



BERBERICH TRAHAN & CO., P.A.

Certified Public Accountants

TOPEKA METROPOLITAN TRANSIT AUTHORITY

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

TOPEKA METROPOLITAN TRANSIT AUTHORITY

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Years Ended June 30, 2016 and 2015

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TOPEKA METROPOLITAN TRANSIT AUTHORITY

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Topeka Metropolitan Transit Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Topeka Metropolitan Transit Authority (the Authority), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, 2016 and 2015 and the 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.

Other Matters

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 the 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.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 16, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Berwick Trahan + Co., P.A.

November 16, 2016
Topeka, Kansas

**Topeka Metropolitan Transit Authority
Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

BOARD OF DIRECTORS

Elsie Eisenbarth, Chair
Jim Ogle, Vice-Chair
Jim Daniel
Beverly Hall
Rodney Miller
Scott Tummons
Andy Vogel

EXECUTIVE STAFF

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

INTRODUCTION

This discussion and analysis is intended to serve as an introduction to Topeka Metro's basic financial statements for the year ending June 30, 2016, with selected comparative information for the years ending June 30, 2015 and 2014. 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

Topeka Metro added 100 bikes to its Bike Share program system. Topeka Metro continued its multi-phase bus stop project, and fifteen ADA-accessible stops were installed.

Throughout multiple public hearings held by Topeka Metro in FY2016, “later into the night” service was shared as a priority. As a result, effective August 15, 2015, Topeka Metro service runs 40 minutes later into the evening.

Topeka Metro continued the student pass program in FY2016 with Unified School District 501. The district purchased eight hundred annual student passes for the 2015-2016 school year. Students may also use their bus passes during school holidays and summer vacation. Topeka Metro also continued its contract with Washburn University to allow 8,000 students, faculty and staff to ride during the school year.

During fiscal year 2016, Topeka Metro continued its “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>Eve/Sun</u>	<u>Total</u>
2012	1,127,752	73,724	4,572	1,206,048
2013	1,136,393	66,253	0	1,202,646
2014	1,204,350	63,897	0	1,268,247
2015	1,205,569	55,751	0	1,261,320
2016	1,154,838	53,572	0	1,208,410

SERVICE CHANGES

Topeka Metro made minor changes to the fixed route system in 2016. Most of these changes were based on level of ridership and operational efficiency. The fixed route also runs 40 minutes later into the evening.

In FY2016, fixed route ridership decreased 4.2% from FY2015 ridership, and lift ridership decreased 3.9%. In FY2015, fixed route ridership increased 0.1% from FY2014 ridership, and lift ridership decreased 10%.

SERVICE HOURS

<u>Fiscal year</u>	<u>Fixed Route</u>	<u>Lift</u>	<u>Eve/Sun</u>	<u>Total</u>
2012	54,380	27,195	1,730	83,305
2013	54,079	23,932	0	78,011
2014	54,303	22,866	0	77,169
2015	54,336	20,942	0	75,278
2016	57,867	19,852	0	77,719

FINANCIAL HIGHLIGHTS

SUMMARY OF NET POSITION

	2016	2015	2014
Assets and Deferred Outflows			
Current Assets	\$ 10,907,195	\$ 9,100,344	\$ 12,303,778
Capital Assets, Net	15,466,118	16,403,024	12,989,750
Total Assets	<u>26,373,313</u>	<u>25,503,368</u>	<u>25,293,528</u>
Deferred Outflows (KPERs)	548,156	317,558	-
Total Assets and Deferred Outflows	<u><u>\$ 26,921,469</u></u>	<u><u>\$ 25,820,926</u></u>	<u><u>\$ 25,293,528</u></u>
Total Liabilities, Deferred Inflows and Net Position			
Current Liabilities	\$ 622,326	\$ 488,249	\$ 947,724
Long-Term Liabilities	2,802,218	2,421,574	25,691
Total Liabilities	<u>3,424,544</u>	<u>2,909,823</u>	<u>973,415</u>
Deferred Inflows (KPERs)	<u>277,597</u>	<u>564,998</u>	<u>-</u>
Net Investment in Capital Assets	15,466,118	16,403,024	12,989,750
Undesignated	7,753,210	5,943,081	11,330,363
Total Net Position	<u>23,219,328</u>	<u>22,346,105</u>	<u>24,320,113</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 26,921,469</u></u>	<u><u>\$ 25,820,926</u></u>	<u><u>\$ 25,293,528</u></u>

CURRENT ASSETS

Cash and Cash Equivalents are those funds kept on hand for operating and reserve funds. Investments and Board Designated Investments include money market mutual funds, certificates of deposit and funds invested in the State of Kansas Municipal Investment Pool. As of June 30, 2016, \$1,000,000 of

Designated Investment is for the self-insurance program, and \$2,731,925 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. The largest monthly prepayment is for employee health insurance premiums. 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 capital assets decreased by \$936,906 during fiscal year 2016. 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 FY2016 included the following:

Asset purchases:

- a) Bus shelters
- b) New telephone system
- c) Automated passenger counting (APC) equipment and software
- d) New computer server
- e) Construction of a new IT room at Ryan
- f) Construction of a security fence at Ryan
- g) Replacement of downspouts at QSS
- h) Power washer
- i) MV-1 for operations
- j) Pickup truck for bike share

Asset disposals:

- a) Two bus shelters
- b) Old telephone system
- c) Old computer server
- d) Old power washer
- e) Three paratransit vehicles
- f) Old camera systems on the fixed route buses

Capital Assets (net of depreciation)

	<u>06/30/2016</u>	<u>06/30/2015</u>	<u>06/30/2014</u>
Buildings	\$ 2,695,929	\$ 2,888,086	\$ 3,080,207
Bike Share	35,019	47,379	-
Bus Shelters	474,865	495,694	277,299
Communication Equipment	190,920	-	1,047
Computer Equipment	79,882	95,237	75,614
Farebox Equipment	386,681	455,445	390,820
Leasehold Improvements	202,826	85,274	143,159
Maintenance Equipment	38,975	41,453	49,584
Revenue Vehicles	7,447,928	8,594,765	5,353,926
Services Vehicles	80,728	61,569	17,839
Projects in Process	232,110	37,867	-
Land	3,600,255	3,600,255	3,600,255
Total	<u>\$ 15,466,118</u>	<u>\$ 16,403,024</u>	<u>\$ 12,989,750</u>

DEFERRED OUTFLOWS

Deferred Outflows relate to the KPERS Net Pension Liability, and consist of (1) Topeka Metro's contributions made to the KPERS retirement program during fiscal year 2016, and (2) Topeka Metro's share of KPERS Deferred Outflows as of June 30, 2015.

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, and annual bike share sponsorships.

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

The Long-Term Liability consists of Topeka Metro's share of the KPERS Net Pension Liability as of June 30, 2015, and Topeka Metro's estimated post-employment benefit liability.

DEFERRED INFLOWS

Deferred Inflows relate to the KPERS Net Pension Liability, and consist solely of Topeka Metro's share of KPERS Deferred Inflows as of June 30, 2015.

