



*Certified Public Accountants*

# TOPEKA METROPOLITAN TRANSIT AUTHORITY

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FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
FINANCIAL STATEMENTS  
Year Ended June 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 13
Basic Financial Statements:	
Statement of Net Position	14 - 15
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Notes to Financial Statements	18 - 38
Required Supplementary Information:	
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios – Health Insurance	39
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios – Disability Benefits and Life Insurance	40
Schedule of the Authority's Proportionate Share of the Collective Net Pension Liability – Kansas Public Employees Retirement System	41
Schedule of the Authority's Contributions – Kansas Public Employees Retirement System	42
Supplementary Information:	
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual	43
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards	45
Schedule of Findings and Questioned Costs	46
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47 - 48
Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance	49 - 51



## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Topeka Metropolitan Transit Authority  
Topeka, Kansas

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

#### ***Opinion***

We have audited the financial statements of the business-type activities of Topeka Metropolitan Transit Authority (the Authority) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

An Independently Owned Member, RSM US Alliance

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the additional required supplementary information listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules listed in the accompanying table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*

*for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BT&C, P.A.

December 4, 2023  
Topeka, Kansas

**Topeka Metropolitan Transit Authority  
Management Discussion and Analysis  
Annual Financial Report  
Year Ended June 30, 2023**

**Board of Directors**

Scott Tummons, Chair  
Candis Meerpohl, Vice Chair  
Alan Bearman  
Beverly Hall  
Joe Ledbetter  
Rodd Miller  
Fatima Perez-Luthi

**Executive Staff**

Robert Nugent, GM  
Richard Appelhanz, 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, 2023, with selected comparative information for the year ending June 30, 2022. 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 began a shared ride transit service in FY2023. The service, called MOD (Metro On-Demand), serves an area of southeast Topeka that is curb-to-curb and not on a fixed schedule. MOD replaced the previous Flex route that was in the same area.

Metro continued its multi-phase bus stop project, and 13 more ADA-accessible stops were installed.

Topeka Metro continued the student pass program in FY2023 with Unified School District 501. The district purchased 500 annual student passes for the 2022-2023 school year. Students may also use their bus passes during school holidays. Topeka Metro also continued its contract with Washburn University to allow over 5,500 students, faculty and staff to ride during the school year.

During fiscal year 2023, Topeka Metro continued the “Kids Ride Free” and the “Lift to Fixed Route” programs.

## **TOPEKA METRO FINANCIAL MANAGEMENT**

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

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## **ACTIVITY HIGHLIGHTS**

### **RIDERSHIP**

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

<u>Fiscal Year</u>	<u>Fixed Route</u>	<u>Lift</u>	<u>Total</u>
2019	1,249,396	51,004	1,300,400
2020	1,089,149	44,770	1,133,919
2021	764,567	35,966	800,533
2022	606,383	41,792	648,175
2023	831,107	44,135	875,242

### **SERVICE HOURS**

<u>Fiscal Year</u>	<u>Fixed Route</u>	<u>Lift</u>	<u>Total</u>
2019	60,172	18,116	78,288
2020	61,570	14,907	76,477
2021	54,410	10,927	65,337
2022	53,285	7,689	60,974
2023	53,457	13,879	67,336

### **SERVICE AND RIDERSHIP CHANGES**

Topeka Metro made no major changes to the fixed route system in FY2023. Both fixed route and paratransit ridership increased in FY2023.

## FINANCIAL HIGHLIGHTS

### SUMMARY OF NET POSITION

	2023	2022
<b>Assets and Deferred Outflows</b>		
Current Assets	\$ 23,362,253	\$ 21,897,496
Capital Assets, Net	11,402,879	12,201,454
Total Assets	34,765,132	34,098,950
Deferred Outflows (KPERS)	1,475,012	1,021,720
Deferred Outflows (OPEB)	96,712	6,907
<b>Total Assets and Deferred Outflows</b>	\$ 36,336,856	\$ 35,127,577
<b>Total Liabilities, Deferred Inflows and Net Position</b>		
Current Liabilities	\$ 413,051	\$ 430,265
Long-Term Liabilities	4,062,700	2,786,783
Total Liabilities	4,475,751	3,217,048
Deferred Inflows (KPERS)	353,420	1,095,684
Deferred Inflows (OPEB)	104,215	114,259
<b>Total Liabilities and Deferred Inflows</b>	4,933,386	4,426,991
Net Investment in Capital Assets	11,402,879	12,201,454
Unrestricted	20,000,591	18,499,132
Total Net Position	31,403,470	30,700,586
<b>Total Liabilities, Deferred Inflows and Net Position</b>	\$ 36,336,856	\$ 35,127,577

### CURRENT ASSETS

Cash and Cash Equivalents are those funds kept on hand for operating and reserve funds. Investments and Board Designated Investments include certificates of deposit, U.S. Treasuries and funds invested in the State of Kansas Municipal Investment Pool. As of June 30, 2023, \$500,000 of Designated Investment is for the self-insurance program, and \$12,765,014 of Cash and Designated Investment was designated by the Topeka Metro Governing Board for capital improvements.

Receivables consist of:

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



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

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

Prepaid Expenses include employee benefits and a variety of operating expenditures. Prepaid Insurance (property, liability and workers' compensation) is also included in this category.

## **CAPITAL ASSETS**

Topeka Metro's capital assets include land, buildings and improvements, bus shelters, buses, service vehicles, and other various equipment. The net value of Topeka Metro's property and equipment decreased by \$798,575 during fiscal year 2023. 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 FY2023 included the following:

### Asset purchases:

- a) Bus stops (13)
- b) QSS Digital Signs
- c) QSS & Ryan Security Cameras
- d) Ryan Back-Up Generator
- e) Parts Cleaner
- f) AC Recovery Machine
- g) Lift System
- h) Skid Steer Loader
- i) Lawn Mower

### Asset disposals:

- a) QSS & Ryan Security Cameras
- b) Glaval Lift Bus
- c) Spray Cabinet
- d) Lift System

## Capital Assets (net of depreciation)

	<u>6/30/2023</u>	<u>6/30/2022</u>
Buildings	\$ 1,350,830	\$ 1,542,987
Bus Shelters	2,089,226	2,350,194
Communication Equipment	20,844	-
Farebox Equipment	22,470	60,990
Furniture and Office Equipment	5,810	8,841
Improvements	1,193,741	1,196,012
Shop and Garage Equipment	317,450	182,925
Revenue Equipment	1,933,982	2,937,061
Services Equipment	89,404	59,447
Construction in Process	778,867	262,742
Land	3,600,255	3,600,255
Total	<u>\$ 11,402,879</u>	<u>\$ 12,201,454</u>

## DEFERRED OUTFLOWS

Deferred Outflows relate to the KPERS Net Pension Liability, the KPERS OPEB Liability and Metro's OPEB liability. The Pension Deferred Outflows consist of (1) Topeka Metro's contributions made to the KPERS retirement program during fiscal year 2023, and (2) Topeka Metro's share of KPERS Deferred Outflows as of June 30, 2022. The KPERS OPEB Deferred Outflows are an estimate of Topeka Metro's contributions made to the KPERS Long-Term Disability program during fiscal year 2023; this estimate is based on the actual contribution percentage in FY2022. Metro's OPEB Deferred Outflows are related to health insurance as of June 30, 2023.

