TOPEKA METROPOLITAN TRANSIT AUTHORITY

FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2014 and 2013

SINGLE AUDIT
(OMB Circular A-133)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

TOPEKA METROPOLITAN TRANSIT AUTHORITY

FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

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CHV & Co

COCHRAN HEAD VICK & CO., P.A.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Topeka Metropolitan Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Topeka Metropolitan Transit Authority (the Authority) as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Topeka Metropolitan Transit Authority, as of June 30, 2014, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Prior Period Financial Statements

The financial statements of the Authority, as of and for the year ended June 30, 2013, were audited by other auditors whose report dated October 31, 2013, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Merriam, Kansas
October 10, 2014

Cochran Head Vick & Co., P.A.

Topeka Metropolitan Transit Authority
Management Discussion and Analysis
Annual Financial Report
Year Ended June 30, 2014

BOARD OF DIRECTORS	EXECUTIVE STAFF
Beverly Hall, Chair	Susan Duffy, GM
Elsie Eisenbarth, Vice-Chair	Chip Falldine, CFO
Jim Daniel	John Cassidy, General Counsel
Rodney Miller	
Jim Ogle	
Scott Tummons	
Andy Vogel	

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, 2014, with selected comparative information for the years ending June 30, 2013 and June 30, 2012. 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 **Statements of Net Position** presents information regarding Topeka Metro's assets and liabilities. The differences between these are 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 **Statements of Activities** presents information showing how the 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. The notes provide additional information that is essential to obtain a full understanding of the data provided in the financial statements.

Other Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents supplementary information which includes budgetary schedule and the schedule of expenditures of federal awards and related compliance reports.

OPERATIONAL HIGHLIGHTS

Topeka Metro finalized its order for ten fixed route buses from Gillig, and expects to accept delivery in December 2014. These ten buses will replace the portion of the fleet purchased in 1998. Topeka Metro broke ground on its six-phase bus shelter project, and approximately 31 new shelters will be installed by the end of the calendar year. Topeka Metro also replaced the fareboxes on all thirty of its fixed route buses.

Topeka Metro started providing community shuttle service in FY2013. In FY2014, Topeka Metro provided 108 shuttles and transported 6,053 passengers at a total cost of $16,542.

Topeka Metro continued the student pass program in FY2014 with Unified School District 501. The district purchased one thousand annual student passes for the 2013-2014 school year. Students may also use their bus passes during school holidays and summer vacation.

During the summer of CY2013, Topeka Metro initiated a "Kids Ride Free!" program from May 15 through August 15. More than 45,000 rides were provided. Because of the success of the program, Topeka Metro provided this free service to kids again during the summer of 2014, and over 48,000 rides were provided.

Topeka Metro agreed to provide free rides to Washburn University students during the 2013-2014 school year. Over 13,000 rides were provided through this new program.

Topeka Metro initiated a "Lift to Fixed Route" pilot project late in FY2013. During FY2014, 2,422 rides were provided through this program.

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.

Fiscal Year	Fixed Route	Lift	Eve/Sun	Total
2010	1,151,733	83,326	15,157	1,250,216
2011	1,152,306	82,405	16,408	1,251,119
2012	1,127,752	73,724	4,572	1,206,048
2013	1,136,393	66,253	0	1,202,646
2014	1,204,350	63,897	0	1,268,247

SERVICE CHANGES

Due to budget cuts, Topeka Metro reduced its Evening/Sunday service in FY2011, eliminating the 6:30 p.m. to 8:30 p.m. hours. Further budget cuts caused the total elimination of Evening/Sunday service in FY2012. Lift ridership also decreased in FY2012 due to the reduction of the lift service area.

In FY2014, fixed route ridership increased 6% from FY2013 ridership, and lift ridership decreased 4%.

SERVICE HOURS

Fiscal year	Fixed Route	Lift	Eve/Sun	Total
2010	62,643	25,090	6,554	94,287
2011	59,215	25,728	6,210	91,153
2012	54,380	27,195	1,730	83,305
2013	54,079	23,932	0	78,011
2014	54,303	22,866	0	77,169

Topeka Metro made changes to the route structure and time-points in fiscal years 2010-2013, resulting in a decrease in service hours each of those years. There were no major changes to routes or time-points in FY2014.