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 \$1,000,000 for the Self Insurance Fund and \$2,731,925 for Capital Reserves.

SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	Fiscal Year Ending June 30		
	2016	2015	2014
Operating Revenue			
Fares	\$ 1,235,105	\$ 1,362,519	\$ 1,417,523
Other Operating	143,143	112,748	83,099
Total Operating Revenue	<u>1,378,248</u>	<u>1,475,267</u>	<u>1,500,622</u>
Operating Expense			
Salaries and Benefits	5,140,640	5,040,073	4,822,042
Contracted Services	910,621	918,116	815,127
Materials and Supplies	1,017,070	1,367,438	1,268,229
General Overhead	375,384	433,807	763,806
Depreciation	1,613,413	1,339,430	1,142,793
Total Operating Expense	<u>9,057,128</u>	<u>9,098,864</u>	<u>8,811,997</u>
Operating Loss	(7,678,880)	(7,623,597)	(7,311,375)
Non-Operating Revenue			
Interest & Gain on disposal	27,514	67,820	12,784
Grants	2,909,518	3,133,631	2,911,397
Property Taxes	4,614,882	4,779,444	4,652,017
Total Non-Operating Revenue	<u>7,551,914</u>	<u>7,980,895</u>	<u>7,576,198</u>
Income (loss) before Capital Grants	(126,966)	357,298	264,823
Capital Grants	1,000,189	420,758	384,960
Change in Net Position	<u>873,223</u>	<u>778,056</u>	<u>649,783</u>
Prior Period Adjustment - KPERS NPL	-	(2,752,064)	-
Net Position - Beginning Balance	<u>22,346,105</u>	<u>24,320,113</u>	<u>23,670,330</u>
Net Position - Ending Balance	<u>\$ 23,219,328</u>	<u>\$ 22,346,105</u>	<u>\$ 24,320,113</u>

Operating expenses increased 0.5% in fiscal year 2016 over the previous year. There were increases in personnel cost and depreciation, and decreases in contracted services, materials and supplies, and general overhead. Materials and Supplies decreased 21.6%, mostly due to lower fuel costs.

Operating expenses increased 3.3% in fiscal year 2015 over the previous year. There were small increases in all categories of expense except General Overhead, which was significantly higher in 2014 due to a liability settlement. Depreciation Expense increased due to purchase and replacement of capital assets.

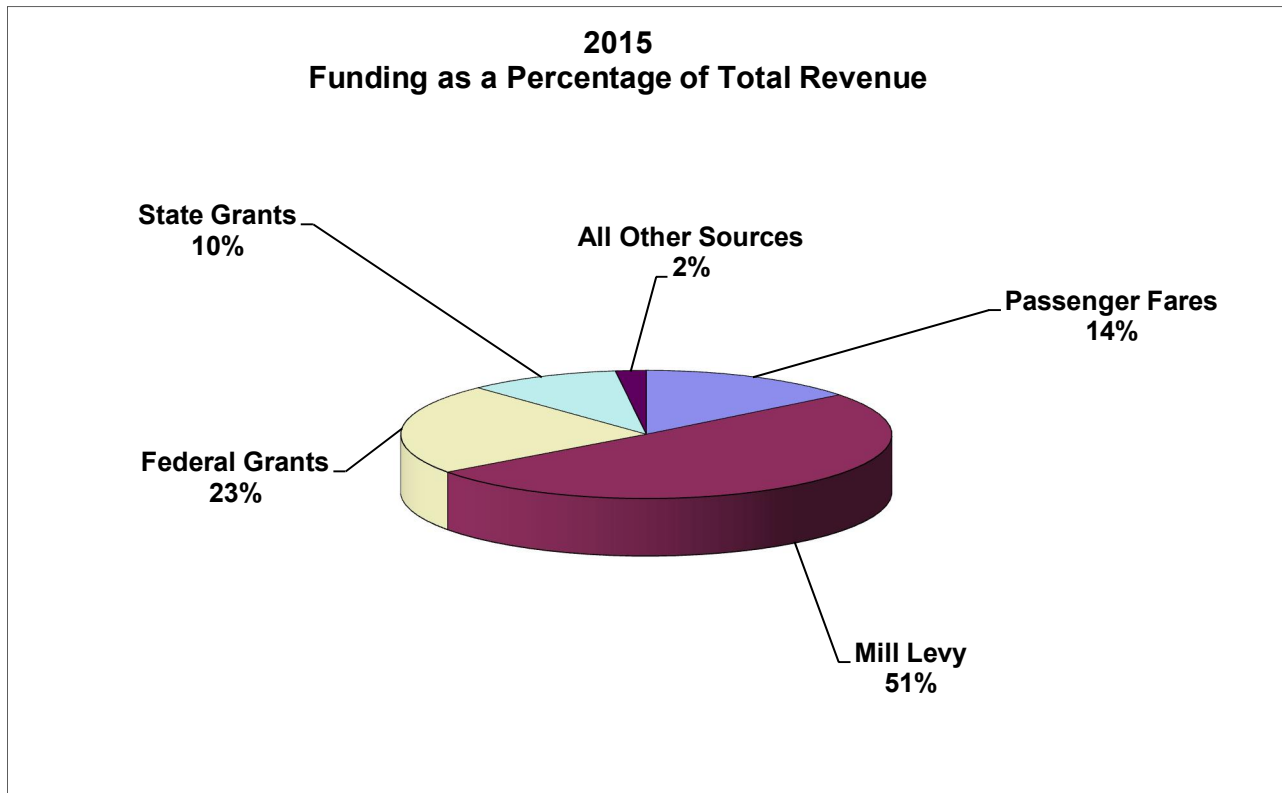
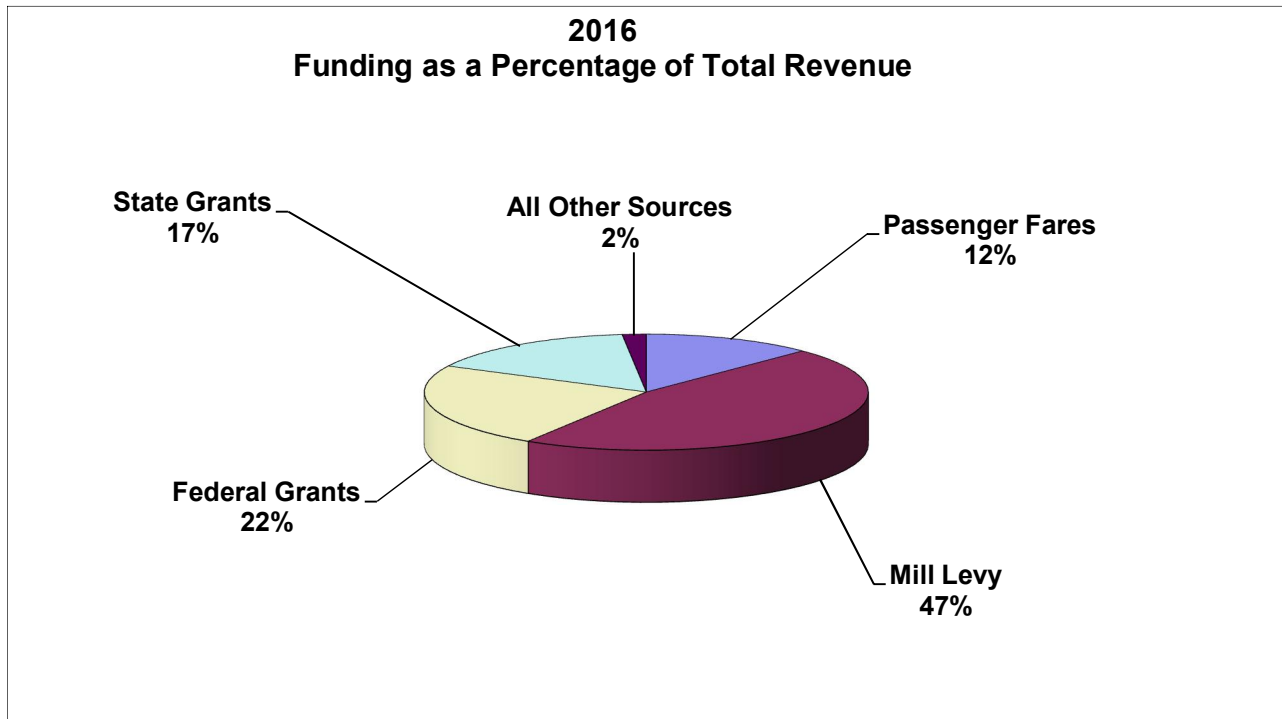
Operational & Funding Revenues (Capital Grants not Included)	Fiscal Year Ending June 30		
	2016	2015	2014
Fares	\$ 1,235,105	\$ 1,362,519	\$ 1,417,523
Property Taxes	4,614,882	4,779,444	4,652,017
Federal Grants	2,170,912	2,175,486	2,186,973
State Grants	736,606	948,145	724,424
All Other Sources	172,657	190,568	95,883
Total Operating & Funding Revenues	\$ 8,930,162	\$ 9,456,162	\$ 9,076,820

