

*Certified Public Accountants*

# TOPEKA METROPOLITAN TRANSIT AUTHORITY

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FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
FINANCIAL STATEMENTS  
Year Ended June 30, 2022

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Topeka Metropolitan Transit Authority  
Topeka, Kansas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the business-type activities of Topeka Metropolitan Transit Authority (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2022, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed in the table of contents 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules listed in the accompanying table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

*Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 December 9, 2022 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

BT & Co., P.A.

December 9, 2022  
Topeka, Kansas

**Topeka Metropolitan Transit Authority  
Management Discussion and Analysis  
Annual Financial Report  
Year Ended June 30, 2022**

**BOARD OF DIRECTORS**

Alan Bearman, Chair  
Scott Tummons, Vice-Chair  
Beverly Hall  
Joseph Ledbetter  
Candis Meerpohl  
Rodd Miller

**EXECUTIVE STAFF**

Robert Nugent, GM  
Richard Appelhantz, CFO  
John Cassidy, General Counsel

**INTRODUCTION**

This discussion and analysis is intended to serve as an introduction to Topeka Metro's basic financial statements for the year ending June 30, 2022, with selected comparative information for the year ending June 30, 2021. Topeka 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.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The **Statement of Net Position** presents information regarding Topeka Metro's assets, liabilities, deferred outflows and deferred inflows. The difference between these is reported as net position. The increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The **Statement of Revenues, Expenses and Changes in Net Position** presents information showing how Topeka Metro's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**Notes to the Financial Statements** provide additional information that is essential to obtain a full understanding of the data provided in the financial statements.

**Other Supplementary Information** includes the budgetary schedule and the schedule of expenditures of federal awards and related compliance reports.

**OPERATIONAL HIGHLIGHTS**

Metro continued its multi-phase bus stop project, and 8 more ADA-accessible stops were installed.

Topeka Metro continued the student pass program in FY2022 with Unified School District 501. The district purchased 1,600 annual student passes for the 2021-2022 school year. Students may also use their bus passes during school holidays. Topeka Metro also continued its contract with Washburn University to allow over 6,500 students, faculty and staff to ride during the school year.

During fiscal year 2022, Topeka Metro continued the “Kids Ride Free” and the “Lift to Fixed Route” programs.

## **TOPEKA METRO FINANCIAL MANAGEMENT**

This financial report is designed to provide the Topeka Metro Board of Directors, management, stakeholders, funding sources and other interested parties with a general overview of Topeka Metro’s finances, and to demonstrate Topeka 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.

<u>Fiscal Year</u>	<u>Fixed Route</u>	<u>Lift</u>	<u>Total</u>
2018	1,221,110	47,024	1,268,134
2019	1,249,396	51,004	1,300,400
2020	1,089,149	44,770	1,133,919
2021	764,567	35,966	800,533
2022	606,383	41,792	648,175

### **SERVICE HOURS**

<u>Fiscal year</u>	<u>Fixed Route</u>	<u>Lift</u>	<u>Total</u>
2018	60,023	16,491	76,514
2019	60,172	18,116	78,288
2020	61,570	14,907	76,477
2021	54,410	10,927	65,337
2022	53,285	7,689	60,974

### **SERVICE AND RIDERSHIP CHANGES**

Topeka Metro made no major changes to the fixed route system in FY2022. Fixed route ridership continued to decrease in FY2022 due to the Covid-19 pandemic.

## FINANCIAL HIGHLIGHTS

### SUMMARY OF NET POSITION

	2022	2021
<b>Assets and Deferred Outflows</b>		
Current Assets	\$ 21,897,496	\$ 19,169,043
Capital Assets, Net	12,201,454	12,508,040
Total Assets	34,098,950	31,677,083
Deferred Outflows (KPERS)	1,021,720	1,219,984
Deferred Outflows (OPEB)	6,907	8,224
<b>Total Assets and Deferred Outflows</b>	<b>\$ 35,127,577</b>	<b>\$ 32,905,291</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>		
Current Liabilities	\$ 430,265	\$ 594,101
Long-Term Liabilities	2,786,783	4,004,003
Total Liabilities	3,217,048	4,598,104
Deferred Inflows (KPERS)	1,095,684	223,568
Deferred Inflows (OPEB)	114,259	87,388
<b>Total Liabilities and Deferred Inflows</b>	<b>4,426,991</b>	<b>4,909,060</b>
Net Investment in Capital Assets	12,201,454	12,508,040
Unrestricted	18,499,132	15,488,191
Total Net Position	30,700,586	27,996,231
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 35,127,577</b>	<b>\$ 32,905,291</b>

### CURRENT ASSETS

Cash and Cash Equivalents are those funds kept on hand for operating and reserve funds. Investments and Board Designated Investments include certificates of deposit, U.S. Treasuries and funds invested in the State of Kansas Municipal Investment Pool. As of June 30, 2022, \$500,000 of Designated Investment is for the self-insurance program, and \$13,012,358 was designated by the Topeka Metro Governing Board for capital improvements.

Receivables consist of:

- Accounts Receivable consists 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 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 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 is requested 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. Prepaid Insurance (property, liability and workers’ compensation) is also included in this category.

## CAPITAL ASSETS

Topeka Metro’s capital assets include land, buildings and improvements, bus shelters, buses, service vehicles, and other various equipment. The net value of Topeka Metro’s property and equipment decreased by \$306,586 during fiscal year 2022. The decrease was due to the net effect of (1) the purchase and disposal of various assets, and (2) normal and customary depreciation. Additional information on Topeka Metro’s capital assets can be found in the notes of this report.

Major capital asset events during FY2022 included the following:

Asset purchases:

- a) Bus stops (8)
- b) QSS Roof Replacement
- c) Back-Up Generator
- d) Lonestar Promaster Vans (2)
- e) Arboc Paratransit Buses (5)

Asset disposals:

- a) Glaval Lift Bus (1)
- b) Nissan Leaf (1)
- c) MV-1 (1)

### Capital Assets (net of depreciation)

	<u>6/30/2022</u>	<u>6/30/2021</u>
Buildings	\$ 1,542,987	\$ 1,735,145
Bus Stops	2,350,194	2,650,513
Furniture and Office Equipment	8,841	-
Farebox Equipment	60,990	99,510
Leasehold Improvements	1,196,012	837,942
Maintenance Equipment	182,925	214,267
Revenue Vehicles	2,937,061	2,865,779
Services Vehicles	59,447	88,518
Projects in Process	262,742	416,111
Land	3,600,255	3,600,255
Total	<u>\$ 12,201,454</u>	<u>\$ 12,508,040</u>

## **DEFERRED OUTFLOWS**

Deferred Outflows relate to the KPERS Net Pension Liability, the KPERS OPEB Liability and Metro's OPEB liability. The Pension Deferred Outflows consist of (1) Topeka Metro's contributions made to the KPERS retirement program during fiscal year 2022, and (2) Topeka Metro's share of KPERS Deferred Outflows as of June 30, 2021. The KPERS OPEB Deferred Outflows are an estimate of Topeka Metro's contributions made to the KPERS Long-Term Disability program during fiscal year 2022; this estimate is based on the actual contribution percentage in FY2021. Metro's OPEB Deferred Outflows are related to health insurance as of June 30, 2022.

