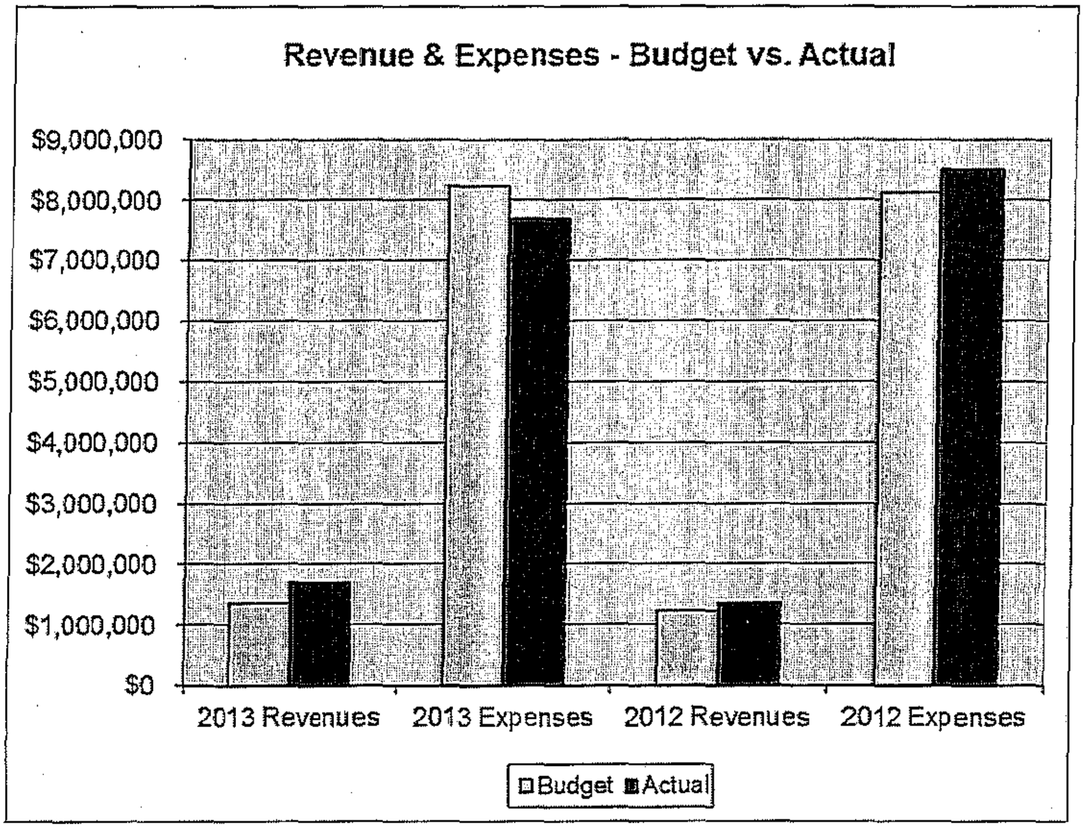



| Operating Expenses | Fiscal year Ending June 30 2013 | 2012 | Variance |
|---|---|---|---|
| Salaries | $3,279,542 | $3,512,748 | ($233,206) |
| Fringe Benefits | 1,409,306 | 1,424,715 | (15,409) |
| Professional & Technical Services | 362,600 | 677,232 | (314,632) |
| Materials & Supplies | 1,161,904 | 1,399,713 | (237,809) |
| Utilities, Insurance & Taxes | 270,893 | 248,878 | 22,015 |
| Contracted Taxi Service | 176,728 | 183,343 | (6,615) |
| Advertising & Administration | 41,582 | 35,246 | 6,336 |
| Depreciation & Self-Insurance | 999,189 | 1,017,513 | (18,324) |
| Total Operating Expenses | $7,701,744 | $8,499,388 | ($797,644) |

Overall operating expenses decreased $797,644, or 9.4%. Salaries decreased by $233,206: (1) a contractual severance payment in FY2012, and (2) driver overtime decreased. Professional Services decreased by $314,632 due to decreased maintenance requirements for buildings and parking lots. Materials & Supplies decreased by $237,809: (1) fuel requirements and cost decreased, (2) spare part purchases decreased due to the purchase of new buses, and (3) radios were replaced in FY2012.