Fare revenue decreased in FY2016 due to the increased utilization of the Low-Income Pass program. Property taxes and federal grant revenue reflected small decreases. State grant revenue decreased 22% due to a non-recurring state operating grant received in FY2015.

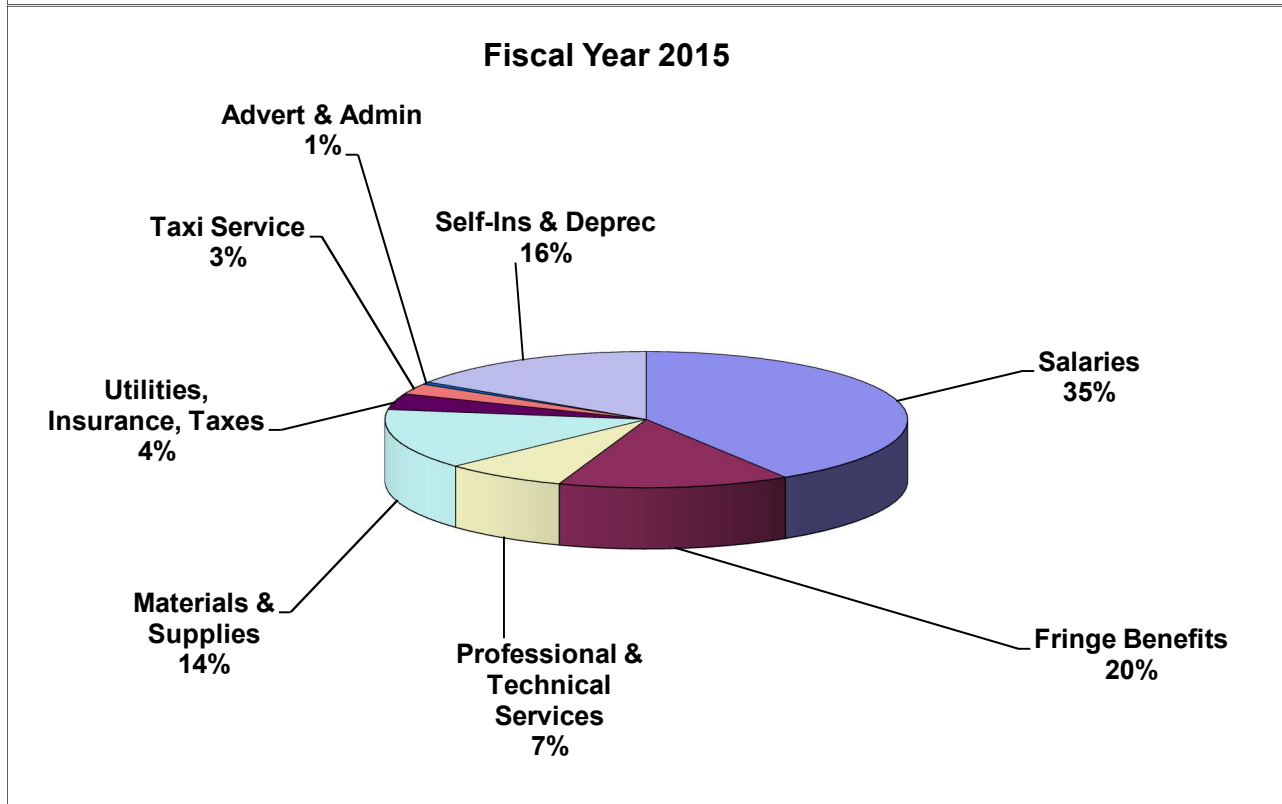
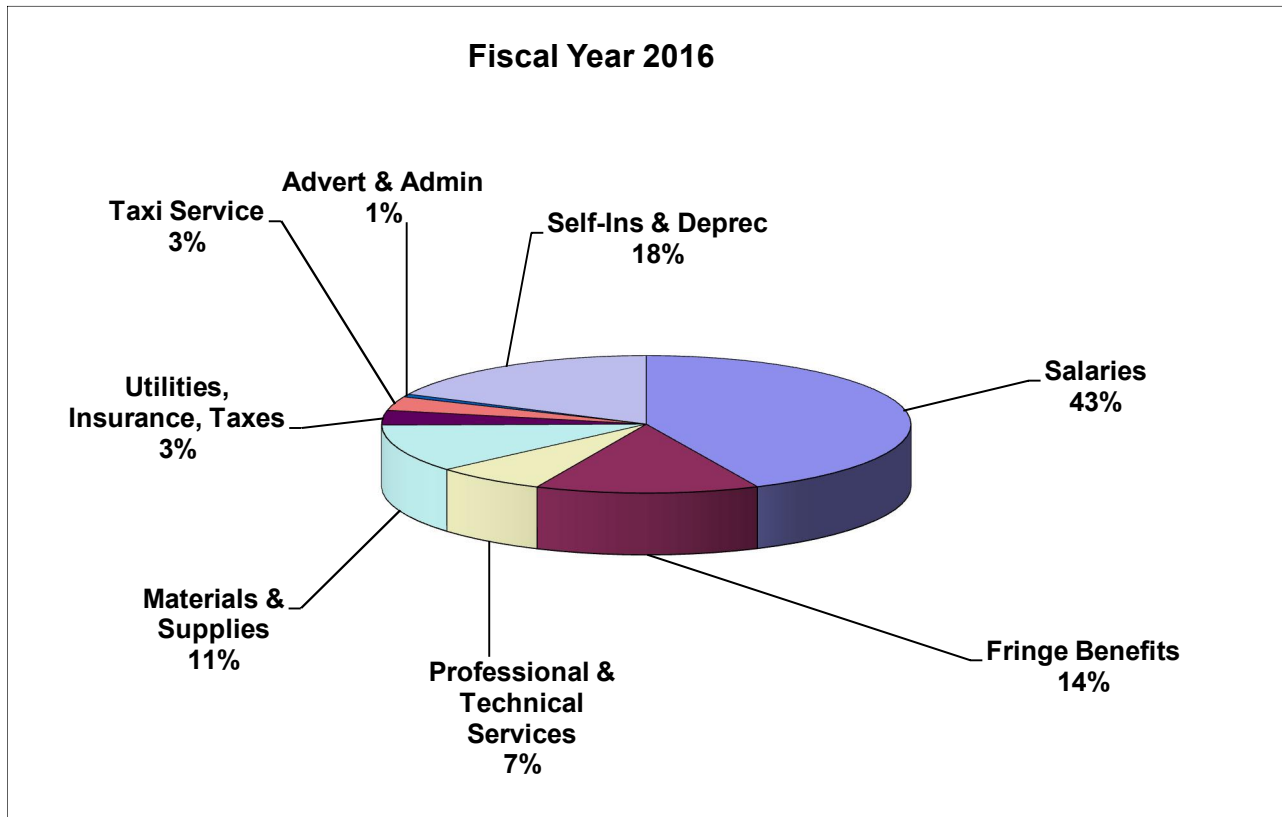
Fare revenue decreased in FY2015 due to changes in bus pass purchasing practices of area social service agencies. Revenue from the first three months of the new bike share program was \$14,686. Mill levy, federal grant and state grant revenue varied from the previous year.