## **LIABILITIES**

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

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

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

Settlements Payable consists of expected liability expenses incurred during the current fiscal year.

The Long-Term Liability consists of (1) Topeka Metro's share of the KPERS Net Pension Liability as of June 30, 2021, (2) Topeka Metro's share of the KPERS OPEB Liability as of June 30, 2021 and (3) Topeka Metro's estimated post-employment benefit liability related to health insurance as of June 30, 2022.

## **DEFERRED INFLOWS**

Deferred Inflows consist of (1) Topeka Metro's share of KPERS Net Pension Deferred Inflows as of June 30, 2021, (2) Topeka Metro's share of KPERS OPEB Deferred Inflows as of June 30, 2021, and (3) Topeka Metro's OPEB Deferred Inflows related to health insurance as of June 30, 2022.

## **NET POSITION**

Net Investment in Capital Assets is the book value of Topeka Metro's assets (purchase price less accumulated depreciation) net of related debt. Unrestricted Net Position is the balance of net position. Of the unrestricted net position, the Board has designated \$500,000 for the Self Insurance Fund and \$13,012,358 for Capital Reserves.

## SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	<b>Fiscal Year Ending June 30</b>	
	<b>2022</b>	<b>2021</b>
Operating Revenue		
Fares	\$ 811,605	\$ 425,189
Other Operating	69,172	130,947
Total Operating Revenue	<u>880,777</u>	<u>556,136</u>
Operating Expense		
Salaries and Benefits	5,260,176	6,176,117
Contracted Services	1,008,102	1,063,908
Materials and Supplies	1,166,747	925,465
General Overhead	410,234	325,438
Depreciation	1,756,266	1,594,664
Total Operating Expense	<u>9,601,525</u>	<u>10,085,592</u>
Operating Loss	<u>(8,720,748)</u>	<u>(9,529,456)</u>
Non-Operating Revenue		
Interest & Gain on disposal	39,315	23,451
Grants	5,036,248	5,950,134
Property Taxes	5,514,143	5,379,547
Total Non-Operating Revenue	<u>10,589,706</u>	<u>11,353,132</u>
Income (Loss) before Capital Grants	1,868,958	1,823,676
Capital Grants	835,397	529,623
Change in Net Position	<u>2,704,355</u>	<u>2,353,299</u>
Net Position - Beginning Balance	27,996,231	25,642,932
Net Position - Ending Balance	<u>\$ 30,700,586</u>	<u>\$ 27,996,231</u>

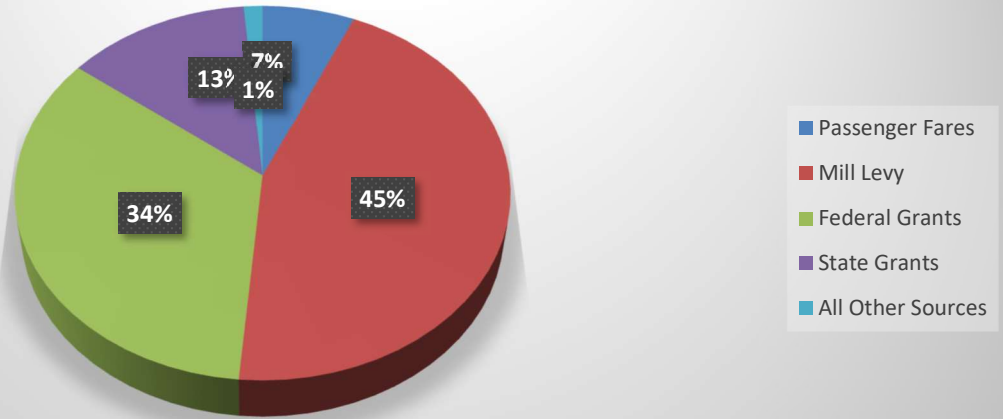
Operating expenses decreased by 4.80% in fiscal year 2022 over the previous year. There were decreases in salaries and benefits and contracted services; there were increases in materials and supplies, general overhead, and depreciation expenses.

	<b>Fiscal Year Ending June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Operational &amp; Funding Revenues</b>		
(Capital Grants not Included)		
Fares	\$ 811,605	\$ 425,189
Property Taxes	5,514,143	5,379,547
Federal Grants	4,151,760	4,962,534
State Grants	830,387	867,690
All Other Sources	136,464	274,308
Total Operating & Funding Revenues	<u>\$ 11,444,359</u>	<u>\$ 11,909,268</u>

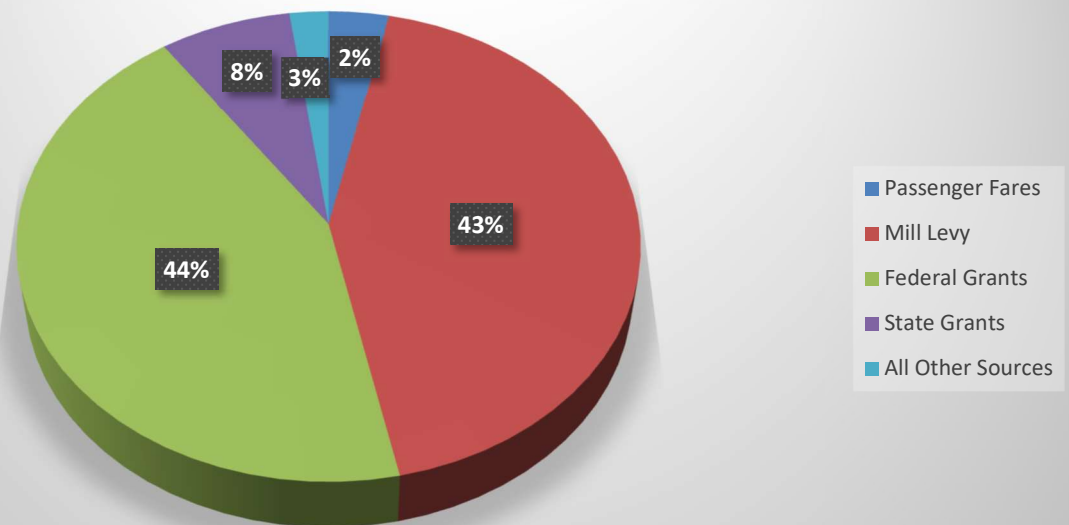
Fare revenue increased in FY2022 due to the return of passengers after the Covid-19 pandemic. Property tax revenue had a small increase. Federal grant revenue decreased due to the exhaustion of CARES Act and ARPA grant funding. State grant revenue decreased due to the loss of the state mobility grant. Revenue from Other Sources decreased due to the loss of the JEDO operating grant and no donations received in FY2022.