## Budget

Passenger Fares exceeded budget in fiscal year 2013 due to the annual student passes purchased by USD501. Operating expenses were under budget by $536,454 due to savings on overtime, health insurance, fuel, radios, professional services and maintenance costs.




| | Budget | Actual | % of Budget |
|---|---|---|---|
| 2012 Revenue | $1,235,762 | $1,367,511 | 110.7% |
| 2012 Expenses | $8,133,416 | $8,499,388 | 104.5% |
| | | | |
| 2013 Revenue | $1,369,504 | $1,682,805 | 122.9% |
| 2013 Expenses | $8,238,198 | $7,701,744 | 93.5% |

TOPEKA METROPOLITAN TRANSIT AUTHORITY

STATEMENTS OF NET POSITION
June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash in bank | $ 105,641 | $ 123,313 |
| Dispatchers' cash | 1,150 | 1,150 |
| Investments: | | |
| Operating | 5,831,765 | 5,536,377 |
| Restricted | 3,708,653 | 3,000,503 |
| Accounts receivable | 157,745 | 43,046 |
| Grants receivable | 552,536 | 514,616 |
| Interest receivable | 1,160 | 1,984 |
| Inventory | 58,003 | 49,544 |
| Prepaid expenses | 271,098 | 255,340 |
| Total Current Assets | 10,687,751 | 9,525,873 |
| NON-CURRENT ASSETS | | |
| Capital assets, net of depreciation | 13,369,357 | 13,539,234 |
| TOTAL ASSETS | 24,057,108 | 23,065,107 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | 97,690 | 223,119 |
| Accrued payroll | 78,220 | 65,820 |
| Accrued payroll liabilities | 59,800 | 57,229 |
| Accrued vacation | 105,638 | 102,023 |
| TOTAL LIABILITIES | 341,348 | 448,191 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unearned revenue | 45,430 | 19,064 |
| TOTAL DEF. INFLOWS OF RESOURCES | 45,430 | 19,064 |
| NET POSITION | | |
| Invested in capital assets | 13,369,357 | 13,539,234 |
| Restricted for: | | |
| Capital reserves | 3,208,652 | 2,500,503 |
| Insurance reserves | 500,000 | 500,000 |
| Unrestricted | 6,592,322 | 6,058,115 |
| TOTAL NET POSITION | $ 23,670,330 | $ 22,597,852 |

See accompanying notes to financial statements

TOPEKA METROPOLITAN TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| OPERATING REVENUES | | |
| Passenger fares | $ 1,591,321 | $ 1,191,512 |
| Miscellaneous | 14,461 | 143,642 |
| Advertising - cash | 51,964 | 30,585 |
| Insurance claims recovery | 23,870 | - |
| Charter and contract fares | 1,189 | 1,772 |
| Total Operating Revenues | 1,682,805 | 1,367,511 |
| OPERATING EXPENSES | | |
| Salaries | 3,279,542 | 3,512,748 |
| Materials and supplies | 1,161,905 | 1,399,713 |
| Depreciation | 982,194 | 945,044 |
| Fringe benefits | 1,409,306 | 1,424,715 |
| Taxi service | 176,728 | 183,343 |
| Contracted services | 362,600 | 677,232 |
| Self-insurance damage claims | 16,995 | 72,469 |
| Utilities | 142,393 | 132,888 |
| Taxes | 65,216 | 68,181 |
| Travel and meetings | 10,379 | 7,367 |
| Miscellaneous | 18,913 | 13,811 |
| Insurance | 63,284 | 47,809 |
| Advertising - cash | 8,325 | 7,456 |
| Leases | 3,964 | 6,612 |
| Total Operating Expenses | 7,701,744 | 8,499,388 |
| OPERATING LOSS | (6,018,939) | (7,131,877) |
| NON-OPERATING REVENUES AND EXPENSES | | |
| Federal operating grants | 2,056,918 | 1,962,547 |
| Mill levy | 4,541,621 | 4,630,098 |
| State operating grants | 460,462 | 460,462 |
| Investment income | 12,981 | 8,112 |
| Gain on sale of assets | 19,435 | 50,090 |
| Total Non-Operating Revenues and Expenses | 7,091,417 | 7,111,309 |
| CHANGE IN NET POSITION | 1,072,478 | (20,568) |
| NET POSITION, beginning of year | 22,597,852 | 22,614,619 |
| Prior Period Adjustment | - | 3,801 |
| NET POSITION, end of year | $ 23,670,330 | $ 22,597,852 |