Fare revenue decreased in FY 2014 due to a decreased number of passes sold and a reduced price for the USD501 student pass program. Federal and state grants increased.

OPERATIONAL REVENUE & FUNDING



OPERATING EXPENSES



Operating Expenses

	Fiscal Year Ending June 30		
	2016	2015	2014
Salaries	\$ 3,905,291	\$ 3,738,974	\$ 3,399,423
Fringe Benefits	1,235,349	1,301,099	1,422,619
Professional & Technical Services	614,742	691,188	554,080
Materials & Supplies	1,017,070	1,303,682	1,204,840
Utilities, Insurance & Taxes	312,890	350,033	312,152
Contracted Taxi Service	295,879	226,928	261,047
Advertising & Administration	55,707	55,296	55,802
Depreciation & Self-Insurance	1,620,200	1,431,664	1,602,034
Total Operating Expenses	<u>\$ 9,057,128</u>	<u>\$ 9,098,864</u>	<u>\$ 8,811,997</u>

FY 2016 overall operating expenses decreased from the previous year by \$41,736, or ½%. Primary changes in expense categories were:

1. Salary expense increased due to the hiring of additional staff, and due to adjustments to non-represented employee wages and salaries.
2. Fringe Benefits decreased due to the KPERS Pension Liability entry.
3. Materials & Supplies decreased due to lower fuel prices.
3. Contracted Taxi expense increased 30% as Topeka Metro continued to move ambulatory passengers from the directly-provided service to the taxi service.
4. Liability claims decreased by \$91,488.

FY 2015 overall operating expenses increased from the previous year by \$287,370, or 3%. Primary changes contributing to the increase were:

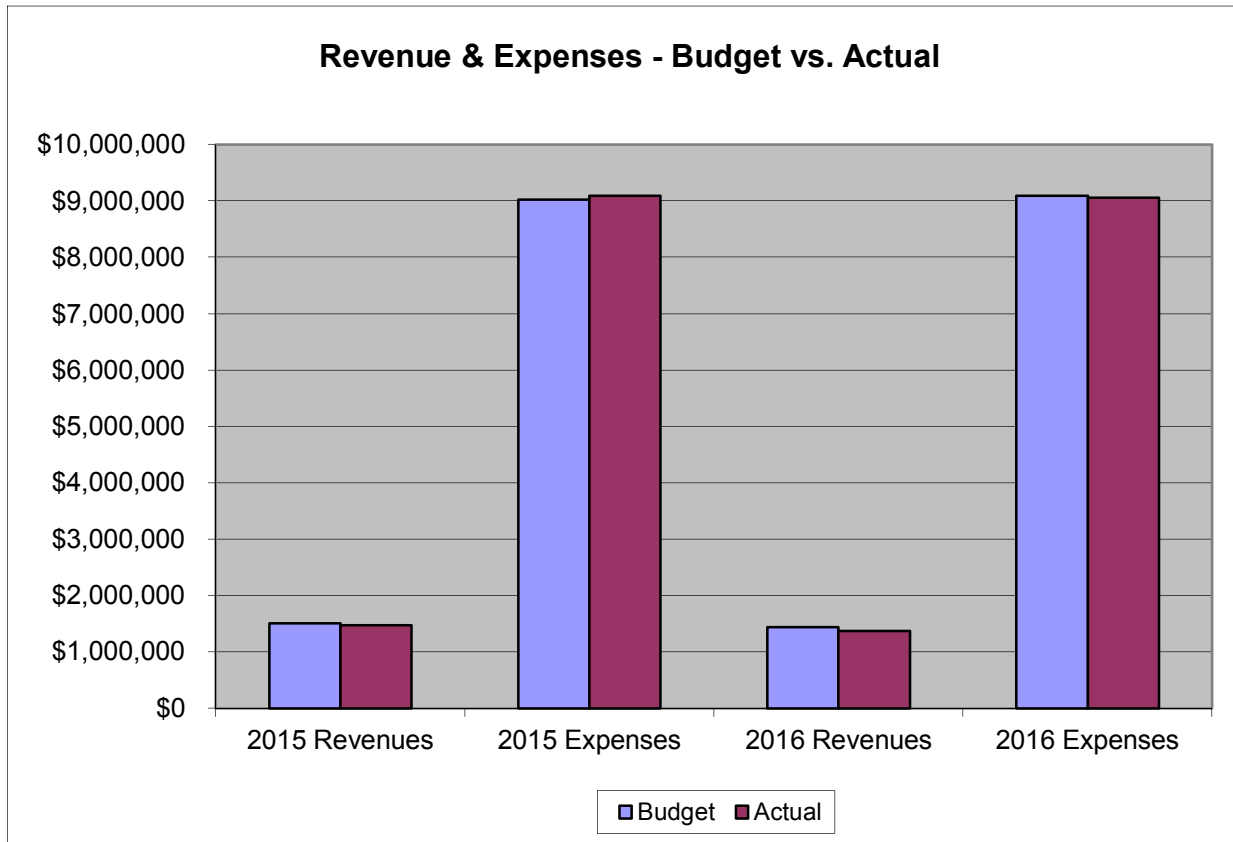
1. Salary expense increased as Topeka Metro changed its leave time policy for non-represented employees, and paid out accumulated leave.
2. Fringe Benefits decreased due to the KPERS Pension Liability entry.
3. Contract Taxi expense decreased 13% as paratransit passengers moved to fixed route.
4. Liability claims decreased by \$367,000.