## 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.

The Long-Term Liability consists of (1) Topeka Metro's share of the KPERS Net Pension Liability as of June 30, 2022, (2) Topeka Metro's share of the KPERS OPEB Liability as of June 30, 2022 and (3) Topeka Metro's estimated post-employment benefit liability related to health insurance as of June 30, 2023.

## DEFERRED INFLOWS

Deferred Inflows consist of (1) Topeka Metro's share of KPERS Net Pension Deferred Inflows as of June 30, 2022, (2) Topeka Metro's share of KPERS OPEB Deferred Inflows as of June 30, 2022, and (3) Topeka Metro's OPEB Deferred Inflows related to health insurance as of June 30, 2023.

## NET POSITION

Net Investment in Capital Assets is the book value of Topeka Metro's assets (purchase price less accumulated depreciation) net of related debt. Unrestricted Net Position is the balance of net position. Of the unrestricted net position, the Board has designated \$500,000 for the Self Insurance Fund and \$12,765,014 for Capital Reserves.

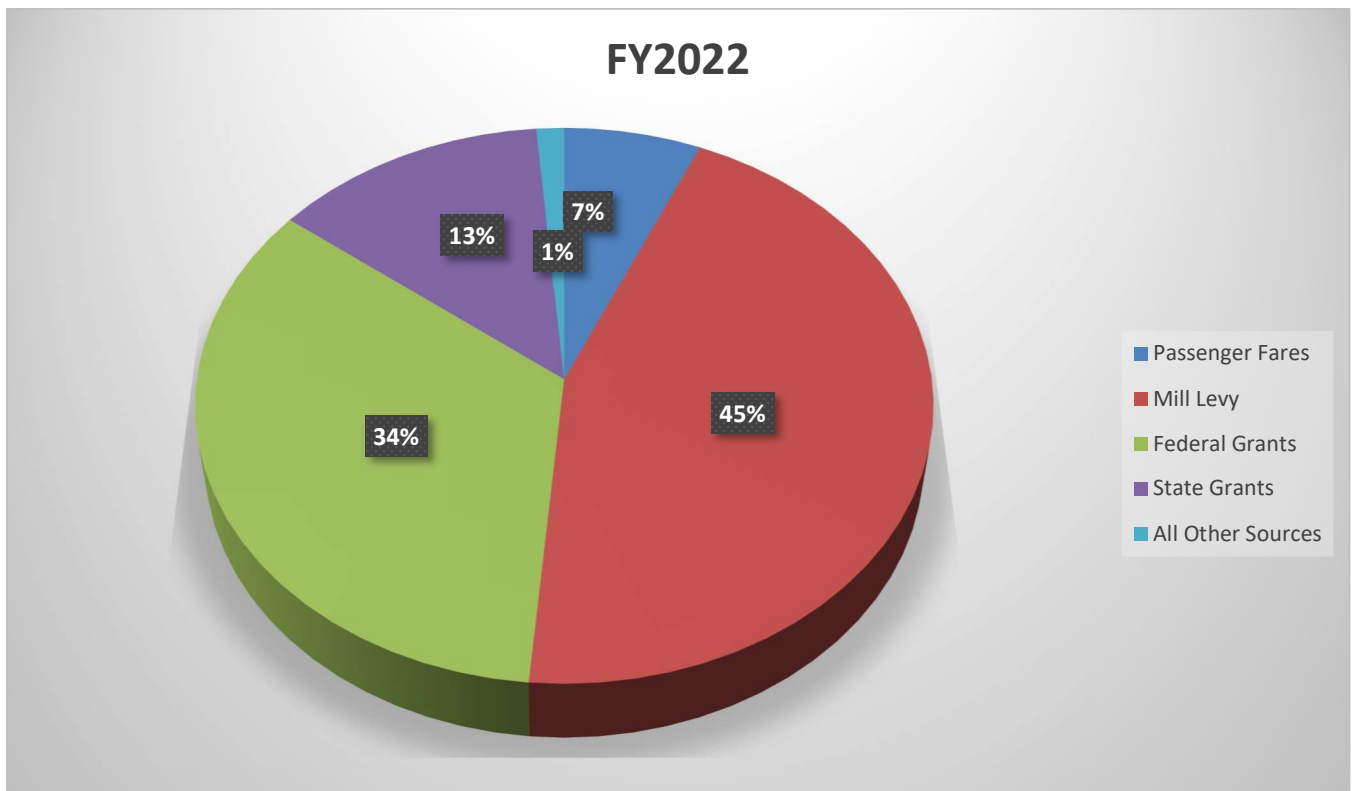
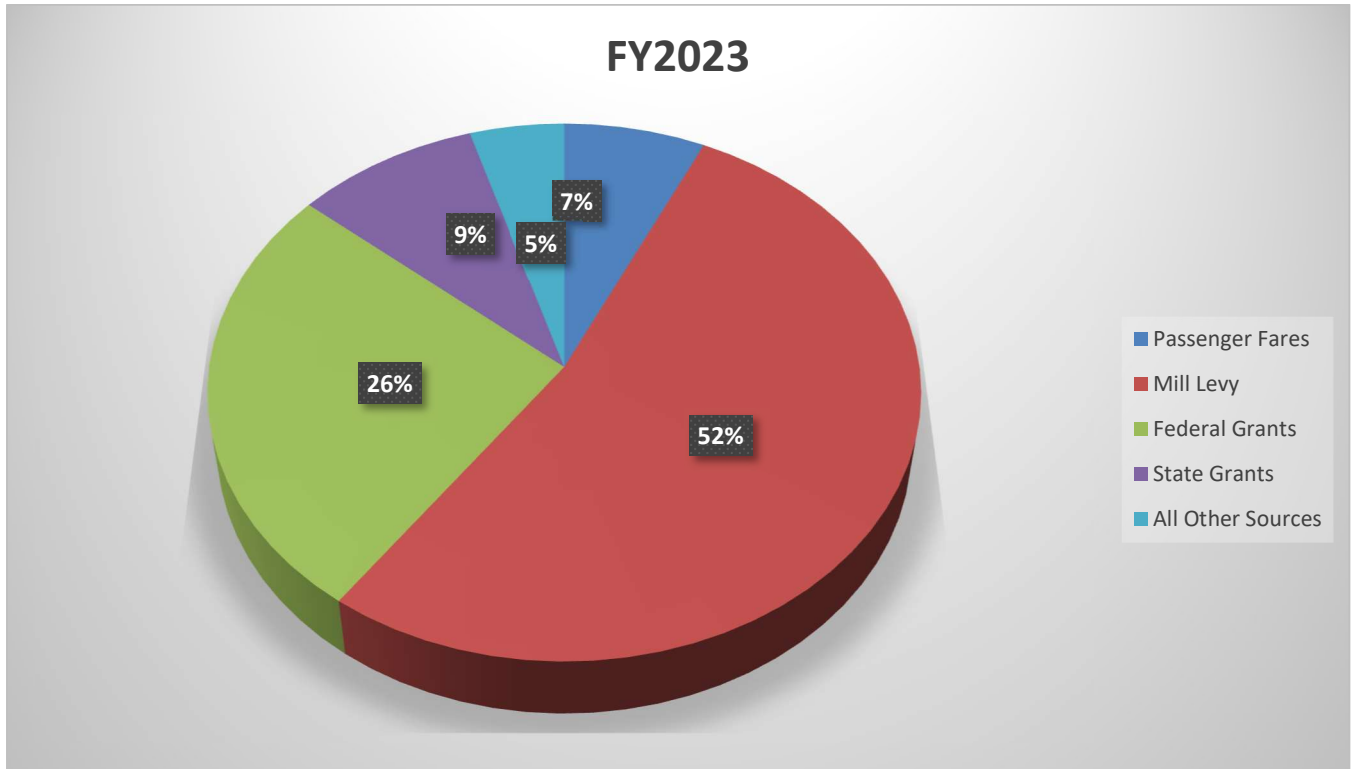
## SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	<b>Fiscal Year Ending June 30</b>	
	<b>2023</b>	<b>2022</b>
Operating Revenue		
Fares	\$ 764,206	\$ 811,605
Other Operating	93,732	69,172
Total Operating Revenue	<u>857,938</u>	<u>880,777</u>
Operating Expense		
Salaries and Benefits	5,549,510	5,260,176
Contracted Services	963,075	1,008,102
Materials and Supplies	1,450,198	1,166,747
General Overhead	419,743	410,234
Depreciation	1,864,147	1,756,266
Total Operating Expense	<u>10,246,673</u>	<u>9,601,525</u>
Operating Loss	<u>(9,388,735)</u>	<u>(8,720,748)</u>
Non-Operating Revenue		
Investment Income & Gain on Sale of Asset	454,582	39,315
Grants	3,742,212	5,036,248
Property Taxes	5,745,836	5,514,143
Total Non-Operating Revenue	<u>9,942,630</u>	<u>10,589,706</u>
Income before Capital Grants	553,895	1,868,958
Capital Grants	<u>148,989</u>	<u>835,397</u>
Change in Net Position	702,884	2,704,355
Net Position - Beginning Balance	<u>30,700,586</u>	<u>27,996,231</u>
Net Position - Ending Balance	<u>\$ 31,403,470</u>	<u>\$ 30,700,586</u>