See accompanying notes to financial statements

TOPEKA METROPOLITAN TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | $ 1,613,906 | $ 1,416,983 |
| Cash paid to suppliers and employees | (6,850,608) | (7,505,941) |
| Net Cash Provided (Used) by Operating Activities | (5,236,702) | (6,088,958) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from investments | 4,346,610 | 5,588,012 |
| Purchase of investments | (5,350,150) | (7,436,504) |
| Interest income | 13,806 | 7,534 |
| Net Cash Provided (Used) by Investing Activities | (989,734) | (1,840,958) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of property and equipment | (812,317) | (74,948) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Mill levy | 4,541,621 | 4,630,098 |
| Operating grant receivable | (37,920) | 956,651 |
| Operating grant proceeds | 2,517,380 | 2,423,009 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | 7,021,081 | 8,009,758 |
| NET INCREASE (DECREASE) IN CASH | (17,672) | 4,894 |
| CASH, beginning of year | 124,463 | 119,569 |
| CASH, end of year | $ 106,791 | $ 124,463 |
| | | |
| CASH PER STATEMENTS OF NET POSITION | | |
| Cash in bank | $ 105,641 | $ 123,313 |
| Dispatchers' cash | 1,150 | 1,150 |
| CASH, end of year | $ 106,791 | $ 124,463 |

See accompanying notes to financial statements

TOPEKA METROPOLITAN TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | $ (6,018,939) | $ (7,131,877) |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation | 982,194 | 945,044 |
| Gain on sale of assets | 19,435 | 50,090 |
| (Increase) decrease in assets | | |
| Accounts receivable | (114,700) | (8,759) |
| Inventory | (8,459) | 35,828 |
| Prepaid expenses | (15,758) | (87,795) |
| Increase (decrease) in liabilities | | |
| Accounts payable | (125,430) | 105,942 |
| Accrued payroll | 12,399 | 10,838 |
| Accrued payroll liabilities | 2,572 | (11,734) |
| Accrued vacation | 3,616 | (4,676) |
| Unearned revenue | 26,366 | 8,141 |
| Net Cash Provided (Used) by Operating Activities | $ (5,236,702) | $ (6,088,958) |

See accompanying notes to financial statements

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

The Topeka Metropolitan Transit Authority (the Authority) was created in 1973 by Kansas statutes and a City of Topeka (City) ordinance. The Authority's primary function is to plan, develop, finance and operate transit facilities serving the City. In evaluating the Authority's financial reporting entity, management has considered all potential component units and has determined there are no component units over which the Authority is financially accountable. Financial accountability is based primarily on non-operational or financial relationships with the Authority (as distinct from legal relationships). These financial statements include all the accounts for which the Authority is considered to be financially accountable.

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (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.

Basis of accounting refers to when revenues, expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are prepared on the accrual basis of accounting on an economic resources measurement focus in accordance with U.S. generally accepted accounting principles. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total assets. The statement of cash flows provides information about how the Authority meets the cash flow needs of its activities.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The Authority has chosen not to apply future FASB standards for all its proprietary funds.

Grants and entitlement revenues are recognized when compliance with matching requirements is met.

### Budget

In accordance with Kansas statutes, the Authority must establish and approve an annual operating budget. This budget is considered flexible, non-appropriated budget.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Defined for Statement of Cash Flows

For purposes of the statement of cash flows, the Authority considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments include non-negotiable certificates of deposit and money deposited in the State of Kansas Municipal Investment Pool (MIP). The certificates of deposit are recorded at cost because they are not affected by market rate changes. The fair value of the Authority's position in the MIP is the same as the value of the pool shares.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received.

Inventory

Inventory consists of fuel and is stated at cost, which has been determined using the first-in, first-out (FIFO) method of accounting.

Capital Assets

Capital assets, which include property and equipment, are shown at cost. The Authority capitalizes renewals and betterments in excess of $5,000. Depreciation is computed using the straight-line method. Real property is being depreciated over a period of 10 to 50 years. Buses and other equipment are depreciated over a period of 3 to 15 years.

The Authority evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions or improvements are capitalized. When assets used in the operation of the Authority are sold, the gain or loss on the sale is recorded as revenue or expenditure. The Authority does not capitalize interest on the construction of capital assets.