FY 2014 overall operating expenses increased from the previous year by \$1,084,562, or 14%. Primary reasons for the increase in operating expenses are: (1) Topeka Metro initiated contracts for planning services; (2) contracted taxi service increased 48%, as we moved ambulatory passengers from Metro-provided service to the less expensive taxi service; and, (3) a major liability claim allowance of \$450,000 at year-end.

BUDGET

Passenger Fares did not meet revenue budget estimates in FY2016 due to the increased utilization of the Low-Income program. Operating expenses were 0.4% less than budgeted.

Passenger Fares did not meet revenue budget estimates in FY2015 due to changes in bus pass purchasing practices of area social service agencies. Operating expenses were within ½% of budget.



	<u>2016</u>	<u>2015</u>	<u>2014</u>
Budgeted Revenues	\$ 1,446,932	\$ 1,514,780	\$ 1,594,033
Actual Revenues	1,378,248	1,475,267	1,500,622
Budgeted Expenses	9,093,661	9,024,339	9,052,656
Actual Expenses	9,057,128	9,073,675	8,786,306

TOPEKA METROPOLITAN TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS AND DEFERRED OUTFLOWS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,166,791	\$ 185,133
Deposits and investments:		
Operating	3,880,738	3,786,095
Designated	3,731,925	2,489,164
Accounts receivable	69,451	24,385
Grants receivable	1,876,925	2,348,941
Interest receivable	6,315	4,253
Inventory	27,095	46,066
Prepaid expenses	147,955	216,307
Total current assets	<u>10,907,195</u>	<u>9,100,344</u>
Non-current assets:		
Capital assets not being depreciated	3,832,365	3,638,122
Capital assets, net of depreciation	11,633,753	12,764,902
Deferred outflows of resources - pension	548,156	317,558
Total assets and deferred outflows of resources	<u>\$ 26,921,469</u>	<u>\$ 25,820,926</u>
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 189,106	\$ 125,898
Accrued payroll and benefits	160,196	134,946
Accrued vacation	175,991	171,028
Unearned revenue	84,033	41,377
Claims payable	13,000	15,000
Total current liabilities	<u>622,326</u>	<u>488,249</u>
Long-term liabilities:		
Other post-employment benefits liability	75,577	50,880
Net pension liability	2,726,641	2,370,694
Total liabilities	<u>3,424,544</u>	<u>2,909,823</u>
Deferred inflows of resources - pension	277,597	564,998
Net position:		
Net investment in capital assets	15,466,118	16,403,024
Unrestricted	7,753,210	5,943,081
Total net position	<u>23,219,328</u>	<u>22,346,105</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 26,921,469</u>	<u>\$ 25,820,926</u>

See accompanying notes to financial statements.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Passenger fares	\$ 1,235,105	\$ 1,362,519
Advertising and other revenue	143,143	112,748
Total operating revenues	<u>1,378,248</u>	<u>1,475,267</u>
Expenses:		
Salaries and benefits	5,140,640	5,040,073
Contracted services	614,742	691,188
Materials and supplies	1,017,070	1,303,683
Depreciation	1,613,413	1,339,430
Utilities	157,974	169,654
Insurance	97,380	116,624
Taxes	57,536	63,755
Taxi service	295,879	226,928
Continuing education	11,816	15,569
Advertising	24,237	21,163
Leases	960	963
Self-insurance damage claims	745	92,233
Other expenses	24,736	17,601
Total operating expenses	<u>9,057,128</u>	<u>9,098,864</u>
Operating loss	<u>(7,678,880)</u>	<u>(7,623,597)</u>
Non-operating revenues:		
Investment income	20,775	16,867
Gain on sale of capital assets	6,739	50,953
Property taxes	4,614,882	4,779,444
Federal operating grants	2,170,912	2,140,687
State operating grants	736,606	711,171
Other grants	2,000	246,974
Planning grants	-	34,799
Total non-operating revenues	<u>7,551,914</u>	<u>7,980,895</u>
Income (loss) before capital grants	(126,966)	357,298
Capital grants	1,000,189	420,758
Change in net position	873,223	778,056
Net position, beginning of year	22,346,105	24,345,804
Prior period adjustments	-	(2,777,755)
Net position, end of year	<u>\$ 23,219,328</u>	<u>\$ 22,346,105</u>

See accompanying notes to financial statements.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from customers	\$ 1,375,838	\$ 1,477,040
Cash paid to suppliers	(2,132,954)	(3,158,549)
Cash paid to employees	(5,247,782)	(5,084,038)
Net cash used in operating activities	<u>(6,004,898)</u>	<u>(6,765,547)</u>
Cash flows from non-capital financing activities:		
Property taxes and operating grants	<u>8,966,885</u>	<u>6,104,605</u>
Cash flows from capital and related financing activities:		
Cash received on disposal of capital assets	6,739	50,955
Capital grants	29,720	565,173
Purchase of capital assets	(698,097)	(4,752,704)
Net cash used in capital and related financing activities	<u>(661,638)</u>	<u>(4,136,576)</u>
Cash flows from investing activities:		
Proceeds from investments	6,700,000	11,811,155
Purchase of investments	(8,037,404)	(6,880,386)
Interest received	18,713	19,246
Net cash provided by (used in) investing activities	<u>(1,318,691)</u>	<u>4,950,015</u>
Net increase in cash	981,658	152,497
Cash and cash equivalents, beginning of year	<u>185,133</u>	<u>32,636</u>
Cash and cash equivalents, end of year	<u>\$ 1,166,791</u>	<u>\$ 185,133</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (7,678,880)	\$ (7,623,597)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,613,413	1,339,430
Loss on disposal of capital assets	21,591	-
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivable	(45,066)	(1,988)
Inventory	18,970	8,743
Prepaid expenses	68,352	80,081
Deferred outflows - pension	(230,598)	(317,558)
Accounts payable	63,208	(118,201)
Accrued payroll and benefits	25,250	42,098
Accrued vacation	4,963	47,867
Unearned revenue	42,656	3,761
Claims payable	(2,000)	(435,000)
Other post-employment benefits liability	24,697	25,189
Net pension liability	355,947	(381,370)
Deferred inflows - pension	(287,401)	564,998
Net cash used in operating activities	<u>\$ (6,004,898)</u>	<u>\$ (6,765,547)</u>

See accompanying notes to financial statements.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

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 consist of a checking account and petty cash.