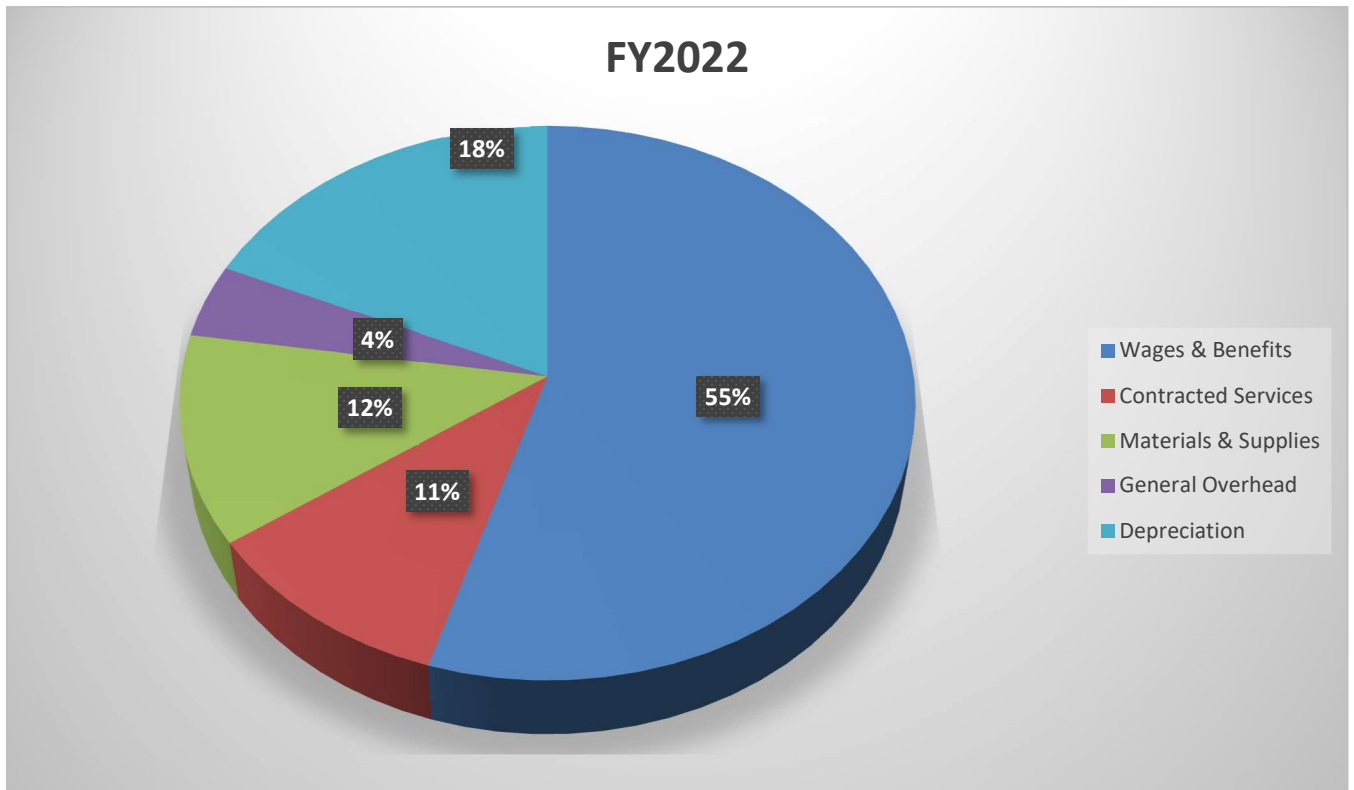
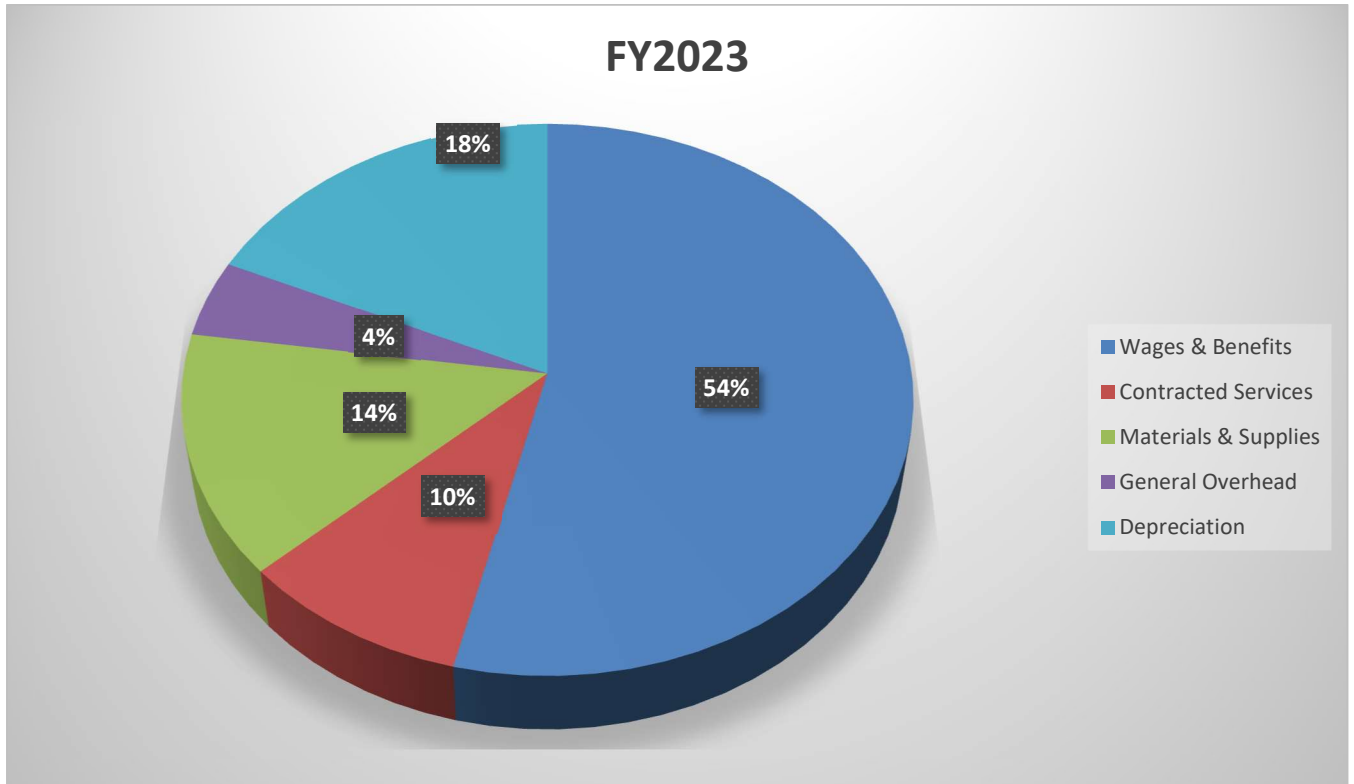
Operating expenses increased by 6.72% in fiscal year 2023 over the previous year. There were increases in salaries and benefits, materials and supplies, general overhead, and depreciation; there was a decrease in contracted services.