The City deeded to the Authority the land and building at 201 North Kansas in October, 1981. The Authority is to hold title to the property as long as it remains a Transit Authority. If the Authority ceases to exist, the property will revert to the city. The City also deeded to the Authority land located at the northeast corner of Crane and Van Buren streets in July, 1996.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Authority expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2013 and 2012 was $8,325 and $7,456, respectively.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts, based on length of service. In the event of termination or separation, an employee is generally paid for all accumulated vacation. It is the policy of the Authority to record vacation pay as an expense as it is earned. The amount earned but unused accumulated vacation is included in accrued vacation on the statement of net assets.

Retiring employees with 15 to 24 years of service are paid one half of their accumulated sick leave up to a maximum of 60 days, and retiring employees with at least 25 years of service are paid one half of their accumulated sick leave up to a maximum of 70 days.

Subsequent Events

The Organization follows general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, it sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

The Organization evaluated subsequent events through October 31, 2013 the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Management's estimates and assumptions include, but are not limited to, estimates of collectability of grants receivable and estimated useful lives and salvage values of property and equipment. Management's estimates and assumptions are derived from and are continually evaluated based upon available information, judgment and experience. Actual results could differ from those estimates.

## NOTE 2 – CASH AND INVESTMENTS

At June 30, 2013 and throughout the years ended June 30, 2013 and 2012, the Authority's cash and investments included certificates of deposit and money deposited in the State of Kansas Municipal Investment Pool (MIP). The MIP is overseen by the State of Kansas.

As of June 30, 2013, the Authority had the following investments and maturities:

| | Investments in Maturities (in Years) | | |
|---|---|---|---|
| | Fair Value | Less than 1 | Rating U.S. |
| Kansas Municipal Investment Pool | $ 5,479,373 | $ 5,479,373 | S&P AAAf/S1+ |
| Certificates of Deposit | 4,061,045 | 4,061,045 | N/A |
| Total | $ 9,540,418 | $ 9,540,418 | |

As of June 30, 2012, the Authority had the following investments and maturities:

| | Investments in Maturities (in Years) | | |
|---|---|---|---|
| | Fair Value | Less than 1 | Rating U.S. |
| Kansas Municipal Investment Pool | $ 5,185,390 | $ 5,185,390 | S&P AAAf/S1+ |
| Certificates of Deposit | 3,351,490 | 3,351,490 | N/A |
| Total | $ 8,536,880 | $ 8,536,880 | |

K.S.A. 9-1401 established the depositories which may be used by the Authority. The statute requires banks eligible to hold the Authority's funds have a main or branch bank in the county in which the Authority is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 91402 requires banks to pledge securities for deposits in excess of FDIC coverage. The Authority has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the Authority's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Authority has no investment policy that would further limit its investment choices. The rating of the Authority's investments is noted below.

*Interest Rate Risk* – The Authority does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2 – CASH AND INVESTMENTS (Continued)

*Custodial Credit Risk* – State statutes and the Authority place no limit on the amount the Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Authority's allocation of investments as of June 30, 2013 and 2012 are as follows:

| | Percentage of Investments | |
|---|---|---|
| Investments | 2013 | 2012 |
| Kansas Municipal Investment Pool | 57.43% | 60.74% |
| Certificates of Deposit | 42.57% | 39.26% |

*Custodial Credit Risk (Deposits)* – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes require the Authority's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Authority has no designated "peak periods". All deposits were legally insured at June 30, 2013 and 2012.

At June 30, 2013, the Authority's carrying amount of deposits was $4,166,686 and the bank balances were $4,307,914. The bank balance was held by 3 banks resulting in a concentration of credit risk. Of the bank balance, $4,207,084 was covered by federal depository insurance and $1,408,466 was collateralized with securities held by the pledging financial institutions' agents in the Authority's name.

At June 30, 2012, the Authority's carrying amount of deposits was $3,474,803 and the bank balances were $3,487,033. The bank balance was held by 3 banks resulting in a concentration of credit risk. Of the bank balance, $3,237,033 was covered by federal depository insurance and $250,000 was collateralized with securities held by the pledging financial institutions' agents in the Authority's name.

*Custodial Credit Risk (Investments)* – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At June 30, 2013 and 2012, the Authority had invested $5,479,373 and $5,185,390 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

## NOTE 3 – GRANTS RECEIVABLE

Grants receivable consists of Federal operating grants receivable in the amount of $552,536 at June 30, 1013, and $514,616 at June 30, 2012.

## NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2013 is as follows:

| | Balance July 1, 2012 | Additions | Retirements | Balance June 30, 2013 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 3,600,255 | $ - | $ - | $ 3,600,255 |
| Total capital assets not being depreciated | 3,600,255 | - | - | 3,600,255 |
| Capital Assets Being Deprciated: | | | | |
| Revenue equipment | 10,737,371 | 812,317 | (474,343) | 11,075,345 |
| Service equipment | 231,661 | - | - | 231,661 |
| Shop and garage equipment | 510,319 | - | - | 510,319 |
| Furniture and office equipment | 7,050 | - | - | 7,050 |
| Computer hardware and software | 60,098 | - | - | 60,098 |
| Farebox equipment | 171,491 | - | - | 171,491 |
| Communications equipment | 139,862 | - | (5,446) | 134,416 |
| Leasehold improvements | 1,303,427 | - | - | 1,303,427 |
| Buildings | 6,717,130 | - | - | 6,717,130 |
| Bus shelters | 35,120 | - | - | 35,120 |
| Total capital assets being depreciated | 19,913,529 | 812,317 | (479,789) | 20,246,057 |
| Less Accumulated Depreciation For: | | | | |
| Revenue equipment | (4,751,765) | (645,851) | 474,343 | (4,923,273) |
| Service equipment | (185,751) | (16,035) | - | (201,786) |
| Shop and garage equipment | (429,274) | (20,148) | - | (449,422) |
| Furniture and office equipment | (5,460) | (1,590) | - | (7,050) |
| Computer hardware and software | (53,704) | (2,474) | - | (56,178) |
| Farebox equipment | (166,770) | (1,030) | - | (167,800) |
| Communications equipment | (126,439) | (9,422) | 5,446 | (130,415) |
| Leasehold improvements | (1,039,945) | (60,826) | - | (1,100,771) |
| Buildings | (3,193,975) | (221,474) | - | (3,415,449) |
| Bus shelters | (21,467) | (3,344) | - | (24,811) |
| Total Accumulated Depreciation | (9,974,550) | (982,194) | 479,789 | (10,476,955) |
| Total Capital Assets Being Depreciated, Net | 9,938,979 | (169,877) | - | 9,769,102 |
| Total Capital Assets | $ 13,539,234 | $ (169,877) | $ - | $ 13,369,357 |

Depreciation expense for the year ended June 30, 2013 was $982,194.

NOTE 4 – CAPITAL ASSETS (Continued)

A summary of changes in capital assets for the year ended June 30, 2012 is as follows:

| | Balance July 1, 2011 | Additions | Retirements | Balance June 30, 2012 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 3,600,255 | $ - | $ - | $ 3,600,255 |
| Total capital assets not being depreciated | 3,600,255 | - | - | 3,600,255 |
| Capital Assets Being Deprciated: | | | | |
| Revenue equipment | 14,242,789 | - | (3,505,418) | 10,737,371 |
| Service equipment | 231,661 | - | - | 231,661 |
| Shop and garage equipment | 483,085 | 27,234 | - | 510,319 |
| Furniture and office equipment | 7,050 | - | - | 7,050 |
| Computer hardware and software | 68,282 | - | (8,184) | 60,098 |
| Farebox equipment | 179,021 | - | (7,530) | 171,491 |
| Communications equipment | 139,862 | - | - | 139,862 |
| Leasehold improvements | 1,272,431 | 30,996 | - | 1,303,427 |
| Buildings | 6,717,130 | - | - | 6,717,130 |
| Bus sheleters | - | 35,120 | - | 35,120 |
| Total capital assets being depreciated | 23,341,311 | 93,350 | (3,521,132) | 19,913,529 |
| Less Accumulated Depreciation For: | | | | |
| Revenue equipment | (7,662,114) | (595,069) | 3,505,418 | (4,751,765) |
| Service equipment | (169,362) | (16,389) | - | (185,751) |
| Shop and garage equipment | (409,876) | (19,398) | - | (429,274) |
| Furniture and office equipment | (3,120) | (2,340) | - | (5,460) |
| Computer hardware and software | (53,757) | (8,131) | 8,184 | (53,704) |
| Farebox equipment | (170,258) | (1,030) | 4,518 | (166,770) |
| Communications equipment | (117,017) | (9,422) | - | (126,439) |
| Leasehold improvements | (975,020) | (64,925) | - | (1,039,945) |
| Buildings | (2,972,501) | (221,474) | - | (3,193,975) |
| Bus shelters | - | (21,467) | - | (21,467) |
| Total Accumulated Depreciation | (12,533,025) | (959,645) | 3,518,120 | (9,974,550) |
| Total Capital Assets Being Depreciated, Net | 10,808,286 | (866,295) | (3,012) | 9,938,979 |
| Total Capital Assets | $ 14,408,541 | $ (866,295) | $ (3,012) | $ 13,539,234 |

Depreciation expenses for the year ended June 30, 2012 was $945,044. Additions above include $14,601 as part of the prior period adjustment described in Note 12.