Investments

Investments include a money market mutual fund account, 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 money market mutual fund, 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, 2016 and 2015.

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 estimated fair market value at the date of donation.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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 50 years. Buses and other equipment are depreciated over a period of 3 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.

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.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

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 only has one item that qualifies for reporting in this category - deferred outflows for pension. See 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 only one type of item that qualifies for reporting in this category - deferred inflows for pension. See Note 6 for more information on the deferred inflows for the pension.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the collective 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 purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. 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.

Adoption of New Accounting Standard

During the year, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The application of this statement resulted in the categorization of Authority investment assets as reflected in Note 2.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Deposits and Investments

A summary of the deposits and investments at June 30, 2016 and 2015 is as follows:

	2016	2015
Cash on hand	\$ 4,835	\$ 6,173
Deposits	1,763,366	780,218
Investments	7,011,253	5,674,001
	\$ 8,779,454	\$ 6,460,392

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

	2016	2015
Cash and cash equivalents	\$ 1,166,791	\$ 185,133
Deposits and investments:		
Operating	3,880,738	3,786,095
Designated	3,731,925	2,489,164
	\$ 8,779,454	\$ 6,460,392

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, 2016 and 2015, the Authority's deposits were not exposed to custodial credit risk.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Deposits and Investments (Continued)

Investments

As of June 30, 2016 and 2015, the Authority had the following investments and related maturities:

Investment Type	Fair Value	Rating	June 30, 2016			
			Investment Maturities (in Years)			
			Less than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	\$ 465,160	N/A	\$ 465,160	\$ -	\$ -	\$ -
Brokered certificates of deposit	3,017,747	N/A	3,017,747	-	-	-
Kansas Municipal Investment Pool	3,528,346	AAAF/S1+	3,528,346	-	-	-
	<u>\$ 7,011,253</u>		<u>\$ 7,011,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Type	Fair Value	Rating	June 30, 2015			
			Investment Maturities (in Years)			
			Less than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	\$ 220,614	N/A	\$ 220,614	\$ -	\$ -	\$ -
Brokered certificates of deposit	2,019,684	N/A	2,019,684	-	-	-
Kansas Municipal Investment Pool	3,433,703	AAAF/S1+	3,433,703	-	-	-
	<u>\$ 5,674,001</u>		<u>\$ 5,674,001</u>	<u>\$ -</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 rated AAAF/S1+ by Standard & Poor’s. Maturities of the above investments may not exceed two years by statute.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - Deposits and Investments (Continued)

Investments (Continued)

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 – State statutes and the Authority place no limit on the amount 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, 2016 and 2015, 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 years ended June 30, 2016 and 2015, the money market mutual funds were valued with quoted prices on the active market (Level 1 input), the brokered certificates of deposit were valued using pricing of similar assets in markets that are not active (Level 2 input) and the MIP was valued using significant unobservable inputs (Level 3 input).

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 \$ 3,731,925 and \$ 2,489,164 have been designated by the Board for these purposes as of June 30, 2016 and 2015, respectively.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

Description	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 37,867	\$ 649,763	\$ (455,520)	\$ 232,110
Land	3,600,255	-	-	3,600,255
Total capital assets not being depreciated	3,638,122	649,763	(455,520)	3,832,365
Capital assets being depreciated:				
Revenue equipment	12,539,747	-	(402,322)	12,137,425
Service equipment	292,268	44,900	-	337,168
Shop and garage equipment	498,000	7,336	(10,848)	494,488
Computer hardware and software	168,720	14,161	(20,979)	161,902
Farebox equipment	702,498	-	-	702,498
Communications equipment	96,972	205,612	(28,770)	273,814
Leasehold improvements	1,303,427	172,138	-	1,475,565
Bike share equipment	49,440	-	-	49,440
Buildings	6,717,130	-	-	6,717,130
Bus shelters	579,192	59,708	(23,989)	614,911
Total capital assets being depreciated	22,947,394	503,855	(486,908)	22,964,341
Less accumulated depreciation for:				
Revenue equipment	(3,944,982)	(1,146,838)	402,323	(4,689,497)
Service equipment	(230,699)	(25,741)	-	(256,440)
Shop and garage equipment	(456,548)	(9,813)	10,848	(455,513)
Computer hardware and software	(73,483)	(29,516)	20,979	(82,020)
Farebox equipment	(247,053)	(68,764)	-	(315,817)
Communications equipment	(96,971)	(14,693)	28,770	(82,894)
Leasehold improvements	(1,218,153)	(54,586)	-	(1,272,739)
Bike share equipment	(2,061)	(12,360)	-	(14,421)
Buildings	(3,829,044)	(192,157)	-	(4,021,201)
Bus shelters	(83,498)	(58,945)	2,397	(140,046)
Total accumulated depreciation	(10,182,492)	(1,613,413)	465,317	(11,330,588)
Total capital assets being depreciated, net	12,764,902	(1,109,558)	(21,591)	11,633,753
Total capital assets	\$ 16,403,024	\$ (459,795)	\$ (477,111)	\$ 15,466,118

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2015 is as follows:

Description	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital assets not being depreciated:				
Construction	-	\$ 37,867	\$ -	\$ 37,867
Land	\$ 3,600,255	-	-	3,600,255
Total capital assets not being depreciated	3,600,255	37,867	-	3,638,122
Capital assets being depreciated:				
Revenue equipment	11,075,345	4,184,275	(2,719,873)	12,539,747
Service equipment	231,661	60,607	-	292,268
Shop and garage equipment	498,000	-	-	498,000
Computer hardware and software	137,140	31,580	-	168,720
Farebox equipment	578,416	124,082	-	702,498
Communications equipment	134,416	-	(37,444)	96,972
Leasehold improvements	1,303,427	-	-	1,303,427
Bike share equipment	-	49,440	-	49,440
Buildings	6,717,130	-	-	6,717,130
Bus shelters	314,339	264,853	-	579,192
Total capital assets being depreciated	20,989,874	4,714,837	(2,757,317)	22,947,394
Less accumulated depreciation for:				
Revenue equipment	(5,721,419)	(943,436)	2,719,873	(3,944,982)
Service equipment	(213,822)	(16,877)	-	(230,699)
Shop and garage equipment	(448,416)	(8,132)	-	(456,548)
Computer hardware and software	(61,526)	(11,957)	-	(73,483)
Farebox equipment	(187,596)	(59,457)	-	(247,053)
Communications equipment	(133,369)	(1,046)	37,444	(96,971)
Leasehold improvements	(1,160,268)	(57,885)	-	(1,218,153)
Bike share equipment	-	(2,061)	-	(2,061)
Buildings	(3,636,923)	(192,121)	-	(3,829,044)
Bus shelters	(37,040)	(46,458)	-	(83,498)
Total accumulated depreciation	(11,600,379)	(1,339,430)	2,757,317	(10,182,492)
Total capital assets being depreciated, net	9,389,495	3,375,407	-	12,764,902
Total capital assets	\$ 12,989,750	\$ 3,413,274	\$ -	\$ 16,403,024

Depreciation expense for the years ended June 30, 2016 and 2015 was \$ 1,613,413 and \$ 1,339,430, respectively.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5 - Other Postemployment Healthcare Benefits

Description. The Authority offers postemployment health insurance to retired employees. 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. 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 years ended June 30, 2016 and 2015, the Authority contributed \$ 0 and \$ 0, respectively, to the plan and participating retirees contributed \$ 0 and \$ 0, respectively.