# REVENUE & FUNDING

## FY2022

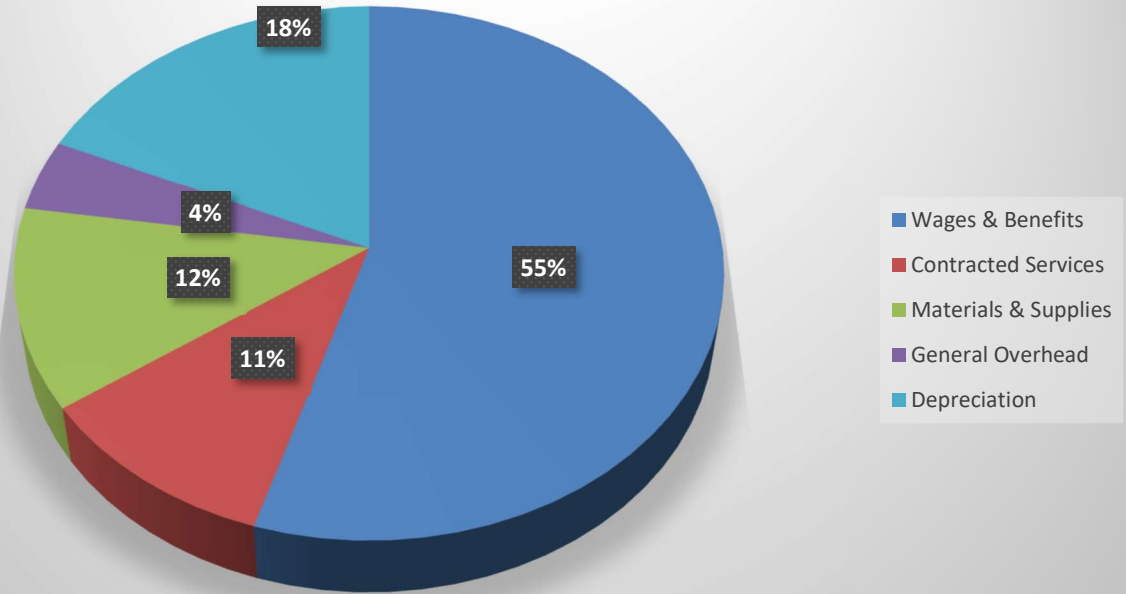


## FY2021

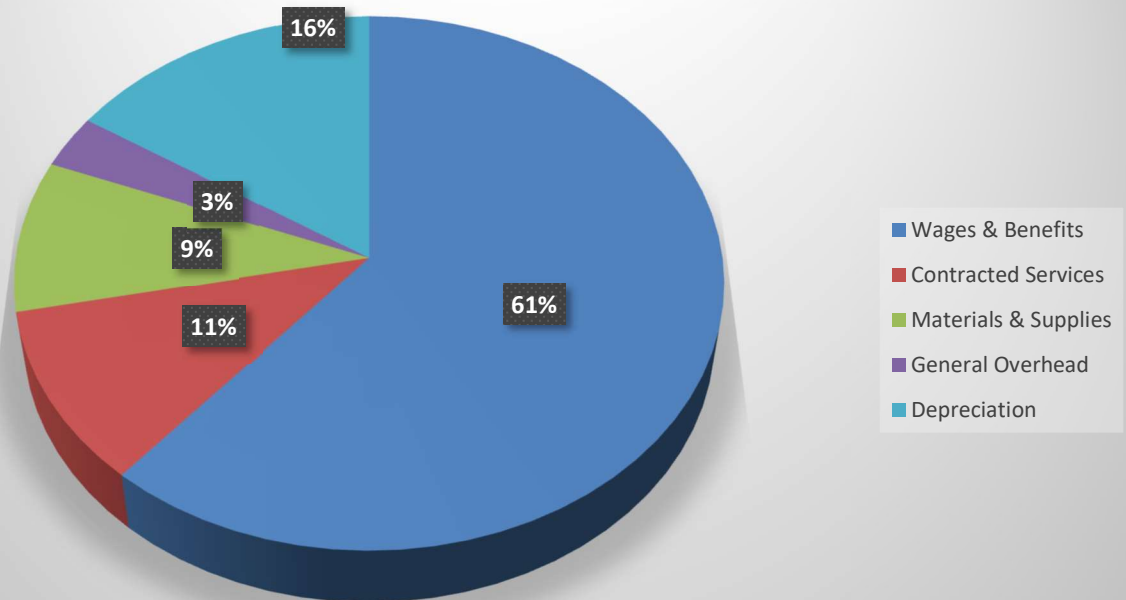


# OPERATING EXPENSES

## FY2022



## FY2021



**Operating Expenses**

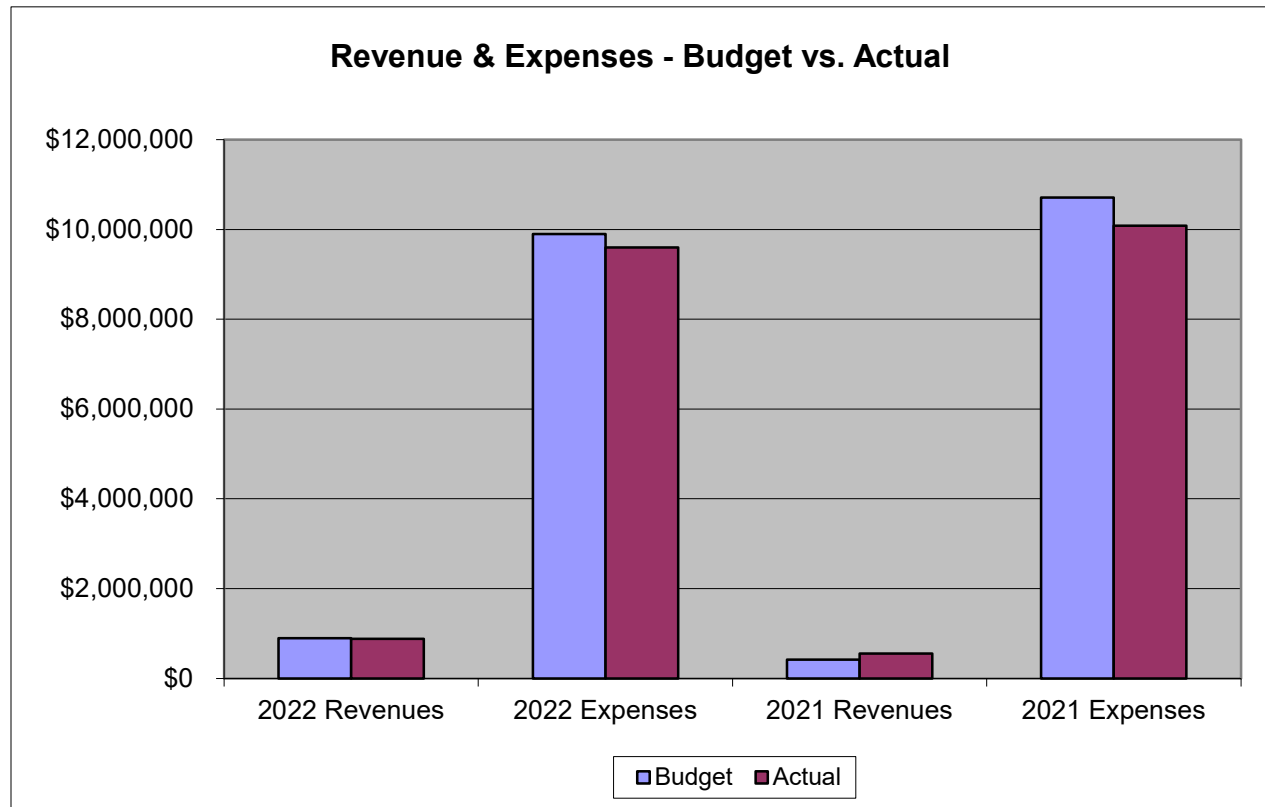
	<b>Fiscal Year Ending June 30</b>	
	<b>2022</b>	<b>2021</b>
Salaries and Benefits	\$ 5,260,176	\$ 6,176,117
Contracted Services	1,008,102	1,063,908
Materials & Supplies	1,166,747	925,465
General Overhead	410,234	325,434
Depreciation	1,756,266	1,594,664
<b>Total Operating Expenses</b>	<b>\$ 9,601,525</b>	<b>\$ 10,085,588</b>