FINANCIAL HIGHLIGHTS

SUMMARY OF NET POSITION

	2014	2013	2012
Assets			
Current Assets	$12,303,778	$10,687,751	$ 9,525,873
Capital Assets, Net	12,989,750	13,369,357	13,539,234
Total Assets	$25,293,528	$24,057,108	$23,065,107
Liabilities			
Current Liabilities	947,724	386,778	467,255
Total Liabilities	947,724	386,778	467,255
Net Position			
Investment in Capital Assets	12,989,750	13,369,357	13,539,234
Unrestricted	11,356,054	10,300,973	9,058,618
Total Net Position	$24,345,804	$23,670,330	$22,597,852

CURRENT ASSETS

Cash and Cash Equivalents are those funds kept on hand for operating and reserved funds. Investments and Board Designated Investments include both certificates of deposit and funds invested in the State of Kansas Municipal Investment Pool. $500,000 of Designated Investment is for the self-insurance program, and $4,455,627 was reserved by the Topeka Metro Governing Board for capital improvements.

Receivables consist of:

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

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

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

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

CAPITAL ASSETS

The Topeka Metro's capital assets includes land, buildings and improvements, bus shelters, revenue and other various equipment. The net value of Topeka Metro's property and equipment decreased by $379,607 during fiscal year 2014; this was due to the net effect of (1) the purchase and disposal of assets, and (2) normal and customary depreciation. Additional information on the Topeka Metro's capital assets can be found in Note 4 of this report.

Major capital asset events during FY2014 included the following:

Assets purchased:

a) New accounting software system and payroll time-clocks.
b) New fareboxes for the fixed route vehicles and related computer software and hardware.
c) Bus shelters.

Asset disposals:

a) Seven fans in the maintenance building.
b) Copy machine in the administration building.

Capital Assets (net of accumulated Depreciation)

	2014	2013	2012
Land	$ 3,600,255	$ 3,600,255	$ 3,600,255
Revenue equipment	5,353,926	6,152,072	5,985,606
Service equipment	17,839	29,875	45,910
Shop and garage equipment	49,584	60,897	81,045
Furniture and office equipment	-	-	1,590
Computer hardware and software	75,614	3,920	6,394
Farebox equipment	390,820	3,691	4,721
Communications equipment	1,047	4,001	13,423
Leasehold improvements	143,159	202,656	263,482
Buildings	3,080,207	3,301,681	3,523,155
Bus shelters	277,299	10,309	13,653
	$ 12,989,750	$ 13,369,357	$ 13,539,234

LIABILITIES

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

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

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

NET POSITION

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 equity. Of the unrestricted net position, the Board has designated $500,000 for the Self Insurance Fund and $4,455,627 for Capital Reserves.

SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	Fiscal Year Ending June 30		
	2014	**2013**	**2012**
Operating Revenue			
Fares	$ 1,417,523	$ 1,591,321	$ 1,193,284
Other Operating	83,099	91,484	174,227
Total Operating Revenue	1,500,622	1,682,805	1,367,511
Operating Expense			
Salaries and Benefits	4,796,352	4,688,848	4,937,462
Contracted Services	815,127	539,328	860,575
Materials and Supplies	1,268,228	1,227,121	1,467,894
General Overhead	763,806	264,253	288,413
Depreciation	1,142,793	982,194	945,044
Total Operating Expense	8,786,306	7,701,744	8,499,388
Operating Deficit	(7,285,684)	(6,018,939)	(7,131,877)
Non-Operating Revenue			
Interest & Gain/(Loss) on Disposal	12,784	32,416	58,202
Grants	2,911,397	2,517,380	2,423,009
Mill Levy	4,652,017	4,541,621	4,630,098
Total Non-Operating Revenue	7,576,198	7,091,417	7,111,309
Excess/ (Deficit) before Capital Transactions	290,514	1,072,478	(20,568)
Capital Grants	384,960	-	-
Change in Net Position	675,474	1,072,478	(20,568)
Net Position – Beginning Balance	23,670,330	22,597,852	22,618,420
Net Position – Ending Balance	$24,345,804	$23,670,330	$22,597,852

Operating expenses increased 14% in fiscal year 2014 over the previous year. There were increases in all categories of expense. Contract Services increased 50% due to new professional services contracts for planning services. General Overhead increased 193% due to a potential liability settlement. Depreciation Expense increased due to purchase of new assets.