Annual OPEB Cost and Net OPEB Obligation. The Authority's annual OPEB (other post-employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Authority's net OPEB obligation.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Other Postemployment Healthcare Benefits (Continued)

	2016	2015
Annual required contribution	\$ 25,691	\$ 25,691
Interest on net OPEB obligation	1,526	771
Adjustment to annual required contribution	(2,520)	(1,273)
Annual OPEB cost (expense)	24,697	25,189
Contributions made	-	-
Increase in net OPEB obligation	24,697	25,189
Net OPEB obligation, July 1, 2015	50,880	25,691
Net OPEB obligation, June 30, 2016	\$ 75,577	\$ 50,880

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 25,691	0%	\$ 25,691
2015	25,189	0%	50,880
2016	24,697	0%	75,577

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 166,899. The Authority's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 166,899. The covered payroll (annual payroll of active employees covered by the plan) was \$ 2,984,404 and the ratio of the UAAL to the covered payroll was 5.6%.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5 - Other Postemployment Healthcare Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.0 percent discount rate, which reflects the expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience with cash flows that match the expected benefit payments to the Authority's current and future retirees. The valuation assumed annual healthcare cost trend rates of 7.0 percent, then grading down to an ultimate rate of 5.0 percent over 8 years. The valuation assumed no employer dental benefits for retirees. The valuation assumed a 3.0 percent inflation rate. The UAAL is being amortized using a level dollar, open-period amortization basis over 30 years with the remaining amortization period of 29 years.

Prior Period Adjustment. The implementation of GASB 45 resulted in an increase in a long-term liability and a decrease to net position in the amount of \$ 25,691 as of July 1, 2014.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

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.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

General Information About the Pension Plan (Continued)

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.

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.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

General Information About the Pension Plan (Continued)

For 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 0.9% and 1.0%, respectively, of total payroll for the KPERS fiscal years ended June 30, 2014 and 2015.

The actuarially determined employer contribution rate and the statutory contribution rate was 9.18% and 9.48% for the fiscal years ended June 30, 2016 and 2015, respectively. Contributions to the Pension Plan from the Authority were \$ 363,562 and \$ 317,558 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016 and 2015, the Authority reported a liability of \$ 2,726,641 and \$ 2,370,694, respectively, for its proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2015 and 2014, and the total pension liability used to calculate the collective net pension liability was determined by actuarial valuations as of December 31, 2014 and 2013, which were rolled forward to June 30, 2015 and 2014. 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

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6 - Defined Benefit Pension Plan (Continued)

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

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 years ended June 30, 2015 and 2014. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015 the Authority's proportion was .207658%, which was an increase of .015046% from its proportion measured as of June 30, 2014. At June 30, 2014 the Authority's proportion was .192612%, which was a decrease of .005622% from its proportion measured as of June 30, 2013.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

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

For the years ended June 30, 2016 and 2015, the Authority recognized pension expense of \$ 201,510 and \$ 183,628, respectively. At June 30, 2016 and 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 77,186
Changes in assumptions	-	38,108
Net difference between projected and actual earnings on pension plan investments	-	106,138
Changes in proportionate share	184,594	56,165
Authority contributions subsequent to measurement date	363,562	-
Total	\$ 548,156	\$ 277,597

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 67,318
Net difference between projected and actual earnings on pension plan investments	-	426,812
Changes in proportionate share	-	70,868
Authority contributions subsequent to measurement date	317,558	-
Total	\$ 317,558	\$ 564,998

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

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

\$ 363,562 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2017	\$	(58,105)
2018		(58,105)
2019		(58,105)
2020		61,778
2021		19,534
		\$ (93,003)

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 16.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2012.

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 and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocations as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	13%	0.80%
Yield driven	8%	4.20%
Real return	11%	1.70%
Real estate	11%	5.40%
Alternatives	8%	9.40%
Short-term investments	2%	-0.50%
Total	100%	

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

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

Discount rate. The discount rate used by KPERS to measure the total pension liability was 8.00%. 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, the employer contribution rates certified by the KPERS Board of Trustees for this group may 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 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	June 30, 2016		
	Current		
	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the collective net pension liability	\$ 3,870,612	\$ 2,726,641	\$ 1,756,779
	June 30, 2015		
	Current		
	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the collective net pension liability	\$ 3,404,348	\$ 2,370,694	\$ 1,494,909

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

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

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

Prior period adjustment. The implementation of GASB 68 resulted in a \$ 3,017,282 increase to the net pension liability, a \$ 265,218 increase to deferred outflows and a \$ 2,752,064 decrease to net position as of July 1, 2014. It was impractical to restate the financial statements for the period ended June 30, 2014 due to not being able to determine the impact on expenses during the period ended June 30, 2014.

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)

7 - Risk Management (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
Claims incurred during the year	745
Reduction of liability estimate	<u>(2,745)</u>
Claims liabilities, end of year	<u>\$ 13,000</u>

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 2016.

8 - Contingent Liabilities

Litigation

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

Grants

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, 2016.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 years ending June 30, 2016 and 2015. 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 \$ 4,614,882 and \$ 4,779,444 from the City for the fiscal years ended June 30, 2016 and 2015, respectively. The Authority also receives a significant amount of funding through grants from the State of Kansas and the U.S. Department of Transportation.

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

10 - Pending Governmental Accounting Standards Board Statement

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The statement establishes new accounting and financial reporting requirements for other postemployment benefits (OPEB), including standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. This statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for financial statements for the Authority's fiscal year ending June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

TOPEKA METROPOLITAN TRANSIT AUTHORITY

SCHEDULE OF FUNDING PROGRESS

OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
07/01/2014	\$ -	\$ 166,899	\$ 166,899	0.0%	\$ 2,984,404	5.6%

TOPEKA METROPOLITAN TRANSIT AUTHORITY

Schedule of the Authority's Proportionate Share of the Collective Net Pension Liability
 Kansas Public Employees Retirement System

Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the collective net pension liability	0.207658%	0.192612%	0.198234%
Authority's proportionate share of the collective net pension liability	\$ 2,726,641	\$ 2,370,694	\$ 3,017,282
Authority's covered-employee payroll	\$ 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-employee payroll	73%	67%	91%
Plan fiduciary net position as a percentage of the total pension liability	64.95%	66.60%	59.94%

TOPEKA METROPOLITAN TRANSIT AUTHORITY

Schedule of the Authority's Contributions
 Kansas Public Employees Retirement System

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 ¹
Contractually required contribution	\$ 363,562	\$ 317,558	\$ 265,218	\$ 243,994	\$ 220,436	\$ 224,375	\$ 195,356	\$ 154,148	\$ 122,673	\$ -
Contributions in relation to the contractually required contribution	(363,562)	(317,558)	(265,218)	(243,994)	(220,436)	(224,375)	(195,356)	(154,148)	(122,673)	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 3,740,294	\$ 3,528,031	\$ 3,292,913	\$ 3,016,360	\$ 3,283,035	\$ 3,337,480	\$ 3,484,453	\$ 3,034,025	\$ 2,751,552	\$ -
Contributions as a percentage of covered-employee payroll	10.00%	9.00%	8.00%	8.00%	7.00%	7.00%	6.00%	5.00%	4.00%	-

¹ Information not available for this fiscal year.