FY2022 overall operating expenses decreased from the previous year by \$484,067, or 4.80%. Primary changes in expense categories were:

1. Salaries and Benefits decreased by \$915,941 (14.83%) due to decreases in staffing.
2. Contracted services decreased by \$55,806 (5.25%) due to the elimination of the NOTO/SOTO program.
3. Materials and Supplies increased \$241,282 (26.07%) due to increases in fuel costs.
4. General Overhead increased by \$84,797 (26.06%) due to a decrease in insurance recoveries.
5. Depreciation increased by \$161,601 (10.13%) due to increases in the number of bus shelters and revenue vehicles.

**BUDGET**

Actual Expenses for 2022 were 3.00% below Budgeted Expenses for 2022 and Actual Revenues for 2022 were only 1.58% below Budgeted Revenues for 2022. Actual Revenues for 2022 are still below pre-pandemic levels.



	<b>2022</b>	<b>2021</b>
Budgeted Revenues	\$ 895,002	\$ 415,337
Actual Revenues	880,777	556,136
Budgeted Expenses	9,898,854	10,708,687
Actual Expenses	9,601,525	10,085,592

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2022

ASSETS AND DEFERRED OUTFLOWS

Current assets:	
Cash and cash equivalents	\$ 785,452
Deposits and investments:	
Operating	6,849,088
Designated	13,012,358
Accounts receivable	57,260
Grants receivable	815,816
Interest receivable	2,188
Inventory	94,234
Prepaid items	281,100
Total current assets	21,897,496
Non-current assets:	
Capital assets not being depreciated	3,862,997
Capital assets, net of depreciation	8,338,457
Total non-current assets	12,201,454
Total assets	34,098,950
Deferred outflows of resources - OPEB	6,907
Deferred outflows of resources - pension	1,021,720
Total deferred outflows of resources	1,028,627
Total assets and deferred outflows of resources	\$ 35,127,577

(Continued)

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2022  
(Continued)

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current liabilities:	
Accounts payable	\$ 131,422
Accrued payroll and benefits	59,240
Accrued vacation	192,108
Unearned revenue	27,495
Claims payable	20,000
Total current liabilities	430,265
Long-term liabilities:	
OPEB liability	126,792
Net pension liability	2,659,991
Total long-term liabilities	2,786,783
Total liabilities	3,217,048
Deferred inflows of resources - OPEB	114,259
Deferred inflows of resources - pension	1,095,684
Total deferred inflows of resources	1,209,943
Net position:	
Net investment in capital assets	12,201,454
Unrestricted	18,499,132
Total net position	30,700,586
Total liabilities, deferred inflows of resources and net position	\$ 35,127,577

See accompanying notes to financial statements.



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended June 30, 2022

Operating revenues:	
Passenger fares	\$ 811,605
Advertising and other revenue	69,172
	880,777
Expenses:	
Salaries and benefits	5,260,176
Contracted services	658,518
Materials and supplies	1,166,747
Depreciation	1,756,266
Utilities	142,683
Insurance	126,026
Taxes	53,391
Taxi service	349,584
Continuing education	21,250
Advertising	16,918
Leases	978
Self-insurance damage claims	23,589
Other expenses	25,399
	9,601,525
Total operating expenses	9,601,525
Operating loss	(8,720,748)
Non-operating revenues:	
Investment income	17,135
Gain on sale of assets	22,180
Property taxes	5,514,143
Federal operating grants	4,151,760
State operating grants	830,387
Planning grants	54,101
	10,589,706
Total non-operating revenues	10,589,706
Income before capital grants	1,868,958
Capital grants	835,397
	2,704,355
Change in net position	2,704,355
Net position, beginning of year	27,996,231
	30,700,586
Net position, end of year	\$ 30,700,586

See accompanying notes to financial statements.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2022

Cash flows from operating activities:	
Cash received from customers	\$ 870,525
Cash paid to suppliers	(2,642,445)
Cash paid to employees	(5,543,028)
	(7,314,948)
Net cash from operating activities	(7,314,948)
Cash flows from non-capital financing activities:	
Property taxes and operating grants	11,121,530
	11,121,530
Cash flows from capital and related financing activities:	
Capital grants	1,028,464
Purchase of capital assets	(1,449,679)
	(421,215)
Net cash from capital and related financing activities	(421,215)
Cash flows from investing activities:	
Proceeds from investments	6,825,000
Purchase of investments	(9,731,074)
Interest received	17,100
	(2,888,974)
Net cash from investing activities	(2,888,974)
Net increase in cash	496,393
Cash and cash equivalents, beginning of year	289,059
Cash and cash equivalents, end of year	\$ 785,452
 RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:	
Operating loss	\$ (8,720,748)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	1,756,266
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Accounts receivable	(11,012)
Inventory	(46,929)
Prepaid expenses	(10,036)
Deferred outflows	199,581
Accounts payable	(5,397)
Accrued payroll and benefits	(165,961)
Accrued vacation	1,843
Employee deductible payable	(81)
Unearned revenue	760
Claims payable	5,000
Other post-employment benefits liability	(32,313)
Net pension liability	(1,184,907)
Deferred inflows	898,986
	898,986
Net cash from operating activities	\$ (7,314,948)

See accompanying notes to financial statements.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

1 - Reporting Entity and 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

For financial reporting purposes, the Authority is considered a proprietary entity engaged only in business-type activities. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Budget

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

Cash and Cash Equivalents

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. Cash and cash equivalents consists of checking accounts and petty cash.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investments

Investments include U.S. Treasury Bills, non-negotiable certificates of deposit, brokered 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 U.S. Treasury Bill, brokered certificates of deposit and the MIP are recorded at fair value. 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. Management has determined that no allowance is necessary as of June 30, 2022.