Fare revenue decreased in FY2023 due to a reduction in the number of annual student passes purchased by Unified School District 501. Property tax revenue had a small increase. Federal grant revenue decreased due to the exhaustion of CARES Act and ARPA grant funding. State grant revenue had a small increase. Revenue from Other Sources increased due to an increase in interest rates and a corresponding increase in investment income.

# REVENUE & FUNDING



# OPERATING EXPENSES



**Operating Expenses**

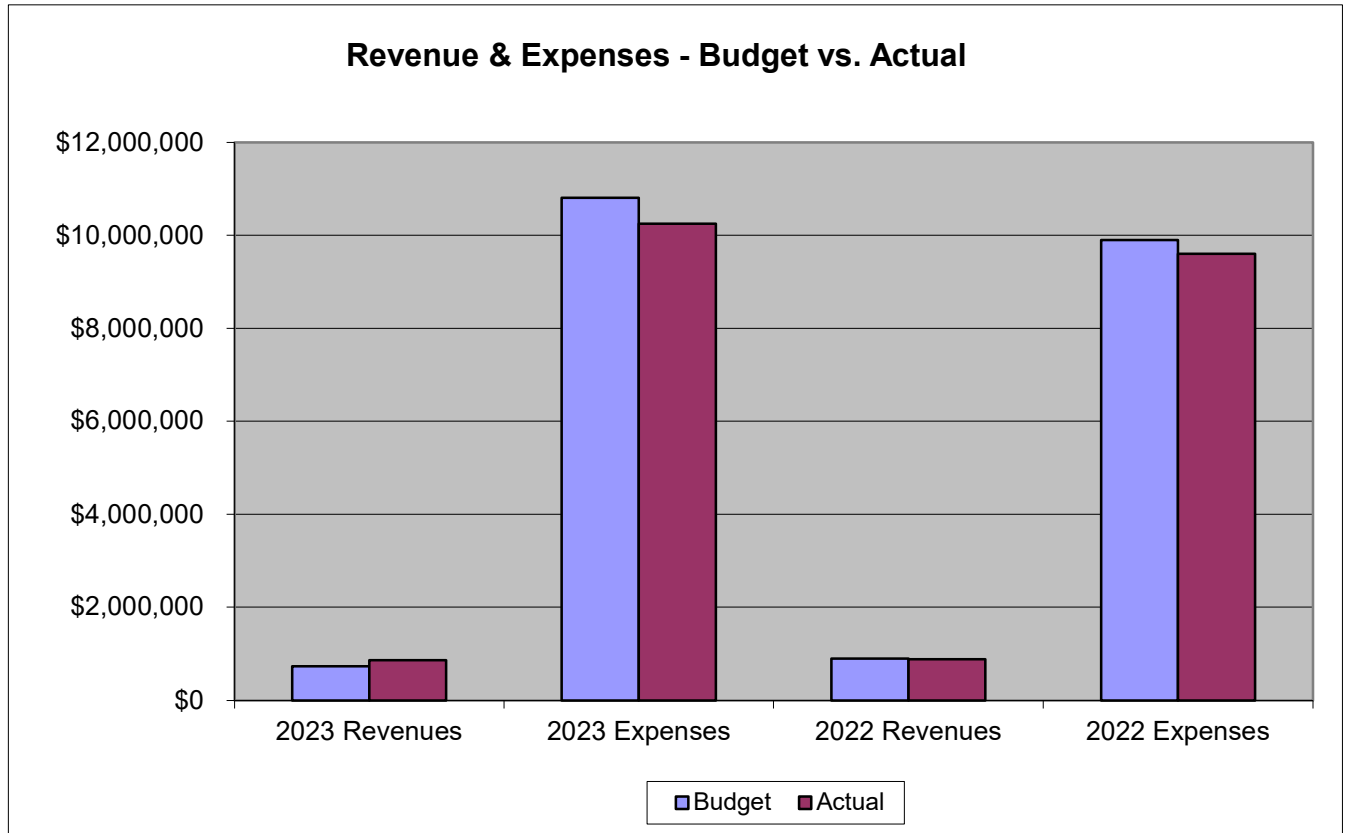
	<b>Fiscal Year Ending June 30</b>	
	<b>2023</b>	<b>2022</b>
Salaries and Benefits	\$ 5,549,510	\$ 5,260,176
Contracted Services	963,075	1,008,102
Materials & Supplies	1,450,198	1,166,747
General Overhead	419,743	410,234
Depreciation	1,864,147	1,756,266
Total Operating Expenses	<u>\$ 10,246,673</u>	<u>\$ 9,601,525</u>

FY2023 overall operating expenses increased from the previous year by \$645,148, or 6.72%. Primary changes in expense categories were:

1. Salaries and Benefits increased by \$289,334 (5.50%) due to annual pay increases and operator overtime.
2. Contracted services decreased by \$45,027 (4.47%) due to lower maintenance costs.
3. Materials and Supplies increased \$283,451 (24.29%) due to increases in fuel and parts costs.
4. General Overhead increased by \$9,509 (2.31%) due to an increase in KPERs pension expense.
5. Depreciation increased by \$107,881 (6.14%) due to increases in the number of bus shelters and additional fixed asset purchases.