NOTE 5 – DEFINED BENEFIT PENSION PLAN

*Plan Description.* The Authority participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report (or one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1-800-275-5737.

*Funding Policy.* K.S.A. 74-419 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contributions rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law3 provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Substantially all employees of the Authority are eligible to participate in KPERS following the completion of one year of service. The Authority does not maintain the accounting records, hold the investments or administer KPERS. The Authority's annual contributions to KPERS for the years ending June 30, 2013, 2012, and 2011 were $245,117, $223,828, and $217,762, respectively, equal to the required contributions for each year.

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters other than those related to comprehensive general liability claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have been no significant reductions in insurance coverage from the previous year.

Self-Insurance

By Board resolution in June, 1986, a self-insurance revenue (liability) for the processing and payment of property and personal loss, director, officer and employee liability and comprehensive general liability claims and related expenses was created. Investments of $500,000 were restricted as of June 30, 2009, which management estimates to be adequate to cover claims and related expenses incurred but not reported as of each year-end. The Authority annually evaluates the risk that potential claims could exceed the amount restricted for coverage. No adjustment to the restricted amount was necessary for the years ended June 30, 2013 and 2012.

In the past, the Authority has levied a special one-half mill ad valorem tax to establish and maintain the statutory limit of liability for aggregate claims arising from a single incident against a governmental entity for loss claims of $500,000. The Authority did not levy the special one-half mill ad valorem tax for the tax years 2013 and 2012.

For the years ended June 30, 2013 and 2012, the Authority paid claims and damages of $16,995 and $72,469, respectively.

NOTE 7 – CAPITAL RESERVE AND RESTRICTED NET ASSETS

The Board has established a capital reserve for the replacement of mini-buses, buses and to help maintain an adequate and modern transportation system and for the payment of future insurance claims or premiums. Investments totaling $3,708,653 and $3,000,503 have been designated by the Board for this purpose as of June 30, 2013 and June 30, 2012, respectively. The Statement of Net Assets reports the restriction of the net assets for these items. These funds are not available for appropriation for expenditures and legally segregated for a specific future use.

NOTE 8 – CONTINGENT LIABILITIES

Litigation

The Authority has certain contingent liabilities and is a party to various claims and legal actions arising in the ordinary course of business. In the opinion of management and legal counsel, all such matters are adequately covered by insurance or self-insurance reserves, or if not so covered, are without merit or are of such kind, or involve such amounts that unfavorable disposition would not have a material effect on the financial position of the Authority.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

NOTE 9 – CONCENTRATIONS

The Authority receives a significant amount of funding from the State of Kansas, Federal Transit Authority and City of Topeka mill levy. A significant reduction in funding from these sources could materially affect the operations of the Authority. The Authority would curtail its operations accordingly.

NOTE 10 – COMPLIANCE WITH KANSAS LAW

Management is not aware of any statutory violations for the years ended June 30, 2013 and 2012.

NOTE 11 – LABOR AGREEMENTS

The Authority's workforce is substantially covered by a collective bargaining agreement with Amalgamated Transit Union Division 1360. The fiscal year was covered partially by the agreement period from June 1, 2009 to May 31, 2011. The most recent agreement covers the time period from June 1, 2011 to May 31, 2014.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The Authority received a donation of two bus shelters in July, 2007. These were inadvertently omitted from the capital assets until this error was discovered in July, 2011. As a result, the capital assets and accumulated depreciation were understated and net assets were overstated for the years ended June 30, 2008, 2009 and 2010. As a result, for the year ended June 30, 2012, capital assets were increased by $18,402 and accumulated depreciation was increased by $14,601 which results in a net increase of $3,801 to net assets.