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 are defined as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs 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 non-operating revenue or expense.

Depreciation is computed using the straight-line method. Buildings are being depreciated over a period of 5 to 30 years. Buses and other equipment are depreciated over a period of 2 to 15 years.

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.

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.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Retiring union 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.

Net Position

The Authority's net position is displayed in three components as follows:

Net investment in capital assets - This consists of capital assets, net of accumulated depreciation and related debt.

Restricted - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category – deferred outflows for OPEB and deferred outflows for pension. See Note 5 for more information on the deferred outflows for OPEB and Note 6 for more information on the deferred outflows for the pension.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two types of items that qualify for reporting in this category – deferred inflows for OPEB and deferred inflows for pension. See Note 5 for more information on the deferred inflows for OPEB and Note 6 for more information on the deferred inflows for the pension.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The KPERS investments are reported at fair value.

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, liabilities, deferred outflows and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards

The following accounting standards have been recently issued and will be adopted as applicable by the Authority. Unless otherwise noted below, management has not yet determined the impact of these Statements on the Authority's financial statements.

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This Statement will become effective for the Authority in the fiscal year ended June 30, 2023.

GASB Statement No 96, "Subscription-Based Information Technology Arrangements" – The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement will become effective for the Authority in the fiscal year ended June 30, 2023.

GASB Statement No. 99 "Omnibus 2022" - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance by the Authority. The requirements related to leases, PPPs, and SBITAs will be effective for the Authority in fiscal year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will become effective for the Authority in the fiscal year ended June 30, 2024.

GASB Statement No. 100 "Accounting Changes and Error Corrections" - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for the Authority in the fiscal year ending June 30, 2024.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

GASB Statement No. 101 “Compensated Absences” - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for the Authority in the fiscal year ended June 30, 2025.

2 - Deposits and Investments

A summary of the deposits and investments at June 30, 2022 is as follows:

Cash on hand	\$ 1,000
Deposits	1,845,559
Investments	18,800,339
	\$ 20,646,898
	\$ 20,646,898

These deposits and investments are reflected on the financial statements as follows:

Cash and cash equivalents	\$ 785,452
Deposits and investments:	
Operating	6,849,088
Designated	13,012,358
	\$ 20,646,898
	\$ 20,646,898

Deposits

K.S.A. 9-1401 establishes 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.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the Authority. At June 30, 2022, the Authority’s deposits were not exposed to custodial credit risk.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investments

As of June 30, 2022, the Authority had the following investments and related maturities:

Investment Type	Fair Value	Rating	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury Bills	\$ 8,589,153	N/A	\$ 7,606,773	\$ 982,380	\$ -	\$ -
Brokered certificates of deposit	3,714,490	N/A	3,714,490	-	-	-
Kansas Municipal Investment Pool	6,496,696	Not rated	6,496,696	-	-	-
	<u>\$18,800,339</u>		<u>\$17,817,959</u>	<u>\$ 982,380</u>	<u>\$ -</u>	<u>\$ -</u>

*Credit 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 MIP. The Authority’s investments in the MIP were not rated by a rating agency as of June 30, 2022. Maturities of the above investments may not exceed two years by statute.

The MIP is under the oversight of the Pooled Money Investment Board (the 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 10 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.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. The Authority is not exposed to significant interest rate risk.

*Concentrations of Credit Risk* – The Authority has a policy that limits to \$ 500,000 the amount that the Authority may invest in any one issuer.

*Custodial Credit Risk (Investments)* – For an investment, custodial credit risk 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. At June 30, 2022, the Authority’s investments were not exposed to custodial credit risk.

*Fair Value Measurement* – The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the year ended June 30, 2022, the U.S. Treasury Bills and the brokered certificates of deposit were valued with quoted prices on the active market (Level 1 input). Fair value measurement hierarchy information is not provided to the Authority for its deposits in the MIP.



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Board Designated Assets

The Board has established a capital and insurance 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 totaling \$ 500,000. Investments totaling \$ 13,012,358 have been designated by the Board for these purposes as of June 30, 2022.

4 - Capital Assets

Capital asset activity for the year ended June 30, 2022 is as follows:

Description	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Capital assets not being depreciated:				
Construction in progress	\$ 416,111	\$ 1,448,622	\$ (1,601,991)	\$ 262,742
Land	3,600,255	-	-	3,600,255
Total capital assets not being depreciated	4,016,366	1,448,622	(1,601,991)	3,862,997
Capital assets being depreciated:				
Revenue equipment	10,930,192	1,024,232	(81,231)	11,873,193
Service equipment	368,614	-	(58,629)	309,985
Shop and garage equipment	603,243	-	-	603,243
Computer hardware and software	141,974	-	-	141,974
Farebox equipment	702,498	-	-	702,498
Communications equipment	280,324	-	-	280,324
Leasehold improvements	2,592,871	508,332	-	3,101,203
Buildings	6,717,130	-	-	6,717,130
Bus shelters	3,630,582	61,392	-	3,691,974
Furniture and office equipment	11,033	9,093	(11,033)	9,093
Total capital assets being depreciated	25,978,461	1,603,049	(150,893)	27,430,617
Less accumulated depreciation for:				
Revenue equipment	(8,064,412)	(952,951)	81,231	(8,936,132)
Service equipment	(280,097)	(29,070)	58,629	(250,538)
Shop and garage equipment	(388,977)	(31,341)	-	(420,318)
Computer hardware and software	(141,973)	-	-	(141,973)
Farebox equipment	(602,988)	(38,520)	-	(641,508)
Communications equipment	(280,324)	-	-	(280,324)
Leasehold improvements	(1,754,928)	(150,263)	-	(1,905,191)
Buildings	(4,981,986)	(192,157)	-	(5,174,143)
Bus shelters	(980,069)	(361,711)	-	(1,341,780)
Furniture and office equipment	(11,033)	(253)	11,033	(253)
Total accumulated depreciation	(17,486,787)	(1,756,266)	150,893	(19,092,160)
Total capital assets being depreciated, net	8,491,674	(153,217)	-	8,338,457
Total capital assets	\$ 12,508,040	\$ 1,295,405	\$ (1,601,991)	\$ 12,201,454

Depreciation expense for the year ended June 30, 2022 was \$ 1,756,266.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

5 - Other Postemployment Benefits (OPEB)

Health Insurance

*Description.* The Authority offers postemployment health insurance to retired employees in accordance with Kansas law (K.S.A. 12-5040). The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the Authority. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. A retiring employee who waives continuing participation in the Authority’s health insurance program at the time of retirement is not eligible to participate at a later date. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

*Funding Policy.* The Authority provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The Authority requires participating retirees to contribute 100 percent of the blended premium cost of active employees to maintain coverage.