## BUDGET

Actual Operating Expenses for 2023 were 5.15% below Budgeted Expenses for 2023 and Actual Operating Revenues for 2023 were 17.28% above Budgeted Revenues for 2022. Actual Revenues for 2023 are still below pre-pandemic levels.



	<u>2023</u>	<u>2022</u>
Budgeted Revenues	\$ 731,547	\$ 895,002
Actual Revenues	857,938	880,777
Budgeted Expenses	10,803,459	9,898,854
Actual Expenses	10,246,673	9,601,525

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	\$ 2,882,941
Investments:	
Operating	8,849,211
Designated	10,561,889
Accounts receivable	21,647
Grants receivable	755,793
Interest receivable	7,278
Inventory	46,320
Prepaid items	237,174
	23,362,253
Total current assets	23,362,253
Noncurrent assets:	
Capital assets not being depreciated	4,379,122
Capital assets, net of depreciation	7,023,757
	11,402,879
Total noncurrent assets	11,402,879
Total assets	34,765,132
Deferred outflows of resources:	
OPEB related	96,712
Pension related	1,475,012
	1,571,724
Total deferred outflows of resources	1,571,724
Total assets and deferred outflows of resources	\$ 36,336,856

See accompanying notes to financial statements.



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
STATEMENT OF NET POSITION  
(Continued)  
June 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current liabilities:	
Accounts payable	\$ 127,797
Accrued payroll and benefits	76,829
Accrued vacation	192,384
Unearned revenue	<u>16,041</u>
Total current liabilities	<u>413,051</u>
Long-term liabilities:	
Total OPEB liability	144,185
Net pension liability	<u>3,918,515</u>
Total long-term liabilities	<u>4,062,700</u>
Total liabilities	<u>4,475,751</u>
Deferred inflows of resources:	
OPEB related	104,215
Pension related	<u>353,420</u>
Total deferred inflows of resources	<u>457,635</u>
Net position:	
Net investment in capital assets	11,402,879
Unrestricted	<u>20,000,591</u>
Total net position	<u>31,403,470</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 36,336,856</u></u>

See accompanying notes to financial statements.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Year Ended June 30, 2023

Operating revenues:	
Passenger fares	\$ 764,206
Advertising and other revenue	93,732
	<u>857,938</u>
Operating expenses:	
Salaries and benefits	5,549,510
Contracted services	613,670
Materials and supplies	1,450,198
Depreciation	1,864,147
Utilities	163,241
Insurance	137,233
Taxes	51,966
Taxi service	349,405
Continuing education	29,673
Advertising	17,817
Leases	984
Self-insurance damage claims	(8,235)
Other expenses	27,064
	<u>10,246,673</u>
Total operating expenses	<u>10,246,673</u>
Operating loss	<u>(9,388,735)</u>
Nonoperating revenues:	
Investment income	447,382
Gain on sale of assets	7,200
Property taxes	5,745,836
Federal grants	2,845,370
State grants	843,589
Planning grants	53,253
	<u>9,942,630</u>
Total nonoperating revenues	<u>9,942,630</u>
Income before capital grants	553,895
Capital grants	148,989
	<u>702,884</u>
Change in net position	702,884
Net position, beginning of year	30,700,586
	<u>30,700,586</u>
Net position, end of year	<u>\$ 31,403,470</u>

See accompanying notes to financial statements.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 882,097
Cash paid to suppliers	(2,764,801)
Cash paid to employees	(5,551,133)
	(7,433,837)
Net cash from operating activities	(7,433,837)
Cash flows from noncapital financing activities:	
Property taxes and operating grants	9,539,934
	9,539,934
Cash flows from capital and related financing activities:	
Capital grants	157,126
Proceeds from sale of assets	7,200
Purchase of capital assets	(1,065,572)
	(901,246)
Net cash from capital and related financing activities	(901,246)
Cash flows from investing activities:	
Proceeds from investments	6,730,438
Purchase of investments	(6,186,872)
Interest received	349,072
	892,638
Net cash from investing activities	892,638
Net increase in cash	2,097,489
Cash and cash equivalents, beginning of year	785,452
Cash and cash equivalents, end of year	\$ 2,882,941
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:	
Operating loss	\$ (9,388,735)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	1,864,147
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Accounts receivable	35,613
Inventory	47,914
Prepaid items	43,926
Deferred outflows of resources - OPEB related	(89,805)
Deferred outflows of resources - pension related	(453,292)
Accounts payable	(3,625)
Accrued payroll and benefits	17,589
Accrued vacation	276
Unearned revenue	(11,454)
Claims payable	(20,000)
Total OPEB liability	17,393
Net pension liability	1,258,524
Deferred inflows of resources - OPEB related	(10,044)
Deferred inflows of resources - pension related	(742,264)
	(742,264)
Net cash from operating activities	\$ (7,433,837)

See accompanying notes to financial statements.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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 nonoperating 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 nonoperating revenues and expenses.

Budget

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

Cash and Cash Equivalents

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

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investments

Investments include U.S. Treasury obligations, certificates of deposit, and money deposited in the State of Kansas Municipal Investment Pool (MIP). The certificates of deposit are recorded at cost because they are not affected by market rate changes. The U.S. Treasury obligations 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, 2023.

Inventory

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

Capital Assets

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

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

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

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

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

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Compensated Absences

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

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

Net Position

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The KPERS investments are reported at fair value.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows, and deferred inflows at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standard

The following accounting standard has been recently issued and will be adopted as applicable by the Authority. Management has not yet determined the impact of this Statement on the Authority's financial statements.

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

2 - Deposits and Investments

A summary of the deposits and investments at June 30, 2023 is as follows:

Cash on hand	\$ 1,000
Deposits	2,881,941
Investments	19,411,100
	\$ 22,294,041

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

Cash and cash equivalents	\$ 2,882,941
Investments:	
Operating	8,849,211
Designated	10,561,889
	\$ 22,294,041

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.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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, 2023, the Authority’s deposits were not exposed to custodial credit risk.

Investments

As of June 30, 2023, the Authority had the following investments and related maturities:

Investment Type	Fair Value	Rating	Investment Maturities (in Years)			
			Less than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	\$ 10,314,281	AA+	\$ 10,314,281	\$ -	\$ -	\$ -
Certificates of deposit	600,000	N/A	600,000	-	-	-
Kansas Municipal Investment Pool	8,496,819	N/A	8,496,819	-	-	-
	<u>\$ 19,411,100</u>		<u>\$ 19,411,100</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 not rated by a rating agency as of June 30, 2023. Maturities of the above investments may not exceed two years by statute.