SUPPLEMENTAL INFORMATION

TOPEKA METROPOLITAN TRANSIT AUTHORITY

OPERATING FUND – BUDGET AND ACTUAL
For the year ended June 30, 2013

| | Budget | Actual | Over (Under) Budget |
|---|---|---|---|
| OPERATING REVENUES | | | |
| Passenger fares | $ 1,295,535 | $ 1,591,321 | $ 295,786 |
| Miscellaneous | 6,000 | 14,461 | 8,461 |
| Advertising - cash | 42,300 | 51,964 | 9,664 |
| Insurance recovery | 23,869 | 23,870 | 1 |
| Charter and contract fares | 1,800 | 1,189 | (611) |
| Total Operating Revenues | 1,369,504 | 1,682,805 | 313,301 |
| OPERATING EXPENSES | | | |
| Salaries | 3,123,221 | 3,279,542 | 156,320 |
| Materials and supplies | 1,366,074 | 1,161,905 | (204,169) |
| Depreciation | 928,303 | 982,194 | 53,891 |
| Fringe benefits | 1,841,760 | 1,409,306 | (432,454) |
| Taxi service | 132,000 | 176,728 | 44,728 |
| Contracted services | 446,571 | 362,600 | (83,971) |
| Self-insurance damage claims | 81,000 | 16,995 | (64,005) |
| Utilities | 150,300 | 142,393 | (7,907) |
| Taxes | 67,934 | 65,216 | (2,718) |
| Travel and meetings | 26,560 | 10,379 | (16,181) |
| Miscellaneous | 17,300 | 18,913 | 1,613 |
| Insurance | 45,175 | 63,284 | 18,109 |
| Advertising - cash | 5,400 | 8,325 | 2,925 |
| Leases | 6,600 | 3,964 | (2,636) |
| Total Operating Expenses | 8,238,198 | 7,701,744 | (536,454) |
| OPERATING LOSS | (6,868,694) | (6,018,939) | 849,755 |
| NON-OPERATING REVENUES AND EXPENSES | | | |
| Federal operating grants | 1,950,000 | 2,056,918 | 106,918 |
| Mill levy | 4,450,232 | 4,541,621 | 91,389 |
| State operating grants | 460,462 | 460,462 | - |
| Investment income | 8,000 | 12,981 | 4,981 |
| Loss on sale of assets | - | 19,435 | 19,435 |
| Total Non-Operating Revenues and Expenses | 6,868,694 | 7,091,417 | 222,723 |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS | $ - | $ 1,072,478 | $ 1,072,478 |

See accompanying notes to financial statements

TOPEKA METROPOLITAN TRANSIT AUTHORITY

OPERATING FUND – BUDGET AND ACTUAL
For the year ended June 30, 2012

| | Budget | Actual | Over (Under) Budget |
|---|---|---|---|
| OPERATING REVENUES | | | |
| Passenger fares | $ 1,197,362 | $ 1,191,512 | $ (5,850) |
| Miscellaneous | 7,200 | 143,642 | 136,442 |
| Advertising - cash | 30,000 | 30,585 | 585 |
| Charter and contract fares | 1,200 | 1,772 | 572 |
| Total Operating Revenues | 1,235,762 | 1,367,511 | 131,749 |
| OPERATING EXPENSES | | | |
| Salaries | 3,075,089 | 3,512,748 | 437,659 |
| Materials and supplies | 1,294,150 | 1,399,713 | 105,563 |
| Depreciation | 928,718 | 945,044 | 16,326 |
| Fringe benefits | 1,794,976 | 1,424,715 | (370,261) |
| Taxi service | 327,000 | 183,343 | (143,657) |
| Contracted services | 339,795 | 677,232 | 337,437 |
| Self-insurance damage claims | 90,000 | 72,469 | (17,531) |
| Utilities | 157,800 | 132,888 | (24,912) |
| Taxes | 67,248 | 68,181 | 933 |
| Travel and meetings | 10,200 | 7,367 | (2,833) |
| Miscellaneous | 17,910 | 13,811 | (4,099) |
| Insurance | 20,030 | 47,809 | 27,779 |
| Advertising - cash | 5,700 | 7,456 | 1,756 |
| Leases | 4,800 | 6,612 | 1,812 |
| Total Operating Expenses | 8,133,416 | 8,499,388 | 365,972 |
| OPERATING LOSS | (6,897,654) | (7,131,877) | (234,223) |
| NON-OPERATING REVENUES AND EXPENSES | | | |
| Federal operating grants | 1,985,000 | 1,962,547 | (22,453) |
| Mill levy | 4,439,592 | 4,630,098 | 190,506 |
| State operating grants | 460,462 | 460,462 | - |
| Investment income | 12,600 | 8,112 | (4,488) |
| Loss on sale of assets | - | 50,090 | 50,090 |
| Total Non-Operating Revenues and Expenses | 6,897,654 | 7,111,309 | 213,655 |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS | $ - | $ (20,568) | $ (20,568) |