The Authority appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis. For the year ended June 30, 2022, the Authority contributed \$ 2,973 to the plan and participating retirees contributed \$ 0.

*Employees Covered by Benefit Terms.* At June 30, 2022, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	1
Active plan members	70
	71
	71

*Total OPEB Liability.* The Authority’s total OPEB liability of \$ 52,441 was measured as of June 30, 2022 and was determined by an actuarial valuation performed as of July 1, 2021.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability at June 30, 2022 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.50 percent as of June 30, 2022
Salary increases	2.5 percent per year
Healthcare cost trend rates	7 percent for 2022 decreasing to 6 percent, then, decreasing 0.10 percent per year to an ultimate rate of 4.5 percent
Retirees' share of benefit-related costs	Retirees are responsible for the full premium rates up to 125% of the premium.
Actuarial cost method	Entry Age Normal - Level Percent of Salary

The discount rate was based on the average of the S&P Municipal Bond 20-Year High Grade Rate Index, Bond Buyer GO 20-Bond Municipal Bond Index, and Fidelity 20-Year GO Municipal Bond Index published yields.

Mortality rates were based on the RP-2014 mortality tables projected with mortality improvements using the fully generational MP-2016 projection scale.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2021	\$ 87,984
Changes for the year:	
Service cost	6,147
Interest	1,962
Changes of benefit terms	-
Differences between expected and actual experience	(9,908)
Changes in assumptions or other inputs	(30,771)
Employer contribution (benefit payments)	(2,973)
Net changes	<u>(35,543)</u>
Balance at June 30, 2022	<u>\$ 52,441</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.19 percent in 2021 to 3.50 percent in 2022.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 56,080	\$ 52,441	\$ 48,960

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following represents the total OPEB liability of the Authority as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% Decrease (6.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
Total OPEB liability	\$ 47,301	\$ 52,441	\$ 58,398

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Authority recognized OPEB expense of \$ (15,373). At June 30, 2022, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions or other inputs	\$ 2,482	\$ 29,324
Differences between expected and actual experience	-	41,813
	\$ 2,482	\$ 71,137

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	\$ (23,482)
2024	(23,485)
2025	(13,801)
2026	(7,887)
	\$ (68,655)

Disability Benefits and Life Insurance

*Plan Description.* The Authority participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERs). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERs members, as provided by K.S.A. 74-4927. The Plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Employer contributions are established and may be amended by state statute. Members are not required to contribute. Employer contributions paid for benefits as they came due during the fiscal year ended June 30, 2022 totaled \$ 0.

*Benefits.* Benefits are established by statute and may be amended by the KPERs Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 $\frac{2}{3}$  percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERs retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$ 100 and a maximum of \$ 5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65<sup>th</sup> birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

*Covered Employees.* The Authority has the following employees covered by the Plan as of June 30, 2022:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active plan members	80
	80
	80

*Total OPEB Liability.* The Authority's total OPEB liability of \$ 74,351 reported as of June 30, 2022 was measured as of June 30, 2021 (the measurement date), and was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021, using the following actuarial assumptions:

Price inflation	2.75%
Wage inflation	3.00%
Salary increases, including wage increases	3.50%
Discount rate (based on the Bond Buyer General Obligation 20-Bond Municipal Index.)	2.21% as of June 30, 2020; 2.16% as of June 30, 2021
Actuarial cost method	Entry Age Normal
Mortality rates	Local Males: 90% of RP-2014 M Total Dataset +2 Local Females: 90% of RP-2014 F Total Dataset +1 Generational mortality improvements were projected for future years using MP-2021. Post-disability mortality rates are included in long-term disability claim termination rates.

The actuarial assumptions used in the December 31, 2020 valuation were based on the actual KPERS experience.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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Changes and items of impact relative to the prior valuation were as follows.

1. The discount rate was updated in accordance with the requirements of GASB 75.
2. The mortality projection scale was updated to the most recent table published by the Society of Actuaries.

*Changes in Total OPEB Liability*

Balance at June 30, 2021	\$ 71,121
Changes for the year:	
Service cost	17,406
Interest on total OPEB liability	1,957
Effect of plan changes	-
Effect of liability gains or losses	(16,216)
Changes in assumptions or other inputs	83
Benefit payments	-
Net changes	3,230
Balance at June 30, 2022	\$ 74,351

*Sensitivity Analysis.* The following presents the Authority's total OPEB liability calculated using the discount rate of 2.16%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 75,704	\$ 74,351	\$ 72,499

*OPEB Expense*

For the year ended June 30, 2022, the Authority recognized OPEB expense of \$ 14,221, which includes the changes in the total OPEB liability, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 41,755
Changes in assumptions	4,425	1,367
Total	\$ 4,425	\$ 43,122

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2022	\$	(5,142)
2023		(5,142)
2024		(5,142)
2025		(5,142)
2026		(5,075)
Thereafter		(13,054)
	\$	(38,697)

6 - Defined Benefit Pension Plan

General Information About the Pension Plan

*Description of Pension Plan.* The Authority participates in a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERs), a body corporate and an instrumentality of the State of Kansas. KPERs provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
  - State/School employees
  - Local employees
- Police and Firemen
- Judges



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the Authority are included in the Local employee group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at [www.kpers.org](http://www.kpers.org).

*Benefits Provided.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 points.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employees. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. KPERS is funded on an actuarial reserve basis.

For KPERS fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.20% of total payroll for the KPERS fiscal year ended June 30, 2021.