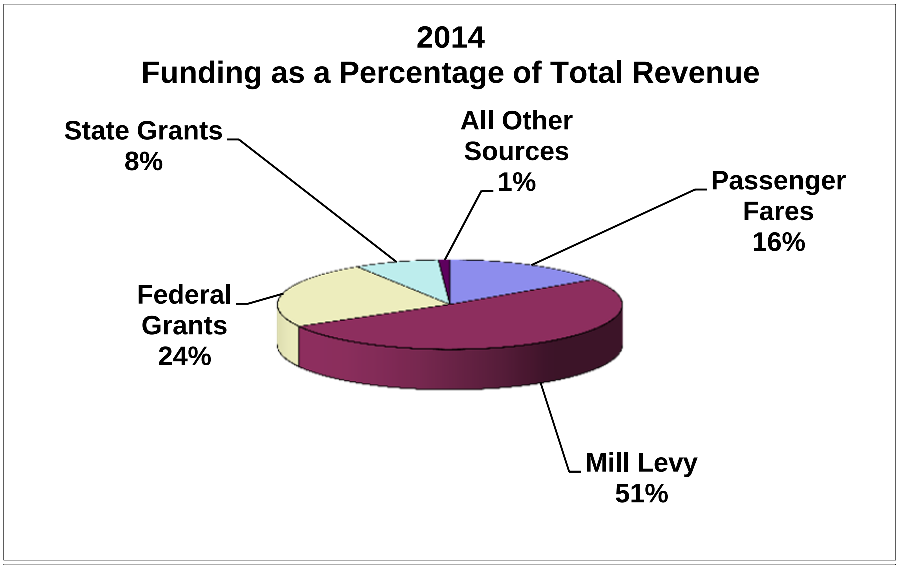
Operating expenses decreased 9% in fiscal year 2013 from the previous year. There were decreases in all categories of expense except Depreciation, which increased due to the purchase of buses. Contract Services decreased 38% due to a decrease in required maintenance costs. Materials and Supplies decreased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

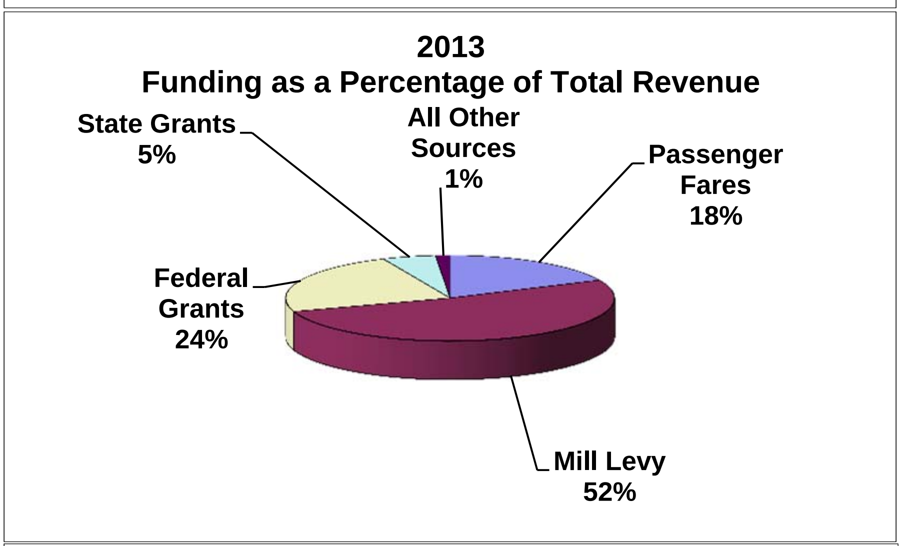
Operational & Funding Revenues	**Fiscal year Ending June 30**		
(Capital Grants not Included)	**2014**	**2013**	**2012**
Fares	$1,417,523	$1,591,321	$1,191,512
Mill Levy	4,652,017	4,541,621	4,630,098
Federal Grants	2,186,973	2,056,918	1,962,547
State Grants	724,424	460,462	460,462
All Other Sources	95,883	123,900	234,201
Total Operating & Funding Revenues	$9,076,820	$8,774,222	$8,478,820

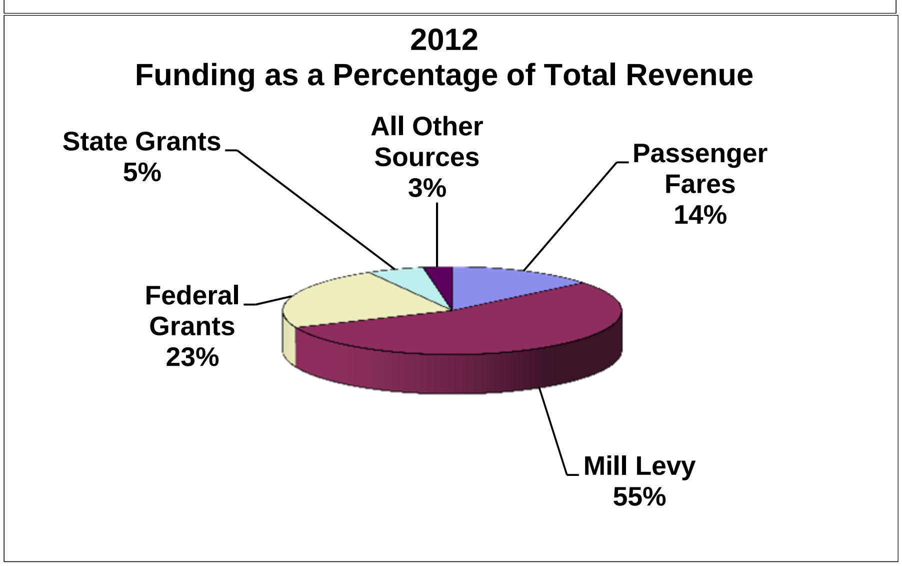
Fare revenue decreased in FY 2014 due to a decreased number of passes and a reduced price for the annual student pass program with USD501. Federal and state grants increased due to the amounts appropriated by FTA and KDOT, respectively.