The MIP is under the oversight of the Pooled Money Investment Board (the Board). The Board is comprised of the State Treasurer and four additional members appointed by the State Governor. The Board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority is not exposed to significant interest rate risk.

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

*Custodial Credit Risk (Investments)* – For an investment, custodial credit risk is the risk that, in the event of the failure of the issuer or counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2023, the Authority’s investments were not exposed to custodial credit risk.



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Fair Value Measurement* – The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the year ended June 30, 2023, the U.S. Treasury obligations were valued with quoted prices on the active market (Level 1 input). Fair value measurement hierarchy information is not provided to the Authority for its deposits in the MIP.

3 - Board Designated Assets

The Board has established a capital and insurance reserve for the replacement of mini-buses and buses and to help maintain an adequate and modern transportation system and for the payment of future insurance claims or premiums totaling \$ 500,000. Cash totaling \$ 2,703,125 and investments totaling \$ 10,561,889 have been designated by the Board for these purposes as of June 30, 2023.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4 - Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

Description	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Capital assets not being depreciated:				
Construction in progress	\$ 262,742	\$ 1,079,829	\$ (563,704)	\$ 778,867
Land	3,600,255	-	-	3,600,255
Total capital assets not being depreciated	3,862,997	1,079,829	(563,704)	4,379,122
Capital assets being depreciated:				
Revenue equipment	11,873,193	-	(81,234)	11,791,959
Service equipment	309,985	61,997	-	371,982
Shop and garage equipment	603,243	162,092	(55,291)	710,044
Computer hardware and software	141,974	-	-	141,974
Farebox equipment	702,498	-	-	702,498
Communications equipment	280,324	23,822	-	304,146
Improvements	3,101,203	195,690	(20,760)	3,276,133
Buildings	6,717,130	-	-	6,717,130
Bus shelters	3,691,974	105,848	-	3,797,822
Furniture and office equipment	9,093	-	-	9,093
Total capital assets being depreciated	27,430,617	549,449	(157,285)	27,822,781
Less accumulated depreciation for:				
Revenue equipment	(8,936,132)	(1,003,077)	81,232	(9,857,977)
Service equipment	(250,538)	(32,040)	-	(282,578)
Shop and garage equipment	(420,318)	(27,567)	55,291	(392,594)
Computer hardware and software	(141,973)	-	-	(141,973)
Farebox equipment	(641,508)	(38,520)	-	(680,028)
Communications equipment	(280,324)	(2,978)	-	(283,302)
Improvements	(1,905,191)	(197,961)	20,760	(2,082,392)
Buildings	(5,174,143)	(192,157)	-	(5,366,300)
Bus shelters	(1,341,780)	(366,816)	-	(1,708,596)
Furniture and office equipment	(253)	(3,031)	-	(3,284)
Total accumulated depreciation	(19,092,160)	(1,864,147)	157,283	(20,799,024)
Total capital assets being depreciated, net	8,338,457	(1,314,698)	(2)	7,023,757
Total capital assets	<u>\$ 12,201,454</u>	<u>\$ (234,869)</u>	<u>\$ (563,706)</u>	<u>\$ 11,402,879</u>

Depreciation expense for the year ended June 30, 2023 was \$ 1,864,147.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

5 - Other Postemployment Benefits (OPEB)

Health Insurance

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

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

The Authority appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis. For the year ended June 30, 2023, the Authority contributed \$ 1,458 to the plan and participating retirees contributed \$ 0.

*Employees Covered by Benefit Terms.* At June 30, 2023, the following employees were covered by the benefit terms.

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

*Total OPEB Liability.* The Authority’s total OPEB liability of \$ 51,193 was measured as of June 30, 2023 and was determined by an actuarial valuation performed as of July 1, 2022.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability at June 30, 2023 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.25 percent
Salary inflation	3.50 percent per year
Healthcare cost trend rates	7.00 percent for 2023 decreasing to 6.50 percent, then decreasing by 0.10 percent per year to an ultimate rate of 4.50 percent
Retirees' share of benefit-related costs	Retirees are responsible for the full premium rates up to 125% of the premium.
Actuarial cost method	Entry Age Normal - Level Percent of Salary

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index.

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

Actuarial assumptions were based on an experience study conducted in 2020 using Kansas Public Employees Retirement System experience from 2016 through 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
	<u>\$</u>
Balance at July 1, 2022	52,441
Changes for the year:	
Service cost	3,177
Interest	1,866
Differences between expected and actual experience	(2,177)
Changes in assumptions or other inputs	(2,656)
Employer contribution (benefit payments)	(1,458)
	<u>(1,248)</u>
Net changes	(1,248)
Balance at June 30, 2023	<u>\$ 51,193</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent in 2022 to 4.25 percent in 2023.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

	1% Decrease (3.25%)	Discount Rate (4.25%)	1% Increase (5.25%)
Total OPEB liability	\$ 54,763	\$ 51,193	\$ 47,803

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

	1% Decrease (6.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
Total OPEB liability	\$ 45,941	\$ 51,193	\$ 57,268

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$ 19,405. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions or other inputs	\$ 1,653	\$ 23,128
Differences between expected and actual experience	-	27,565
	\$ 1,653	\$ 50,693

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Year Ended June 30,			
2024	\$	(24,451)	
2025		(14,767)	
2026		(8,853)	
2027		(969)	
		\$ (49,040)	

Disability Benefits and Life Insurance

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

Employer contributions are established and may be amended by state statute. Members are not required to contribute. Employer contributions paid for benefits as they came due during the fiscal year ended June 30, 2023 totaled \$ 40,626.

*Benefits.* Benefits are established by statute and may be amended by the KPERs Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66⅔ percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERs retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

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

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

*Covered Employees.* The Authority has the following employees covered by the Plan as of June 30, 2023:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active plan members	72
	73
	73

*Total OPEB Liability.* The Authority's total OPEB liability of \$ 92,992 reported as of June 30, 2023 was measured as of June 30, 2022 (the measurement date), and was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022, using the following actuarial assumptions:

Implicit inflation rate	2.75%
Payroll growth	3.00%
General wage increases	3.50%
Discount rate (based on the Bond Buyer General Obligation 20-Bond Municipal Index)	3.54%
Actuarial cost method	Entry Age Normal
Mortality rates	Local Males: 90% of RP-2014 M Total Dataset +2 Local Females: 90% of RP-2014 F Total Dataset +1 Generational mortality improvements were projected for future years using MP-2021. Post-disability mortality rates are included in long-term disability claim termination rates.

The actuarial assumptions used in the December 31, 2021 valuation were based on the actual KPERS experience.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Changes and items of impact relative to the prior valuation were as follows.

1. The discount rate was updated in accordance with the requirements of GASB 75.
2. The disability rates, estimated offsets, waiver mortality rates, and claim cost assumption were updated based on recent experience.