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.87% for the fiscal year ended June 30, 2022. Contributions to the Pension Plan from the Authority were \$ 351,982 for the year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Authority reported a liability of \$ 2,659,991 for its proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The Authority's proportion of the collective net pension liability was based on the ratio of the Authority's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the Local group within KPERS for the KPERS fiscal year ended June 30, 2021. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2021, the Authority's proportion was .221674%, which was a decrease of .000106% from its proportion measured as of June 30, 2020.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

For the year ended June 30, 2022, the Authority recognized pension expense of \$ 237,982. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 104,996	\$ 24,085
Changes in assumptions	523,622	-
Net difference between projected and actual earnings on pension plan investments	-	944,555
Changes in proportionate share	41,120	127,044
Authority contributions subsequent to measurement date	<u>351,982</u>	<u>-</u>
Total	<u>\$ 1,021,720</u>	<u>\$ 1,095,684</u>

The \$ 351,982 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2022	\$ (65,111)
2023	(61,001)
2024	(92,958)
2025	(225,435)
2026	<u>18,559</u>
	<u>\$ (425,946)</u>

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Actuarial assumptions.* The total pension liability for KPERS in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 percent
Wage inflation	2.75 percent
Salary increases, including price inflation	3.50 to 12.00 percent, including inflation
Long-term rate of return, net of investment expense, including price inflation	7.25 percent

Mortality rates were based on the RP-2014 Combined Mortality Tables with future mortality improvements based on Scale MP-2016.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study conducted for the three year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of the most recent experience study, dated January 7, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	23.5%	5.20%
Non-U.S. Equities	23.5%	6.40%
Private Equity	8.0%	9.50%
Private Real Estate	11.0%	4.45%
Yield Driven	8.0%	4.70%
Real Return	11.0%	3.25%
Fixed Income	11.0%	1.55%
Cash	4.0%	0.25%
Total	<u>100%</u>	

*Discount rate.* The discount rate used by KPERS to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, and subsequent legislation, the employer contribution rates certified by the KPERS Board of Trustees for this group may

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Authority’s proportionate share of the collective net pension liability to changes in the discount rate.* The following presents the Authority’s proportionate share of the collective net pension liability calculated using the discount rate of 7.25%, as well as what the Authority’s proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the collective net pension liability	\$ 4,375,427	\$ 2,659,991	\$ 1,221,381

*Pension plan fiduciary net position.* Detailed information about the Pension Plan’s fiduciary net position is available in the separately issued KPERS financial report.

7 - 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

Under the Kansas Tort Claims Act, K.S.A. 75-6101 to 75-6115, general liability claims against the Authority are limited within the scope of the act to an occurrence aggregate of \$ 500,000. The Authority self-insures for general liability claims up to this statutory dollar limit. The claims liability is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Other non-incremental costs are not included in the basis for estimating the liability.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

A reconciliation of changes in liabilities for claims, including claims incurred but not reported, for the past year follows:

Claims liabilities, beginning of year	\$ 15,000
Paid or resolved claims during the year	-
Addition to liability estimate	5,000
Claims liabilities, end of year	\$ 20,000

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 year 2022.

8 - Commitments and Contingencies

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

Grantor agencies reserve the right to conduct audits of the Authority's grant programs for economy and efficiency and program results that may result in disallowed costs to the Authority. Management does not believe such audits, if any, would result in any disallowed costs that would be material to the Authority's financial position at June 30, 2022.

9 - Property Taxes and Significant Concentrations

The City of Topeka, Kansas, (the City) has adopted the provisions of the metropolitan transit authority act contained in K.S.A. 12-2801 through 12-2840.

The City may levy a tax as approved by the City election on April 3, 1973. The mill levy shall be upon the taxable property within the City, as authorized by ordinance of the City. The mill levy rate was \$4.20 per \$ 1,000 assessed valuation for the fiscal year ending June 30, 2022. The moneys derived from such tax levy shall be for the benefit of the Authority for the purpose of providing funds for the operation of the Authority.

The Authority received \$5,514,143 from the City for the fiscal year ended June 30, 2022. The Authority also receives a significant amount of funding through grants from the State of Kansas and the U.S. Department of Transportation.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

A significant reduction in funding from these sources could materially affect the operations of the Authority.

10 - Tax Abatements

The City of Topeka, Kansas and Shawnee County, Kansas enter into property tax abatement agreements with local businesses for the purpose of attracting businesses within their jurisdictions. These agreements impact local municipalities, including the Authority. For the calendar year ended December 31, 2021, abated property taxes that impacted the Authority totaled \$ 301,583, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A property tax abatement to a medical facility. The Authority's portion of the abatement amounted to \$ 70,576.
- A property tax abatement to a food manufacturer and distributor. The Authority's portion of the abatement amounted to \$ 61,481.
- A property tax abatement to another food manufacturer and distributor. The Authority's portion of the abatement amounted to \$ 36,201.

11 - Subsequent Events

The Authority has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements are available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios - Health Insurance  
Last Five Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:					
Service cost	\$ 6,147	\$ 6,015	\$ 8,497	\$ 10,473	\$ 13,611
Interest	1,962	2,300	4,119	5,729	5,688
Changes of assumptions	(30,771)	2,470	(2,230)	2,504	(12,568)
Differences between expected and actual experience	(9,908)	(977)	(33,259)	(40,950)	(10,341)
Benefit payments	(2,973)	(4,496)	(6,546)	(6,420)	(1,811)
Net change in total OPEB liability	(35,543)	5,312	(29,419)	(28,664)	(5,421)
Total OPEB liability, beginning	<u>87,984</u>	<u>82,672</u>	<u>112,091</u>	<u>140,755</u>	<u>146,176</u>
Total OPEB liability, ending	<u>\$ 52,441</u>	<u>\$ 87,984</u>	<u>\$ 82,672</u>	<u>\$ 112,091</u>	<u>\$ 140,755</u>
Covered payroll	\$3,451,734	\$3,978,641	\$3,844,098	\$4,223,949	\$3,464,914
Authority's total OPEB liability as a percentage of covered payroll	1.5%	2.2%	2.2%	2.7%	4.1%

*Benefit Changes.* No substantial changes.

*Changes of Assumptions.*

- Discount rate as of the Measurement Date has been updated to be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) as of June 30, 2022. The current full valuation uses a discount rate of 2.19% as of July 1, 2021, and 3.50% as of June 30, 2022. This change has led to a decrease in liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.

\* GASB 75 requires the presentation of 10 years. Data was not available prior to fiscal year 2018. Therefore, 10 years of data is unavailable.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios -  
Disability Benefits and Life Insurance  
Last Five Fiscal Years\*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:					
Service cost	\$ 17,406	\$ 15,874	\$ 14,291	\$ 14,096	\$ 15,107
Interest	1,957	2,831	2,930	2,894	2,652
Effect of economic/demographic gains or losses	(16,216)	(17,295)	(14,494)	(5,670)	-
Changes of assumptions	83	4,712	851	(634)	(2,053)
Benefit payments	-	-	-	(31,689)	(22,264)
Net change in total OPEB liability	3,230	6,122	3,578	(21,003)	(6,558)
Total OPEB liability, beginning	<u>71,121</u>	<u>64,999</u>	<u>61,421</u>	<u>82,424</u>	<u>88,982</u>
Total OPEB liability, ending	<u>\$ 74,351</u>	<u>\$ 71,121</u>	<u>\$ 64,999</u>	<u>\$ 61,421</u>	<u>\$ 82,424</u>
Covered payroll	\$ 4,315,440	\$ 3,926,375	\$ 3,912,624	\$ 3,634,818	\$ 3,655,711
Authority's total OPEB liability as a percentage of covered payroll	1.72%	1.81%	1.66%	1.69%	2.25%

*Benefit Changes.* No significant changes.