SUPPLEMENTARY INFORMATION

TOPEKA METROPOLITAN TRANSIT AUTHORITY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL

Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenues:			
Passenger fares	\$ 1,355,886	\$ 1,235,105	\$ (120,781)
Advertising and other revenue	91,046	143,143	52,097
Total operating revenues	<u>1,446,932</u>	<u>1,378,248</u>	<u>(68,684)</u>
Operating expenses:			
Salaries and benefits	5,105,575	5,140,640	35,065
Contracted services	467,955	614,742	146,787
Materials and supplies	1,171,244	1,017,070	(154,174)
Depreciation	1,580,402	1,613,413	33,011
Utilities	175,640	157,974	(17,666)
Insurance	115,961	97,380	(18,581)
Taxes	67,920	57,536	(10,384)
Taxi service	264,000	295,879	31,879
Continuing education	23,400	11,816	(11,584)
Advertising	18,000	24,237	6,237
Leases	4,764	960	(3,804)
Self-insurance damage claims	72,000	745	(71,255)
Other expenses	26,800	24,736	(2,064)
Total operating expenses	<u>9,093,661</u>	<u>9,057,128</u>	<u>(36,533)</u>
Operating loss	<u>(7,646,729)</u>	<u>(7,678,880)</u>	<u>(32,151)</u>
Non-operating revenues:			
Investment income	9,600	20,775	11,175
Gain on sale of assets	-	6,739	6,739
Property taxes	4,680,523	4,614,882	(65,641)
Federal operating grants	2,200,000	2,170,912	(29,088)
State operating grants	736,606	736,606	-
Other grants	-	2,000	2,000
Planning grants	20,000	-	(20,000)
Total non-operating revenues	<u>7,646,729</u>	<u>7,551,914</u>	<u>(94,815)</u>
Income (loss) before capital grants	-	(126,966)	(126,966)
Capital grants	-	1,000,189	1,000,189
Change in net position	<u>\$ -</u>	<u>873,223</u>	<u>\$ 873,223</u>
Net position, beginning of year		<u>22,346,105</u>	
Net position, end of year		<u>\$ 23,219,328</u>	

TOPEKA METROPOLITAN TRANSIT AUTHORITY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL

Year Ended June 30, 2015

	Budget	Actual	Variance
Operating revenues:			
Passenger fares	\$ 1,438,580	\$ 1,362,519	\$ (76,061)
Advertising and other revenue	76,200	112,748	36,548
Total operating revenues	<u>1,514,780</u>	<u>1,475,267</u>	<u>(39,513)</u>
Operating expenses:			
Salaries and benefits	4,945,472	5,040,073	94,601
Contracted services	650,365	691,188	40,823
Materials and supplies	1,321,630	1,303,683	(17,947)
Depreciation	1,361,922	1,339,430	(22,492)
Utilities	160,620	169,654	9,034
Insurance	99,750	116,624	16,874
Taxes	65,575	63,755	(1,820)
Taxi service	264,000	226,928	(37,072)
Continuing education	18,240	15,569	(2,671)
Advertising	30,000	21,163	(8,837)
Leases	5,220	963	(4,257)
Self-insurance damage claims	72,000	92,233	20,233
Other expenses	29,545	17,601	(11,944)
Total operating expenses	<u>9,024,339</u>	<u>9,098,864</u>	<u>74,525</u>
Operating loss	<u>(7,509,559)</u>	<u>(7,623,597)</u>	<u>(114,038)</u>
Non-operating revenues:			
Investment income	7,500	16,867	9,367
Gain on sale of assets	-	50,953	50,953
Property taxes	4,580,888	4,779,444	198,556
Federal operating grants	2,160,000	2,140,687	(19,313)
State operating grants	711,171	711,171	-
Other grants	-	246,974	246,974
Planning grants	50,000	34,799	(15,201)
Total non-operating revenues	<u>7,509,559</u>	<u>7,980,895</u>	<u>471,336</u>
Income before capital grants	-	357,298	357,298
Capital grants	-	420,758	420,758
Change in net position	<u>\$ -</u>	<u>778,056</u>	<u>\$ 778,056</u>
Net position, beginning of year		24,345,804	
Prior period adjustment		<u>(2,777,755)</u>	
Net position, end of year		<u>\$ 22,346,105</u>	

TOPEKA METROPOLITAN TRANSIT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	Expenditures
U.S. Department of Transportation:				
Federal Transit Cluster:				
Operating Assistance - FY15	20.507	KS-90-X158-00	\$ 715,560	\$ 536,670
Operating Assistance - FY16	20.507	KS-90-X160-00	2,178,990	1,634,242
Passed through Kansas Department of Transportation:				
Bus and Bus Facility (bus, bike, stops)	20.526	PT-5339-34	997,440	913,644
Bus and Bus Facility (parking lot)	20.526	PT-5339-09	607,544	<u>48,531</u>
Federal Transit Cluster Subtotal				3,133,087
New Freedom	20.521	KS-57-X003-03	503,617	<u>38,014</u>
Total expenditures of federal awards				<u><u>\$ 3,171,101</u></u>

See accompanying notes to schedule of expenditures
of federal awards.

TOPEKA METROPOLITAN TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2016

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal programs of the Authority. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule. There were no amounts passed on to subrecipients.

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The Authority has not elected to use the 10-percent de minimus indirect cost rate as allowed under Uniform Guidance.

3 - 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.

4 - 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, 2016

Section I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's 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 auditor's 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>C DFA Number</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
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TOPEKA METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section I. Summary of Independent Auditor's Results (Continued)

Auditee qualified as a low-risk auditee	Yes
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Section II. Financial Statement Findings

None.

Section III. Federal Awards Findings and Questioned Costs

None.

TOPEKA METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

None.



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 16, 2016.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Berwick Trahan + Co., P.A.

November 16, 2016
Topeka, Kansas



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

**INDEPENDENT AUDITOR'S 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

We have audited Topeka Metropolitan Transit Authority's (the Authority) compliance with the types of compliance requirements described 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, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Berwick Trahan + Co., P.A.

November 16, 2016
Topeka, Kansas