*Changes in Total OPEB Liability*

Balance at June 30, 2022	\$ 74,351
Changes for the year:	
Service cost	19,611
Interest on total OPEB liability	1,591
Effect of economic/demographic gains or losses	56,162
Changes in assumptions or other inputs	(17,892)
Benefit payments	(40,831)
Net changes	18,641
Balance at June 30, 2023	\$ 92,992

*Sensitivity Analysis.* The following presents the Authority's total OPEB liability calculated using the discount rate of 3.54%, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 96,033	\$ 92,992	\$ 89,881

*OPEB Expense*

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$ 19,864, which includes the changes in the total OPEB liability, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 50,579	\$ 36,319
Changes in assumptions	3,854	17,203
Contributions subsequent to the measurement date	40,626	-
Total	\$ 95,059	\$ 53,522

The deferred outflow of resources related to the Authority's contributions subsequent to the measurement date totaling \$ 40,626 consist of payments made to KPERS for benefits and administrative costs and will be recognized as a reduction in the total OPEB liability during the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2023	\$	(1,338)
2024		(1,338)
2025		(1,338)
2026		(1,271)
2027		(930)
Thereafter		7,126
	\$	911

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:

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- 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](http://www.kpers.org).

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

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

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

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

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

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

For KPERS fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.20% of total payroll for the KPERS fiscal year ended June 30, 2022.

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.90% for the fiscal year ended June 30, 2023. Contributions to the Pension Plan from the Authority were \$ 350,966 for the year ended June 30, 2023.

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

At June 30, 2023, the Authority reported a liability of \$ 3,918,515 for its proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The Authority's proportion of the collective net pension liability was based on the ratio of the Authority's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the Local group within KPERS for the KPERS fiscal year ended June 30, 2023. The contributions used exclude contributions made for

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

prior service, excess benefits and irregular payments. At June 30, 2023, the Authority's proportion was 0.197104%, which was a decrease of 0.02457% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Authority recognized pension expense of \$ 414,223. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 148,214	\$ 7,024
Changes in assumptions	626,352	-
Net difference between projected and actual earnings on pension plan investments	331,702	-
Changes in proportionate share	17,778	346,396
Contributions subsequent to measurement date	350,966	-
Total	\$ 1,475,012	\$ 353,420

The \$ 350,966 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, 2024. 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,		
2023	\$	216,884
2024		187,192
2025		72,646
2026		290,092
2027		3,812
	\$	770,626

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

*Actuarial assumptions.* The total pension liability for KPERS in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 percent
Payroll growth	3.00 percent
Salary increases, including price inflation	3.50 to 12.00 percent, including inflation
Long-term rate of return, net of investment expense, including price inflation	7.00 percent

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study conducted for the three year period ending December 31, 2018.

The changes in actuarial assumptions and methods for the December 31, 2021 valuation were as follows.

- Investment return assumption was lowered from 7.75% to 7.00%. (7.25% to 7.00% for purposes of valuing the TPL)
- Interest crediting rate assumption for KPERS 3 members was lowered from 6.25% to 6.00%
- Annuity interest rate assumption for KPERS 3 members was lowered from 5.75% to 5.00%

In addition to the changes pertaining to actuarial assumptions, the Board also reamortized the total unfunded actuarial liability (UAL).

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

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

*Discount rate.* The discount rate used by KPERS to measure the total pension liability was 7.00%. 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, and subsequent legislation, 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 7.00%, 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the collective net pension liability	\$ 5,629,073	\$ 3,918,515	\$ 2,493,371

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

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. A liability for claims is 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.

8 - Commitments and Contingencies

Litigation

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

Grants

Grantor agencies reserve the right to conduct audits of the Authority's grant programs for economy and efficiency and program results that may result in disallowed costs to the Authority. Management does not believe such audits, if any, would result in any disallowed costs that would be material to the Authority's financial position at June 30, 2023.

9 - Property Taxes and Significant Concentrations

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

The City may levy a tax as approved by the City election on April 3, 1973. The mill levy shall be upon the taxable property within the City, as authorized by ordinance of the City. The mill levy rate was \$ 4.20 per \$ 1,000 assessed valuation for the fiscal year ending June 30, 2023. 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.

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Authority received \$ 5,745,836 from the City for the fiscal year ended June 30, 2023. 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 - Tax Abatements

The City of Topeka, Kansas and Shawnee County, Kansas enter into property tax abatement agreements with local businesses for the purpose of attracting businesses within their jurisdictions. These agreements impact local municipalities, including the Authority. For the calendar year ended December 31, 2022, abated property taxes that impacted the Authority totaled \$ 452,911, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A property tax abatement to a retail corporation. The Authority's portion of the abatement amounted to \$ 188,186.
- A property tax abatement to a medical facility. The Authority's portion of the abatement amounted to \$ 72,022.
- A property tax abatement to a food manufacturer and distributor. The Authority's portion of the abatement amounted to \$ 61,481.
- A property tax abatement to another food manufacturer and distributor. The Authority's portion of the abatement amounted to \$ 47,043.

11 - Subsequent Events

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



REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service cost	\$ 3,177	\$ 6,147	\$ 6,015	\$ 8,497	\$ 10,473	\$ 13,611
Interest	1,866	1,962	2,300	4,119	5,729	5,688
Changes of assumptions	(2,656)	(30,771)	2,470	(2,230)	2,504	(12,568)
Differences between expected and actual experience	(2,177)	(9,908)	(977)	(33,259)	(40,950)	(10,341)
Benefit payments	<u>(1,458)</u>	<u>(2,973)</u>	<u>(4,496)</u>	<u>(6,546)</u>	<u>(6,420)</u>	<u>(1,811)</u>
Net change in total OPEB liability	(1,248)	(35,543)	5,312	(29,419)	(28,664)	(5,421)
Total OPEB liability, beginning	<u>52,441</u>	<u>87,984</u>	<u>82,672</u>	<u>112,091</u>	<u>140,755</u>	<u>146,176</u>
Total OPEB liability, ending	<u>\$ 51,193</u>	<u>\$ 52,441</u>	<u>\$ 87,984</u>	<u>\$ 82,672</u>	<u>\$ 112,091</u>	<u>\$ 140,755</u>
Covered payroll	\$ 3,722,739	\$ 3,451,734	\$ 3,978,641	\$ 3,844,098	\$ 4,223,949	\$ 3,464,914
Authority's total OPEB liability as a percentage of covered payroll	1.5%	1.5%	2.2%	2.2%	2.7%	4.1%

*Benefit Changes.* No significant changes.

*Changes of Assumptions.* The discount rate was updated based on the S&P Municipal Bond 20-Year High Grade Index.

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service cost	\$ 19,611	\$ 17,406	\$ 15,874	\$ 14,291	\$ 14,096	\$ 15,107
Interest	1,591	1,957	2,831	2,930	2,894	2,652
Effect of economic/ demographic gains or losses	56,162	(16,216)	(17,295)	(14,494)	(5,670)	-
Changes of assumptions	(17,892)	83	4,712	851	(634)	(2,053)
Benefit payments	(40,831)	-	-	-	(31,689)	(22,264)
Net change in total OPEB liability	18,641	3,230	6,122	3,578	(21,003)	(6,558)
Total OPEB liability, beginning	<u>74,351</u>	<u>71,121</u>	<u>64,999</u>	<u>61,421</u>	<u>82,424</u>	<u>88,982</u>
Total OPEB liability, ending	<u>\$ 92,992</u>	<u>\$ 74,351</u>	<u>\$ 71,121</u>	<u>\$ 64,999</u>	<u>\$ 61,421</u>	<u>\$ 82,424</u>
Covered payroll	\$ 3,668,676	\$ 4,315,440	\$ 3,926,375	\$ 3,912,624	\$ 3,634,818	\$ 3,655,711
Authority's total OPEB liability as a percentage of covered payroll	2.53%	1.72%	1.81%	1.66%	1.69%	2.25%

*Benefit Changes.* No significant changes.