*Changes of Assumptions.*

- Discount rate was updated to 2.16% as of June 30, 2022, compared to 2.21% as of June 30, 2021. Mortality projection scale was updated to most recent table published by the Society of Actuaries. These changes have led to an increase in liabilities.

\* GASB 75 requires the presentation of 10 years. Data was not available prior to fiscal year 2018. Therefore, 10 years of data is unavailable.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
Schedule of the Authority's Proportionate Share of the Collective Net Pension Liability -  
Kansas Public Employees Retirement System  
Last Nine Fiscal Years<sup>1</sup>

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the collective net pension liability	0.221674%	0.221780%	0.235040%	0.228898%	0.233894%	0.227267%	0.207658%	0.192612%	0.198234%
Authority's proportionate share of the collective net pension liability	\$ 2,659,991	\$ 3,844,898	\$ 3,284,384	\$ 3,190,357	\$ 3,387,851	\$ 3,518,888	\$ 2,726,641	\$ 2,370,694	\$ 3,017,282
Authority's covered payroll	\$ 3,894,315	\$ 4,270,202	\$ 4,082,002	\$ 4,078,993	\$ 3,956,145	\$ 3,906,175	\$ 3,740,294	\$ 3,528,031	\$ 3,292,913
Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll	68.30%	90.04%	80.46%	78.21%	86%	90%	73%	67%	91%
Plan fiduciary net position as a percentage of the total pension liability	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

<sup>1</sup> GASB 68 requires presentation of ten years. Data was not available prior to 2014; therefore, ten years of data is unavailable.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
Schedule of the Authority's Contributions -  
Kansas Public Employees Retirement System  
Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 351,982	\$ 373,631	\$ 366,942	\$ 375,735	\$ 345,045	\$ 365,848	\$ 363,537	\$ 317,558	\$ 265,218	\$ 243,994
Contributions in relation to the contractually required contribution	(351,982)	(373,631)	(366,942)	(375,735)	(345,045)	(365,848)	(363,537)	(317,558)	(265,218)	(243,994)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 3,894,315	\$ 4,270,202	\$ 4,082,002	\$ 4,078,993	\$ 3,956,145	\$ 3,906,175	\$ 3,740,294	\$ 3,528,031	\$ 3,292,913	\$ 3,016,360
Contributions as a percentage of covered payroll	9.04%	9.00%	9.00%	9.00%	9.00%	9.00%	10.00%	9.00%	8.00%	8.00%

SUPPLEMENTARY INFORMATION

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL  
Year Ended June 30, 2022

	Budget	Actual	Variance
Operating revenues:			
Passenger fares	\$ 827,002	\$ 811,605	\$ (15,397)
Advertising and other revenue	68,000	69,172	1,172
<b>Total operating revenues</b>	<b>895,002</b>	<b>880,777</b>	<b>(14,225)</b>
Operating expenses:			
Salaries and benefits	5,936,191	5,260,176	(676,015)
Contracted services	542,889	658,518	115,629
Materials and supplies	1,008,312	1,166,747	158,435
Depreciation	1,621,884	1,756,266	134,382
Utilities	160,758	142,683	(18,075)
Insurance	109,436	126,026	16,590
Taxes	62,604	53,391	(9,213)
Taxi service	348,000	349,584	1,584
Continuing education	4,920	21,250	16,330
Advertising	10,200	16,918	6,718
Leases	960	978	18
Self-insurance damage claims	60,000	23,589	(36,411)
Other expenses	32,700	25,399	(7,301)
<b>Total operating expenses</b>	<b>9,898,854</b>	<b>9,601,525</b>	<b>(297,329)</b>
<b>Operating loss</b>	<b>(9,003,852)</b>	<b>(8,720,748)</b>	<b>283,104</b>
Non-operating revenues:			
Investment income	6,000	17,135	11,135
Gain on sale of assets	-	22,180	22,180
Property taxes	5,135,698	5,514,143	378,445
Federal operating grants	2,980,567	4,151,760	1,171,193
State operating grants	830,387	830,387	-
Planning grants	51,200	54,101	2,901
<b>Total non-operating revenues</b>	<b>9,003,852</b>	<b>10,589,706</b>	<b>1,585,854</b>
Income before capital grants	-	1,868,958	1,868,958
Capital grants	-	835,397	835,397
<b>Change in net position</b>	<b>\$ -</b>	<b>2,704,355</b>	<b>\$ 2,704,355</b>
Net position, beginning of year		27,996,231	
Net position, end of year		<b>\$ 30,700,586</b>	

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2022

Grantor/Pass-through Grantor/ Program Title	Federal ALN	Pass-through Grantor's Number	Award Amount	Expenditures
U.S. Department of Transportation:				
Federal Transit Cluster:				
Bus Stops Phase 9 and Bike Stations	20.507	KS-2019-001	\$ 690,112	\$ 44,288
COVID-19 - Operating Assistance	20.507	KS-2020-001	2,323,030	840,531
COVID-19 - ARPA - Operating Assistance	20.507	KS-2021-004	3,816,046	3,326,761
Passed through Kansas Department of Transportation:				
Capital Funds - 5339	20.526	PT-5339-21	1,304,840	68,800
Capital Funds - 5339	20.526	PT-5339-18	1,121,574	722,309
Federal Transit Cluster Subtotal				<u>5,002,689</u>
Passed through City of Topeka:				
Planning Grant	20.505	-	-	<u>54,101</u>
Total expenditures of federal awards				<u><u>\$ 5,056,790</u></u>

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, 2022

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of the Authority.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3 - Indirect Cost Rate

The Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4 - Relationship to Financial Statements

Federal awards received are reported in the Authority's financial statements as grants on the statement of revenues, expenses and changes in net position.

5 - Difference in Presentation of Capital Assets

The accompanying schedule of expenditures of federal awards presents capital asset acquisitions as expenditures under the definition of the Uniform Guidance. The financial statements present capital asset acquisitions as assets in accordance with accounting principles generally accepted in the United States of America.



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2022

**Section I. Summary of Independent Auditors' Results**

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	None

Federal Awards

Type of auditors' report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)	None

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program</u>
20.507/20.526	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as a low-risk auditee	Yes

**Section II. Financial Statement Findings**

None.

**Section III. Federal Awards Findings and Questioned Costs**

None.



Certified Public Accountants

**INDEPENDENT AUDITORS' 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  
Topeka Metropolitan Transit Authority  
Topeka, Kansas

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 business-type activities of Topeka Metropolitan Transit Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 9, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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 or significant deficiencies may exist that were not identified.

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## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BT & Co., P.A.

December 9, 2022  
Topeka, Kansas



Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE**

Board of Directors  
Topeka Metropolitan Transit Authority  
Topeka, Kansas

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Topeka Metropolitan Transit Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

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## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control

over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BT & Co., P.A.

December 9, 2022  
Topeka, Kansas