See accompanying notes to financial statements

# TOPEKA METROPOLITAN TRANSIT AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2013

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Program or Award Amount | New Award and Unexpended Grant Balance July 1, 2012 | Expenditures | Unexpended Grant Balance June 30, 2013 |
|---|---|---|---|---|---|---|
| U.S. Department of Transportation: | | | | | | |
| Passed through the Federal Transit Authority: | | | | | | |
| Federal Transit Operating Assistance | 20.507 | KS-90-X142-02 | 1,945,552 | $ 484,188 | $ 484,188 | $ - |
| Federal Transit Operating Assistance | 20.507 | KS-96-X147-01 | 2,125,265 | 2,125,265 | 1,572,730 | 552,535 |
| Total Federal Operating Assistance | | | | 2,609,453 | 2,056,918 | 552,535 |
| Federal Transit New Freedom | 20.521 | KS-57-X003-00 | 221,105 | 221,105 | - | 221,105 |
| Total | | | | $ 2,830,558 | $ 2,056,918 | $ 773,640 |

See accompanying notes to schedule of expenditures of federal awards

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2013

## NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of Topeka Metropolitan Transit Authority.

## NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

## NOTE 3 – DIFFERENCE IN PRESENTATION OF PROPERTY AND EQUIPMENT EXPENDITURES

The accompanying schedule of expenditures of federal awards presents property and equipment purchases as expenditures under the definition of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial statements present property and equipment purchases as a capitalization of assets in accordance with accounting principles generally accepted in the United States of America.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2013

Financial Statements

| | |
|---|---|
| Type of auditors' report issued | Unqualified |
| Internal Control over Financial Reporting: | |
| Material weaknesses identified, if any? | Yes ____ No _X_ |
| Reportable conditions identified that are not considered to be material weaknesses, if any? | Yes _X_ None Reported ____ |
| Noncompliance material to financial statements noted? | Yes ____ No _X_ |

Federal Awards

| | |
|---|---|
| Internal Control over Major Programs: | |
| Material weaknesses identified, if any? | Yes ____ No _X_ |
| Reportable conditions identified that are not considered to be material weaknesses, if any? | Yes ____ None Reported _X_ |
| Type of auditors' report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes ____ No _X_ |
| Identification of Major Programs: | Federal Transit Capital and Operating Assistance (Cluster) CFDA No. 20.500 & 20.507 |
| Dollar Threshold Used to Distinguish Between Type A and Type B Programs: | $300,000 |
| Auditee qualified as low-risk auditee: | Yes _X_ No ____ |
| Findings related to the financial statements required to be reported in accordance with GAGAS | Yes ____ No _X_ |
| Findings and questions costs for major federal awards | Yes ____ No _X_ |

There were no findings or questioned costs for the year ended June 30, 2010 and therefore no corrective action was needed during the year ended June 30, 2011.

## 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*

To the Board of Directors
Topeka Metropolitan Transit Authority

We have audited the financial statements of the business-type activities of the Topeka Metropolitan Transit Authority (the Authority), as of and for the year ended June 30, 2013, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 31, 2013. 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**

Management of the Authority is responsible for establishing and maintaining effective 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 opinions 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 of 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 previously.

**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 management of the Authority in a separate letter dated October 31, 2013.

This report is intended solely for the information and use of management, Board of Directors, and others within the entity, 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.

Douthett & Co CPA, PA

Douthett & Co. CPA, PA
Certified Public Accountants
Topeka, Kansas
October 31, 2013

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTSTHAT COULD HAVE ADIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVERCOMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Topeka Metropolitan Transit Authority

**Compliance**

We have audited the Topeka Metropolitan Transit Authority's (the Authority's) 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 Authority's major federal programs for the year ended June 30, 2013. 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 Authority's compliance 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 Authority 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 June 30, 2013.

**Internal Control Over Compliance**

Management of the Authority 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 management, Board of Directors, others within the entity, 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.

Douthett & Co. CPA, PA

Douthett & Co. CPA, PA
Certified Public Accountants
Topeka, Kansas
October 31, 2013