*Changes of Assumptions.* The discount rate was updated in accordance with the requirements of GASB 75. The disability rates, estimated offsets, waiver mortality rates, and claim cost assumption were updated based on recent experience.

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

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
Schedule of the Authority's Proportionate Share of the Collective Net Pension Liability -  
Kansas Public Employees Retirement System  
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the collective net liability	0.197104%	0.221674%	0.221780%	0.235040%	0.228898%	0.233894%	0.227267%	0.207658%	0.192612%	0.198234%
Authority's proportionate share of the collective net pension liability	\$ 3,918,515	\$ 2,659,991	\$ 3,844,898	\$ 3,284,384	\$ 3,190,357	\$ 3,387,851	\$ 3,518,888	\$ 2,726,641	\$ 2,370,694	\$ 3,017,282
Authority's covered payroll	\$ 3,874,773	\$ 3,894,315	\$ 4,270,202	\$ 4,082,002	\$ 4,078,993	\$ 3,956,145	\$ 3,906,175	\$ 3,740,294	\$ 3,528,031	\$ 3,292,913
Authority's proportionate share of the collective liability as a percentage of its covered payroll	101.13%	68.30%	90.04%	80.46%	78.21%	85.64%	90.09%	72.90%	67.20%	91.63%
Plan fiduciary net position as a percentage of the total pension liability	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 350,966	\$ 351,982	\$ 373,631	\$ 366,942	\$ 375,735	\$ 345,045	\$ 365,848	\$ 363,537	\$ 317,558	\$ 265,218
Contributions in relation to the contractually required contribution	<u>(350,966)</u>	<u>(351,982)</u>	<u>(373,631)</u>	<u>(366,942)</u>	<u>(375,735)</u>	<u>(345,045)</u>	<u>(365,848)</u>	<u>(363,537)</u>	<u>(317,558)</u>	<u>(265,218)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 3,874,773	\$ 3,894,315	\$ 4,270,202	\$ 4,082,002	\$ 4,078,993	\$ 3,956,145	\$ 3,906,175	\$ 3,740,294	\$ 3,528,031	\$ 3,292,913
Contributions as a percentage of covered payroll	9.06%	9.04%	9.00%	9.00%	9.00%	9.00%	9.00%	10.00%	9.00%	8.00%

SUPPLEMENTARY INFORMATION

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL  
Year Ended June 30, 2023

	Budget	Actual	Variance
Operating revenues:			
Passenger fares	\$ 648,447	\$ 764,206	\$ 115,759
Advertising and other revenue	83,100	93,732	10,632
<b>Total operating revenues</b>	<b>731,547</b>	<b>857,938</b>	<b>126,391</b>
Operating expenses:			
Salaries and benefits	5,739,776	5,549,510	(190,266)
Contracted services	505,538	613,670	108,132
Materials and supplies	1,745,855	1,450,198	(295,657)
Depreciation	1,981,560	1,864,147	(117,413)
Utilities	158,992	163,241	4,249
Insurance	119,115	137,233	18,118
Taxes	55,499	51,966	(3,533)
Taxi service	360,000	349,405	(10,595)
Continuing education	11,040	29,673	18,633
Advertising	22,200	17,817	(4,383)
Leases	984	984	-
Self-insurance damage claims	60,000	(8,235)	(68,235)
Other expenses	42,900	27,064	(15,836)
<b>Total operating expenses</b>	<b>10,803,459</b>	<b>10,246,673</b>	<b>(556,786)</b>
<b>Operating loss</b>	<b>(10,071,912)</b>	<b>(9,388,735)</b>	<b>683,177</b>
Nonoperating revenues:			
Investment income	21,300	447,382	426,082
Gain on sale of assets	-	7,200	7,200
Property taxes	5,900,447	5,745,836	(154,611)
Federal operating grants	3,036,900	2,845,370	(191,530)
State operating grants	843,589	843,589	-
Planning grants	51,900	53,253	1,353
<b>Total nonoperating revenues</b>	<b>9,854,136</b>	<b>9,942,630</b>	<b>88,494</b>
<b>Income (loss) before capital grants</b>	<b>(217,776)</b>	<b>553,895</b>	<b>771,671</b>
Capital grants	-	148,989	148,989
<b>Change in net position</b>	<b>\$ (217,776)</b>	<b>702,884</b>	<b>\$ 920,660</b>
Net position, beginning of year		30,700,586	
Net position, end of year		\$ 31,403,470	

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2023

Federal Grantor/Pass-Through Entity/Program Title	Federal Assistance Listing Number	Identifying Number	Award Amount	Total Federal Expenditures
U.S. Department of Transportation:				
Passed through City of Topeka:				
Planning Grant	20.505	None	\$ 53,253	<u>\$ 53,253</u>
Federal Transit Cluster:				
Operating Assistance - FY2020	20.507	KS-2020-001	2,323,030	743,018
Operating Assistance - FY2021	20.507	KS-2021-008	2,325,096	1,730,985
Operating Assistance - FY2022	20.507	KS-2022-009	2,992,021	371,367
Passed through Kansas Department of Transportation:				
Capital Funds - 5339	20.526	PT-5339-18	1,121,574	81,381
Capital Funds - 5339	20.526	PT-5339-21	1,304,840	<u>67,608</u>
Federal Transit Cluster subtotal				<u>2,994,359</u>
Total expenditures of federal awards				<u><u>\$ 3,047,612</u></u>

See accompanying notes to schedule of expenditures  
of federal awards.



TOPEKA METROPOLITAN TRANSIT AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2023

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of the Authority.

2 - Summary of Significant Accounting Policies

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

3 - Indirect Cost Rate

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

4 - Relationship to Financial Statements

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

5 - Difference in Presentation of Capital Assets

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

TOPEKA METROPOLITAN TRANSIT AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2023

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

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

**Section II. Financial Statement Findings**

None.

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

None.



Certified Public Accountants

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

Board of Directors  
Topeka Metropolitan Transit Authority  
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Topeka Metropolitan Transit Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

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## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

BT&C, P.A.

December 4, 2023  
Topeka, Kansas



Certified Public Accountants

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

Board of Directors  
Topeka Metropolitan Transit Authority  
Topeka, Kansas

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

***Opinion on the Major Federal Program***

We have audited Topeka Metropolitan Transit Authority's (the Authority's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2023. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

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

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

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

***Responsibilities of Management for Compliance***

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

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

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

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

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

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

BT&C, P.A.

December 4, 2023  
Topeka, Kansas