FY 2013 fare revenue reflects an increase over FY2012 due to a new annual student pass program with USD501. FY 2013 federal grants increased from FY 2012 due to an increase in the amount appropriated by FTA. Other Sources for FY 2013 reflect a decrease from FY 2012 due to the receipt of $100,000 in FY2012 for the transfer of 5 trolleys to Wichita.

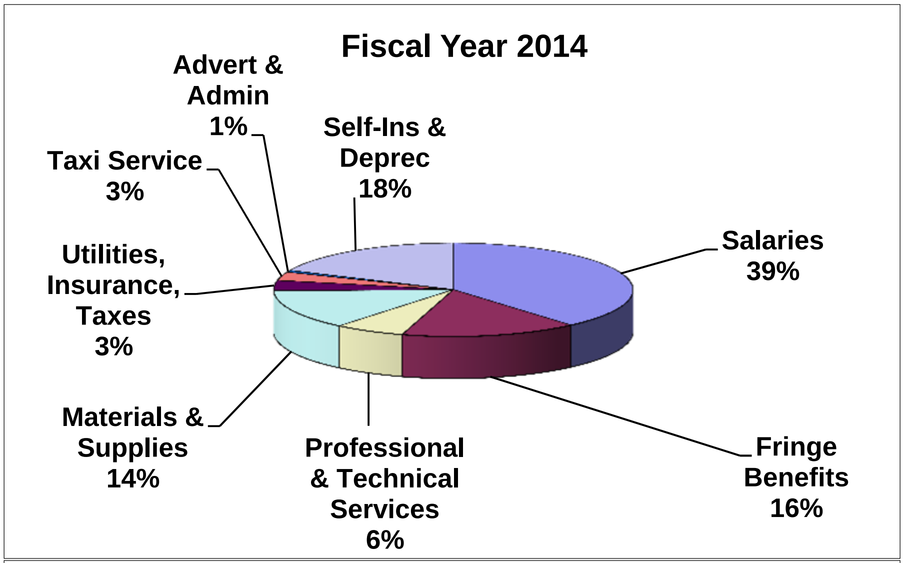
OPERATIONAL REVENUE & FUNDING

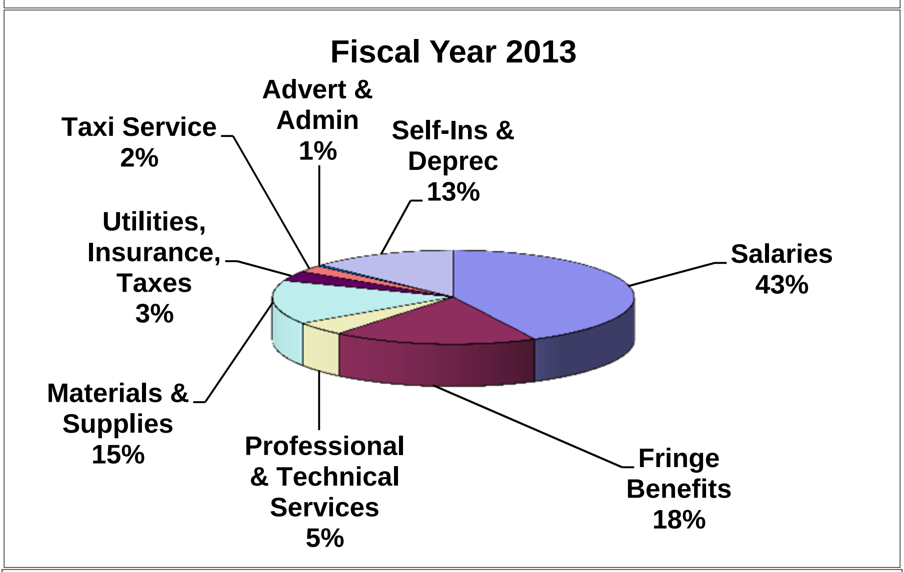


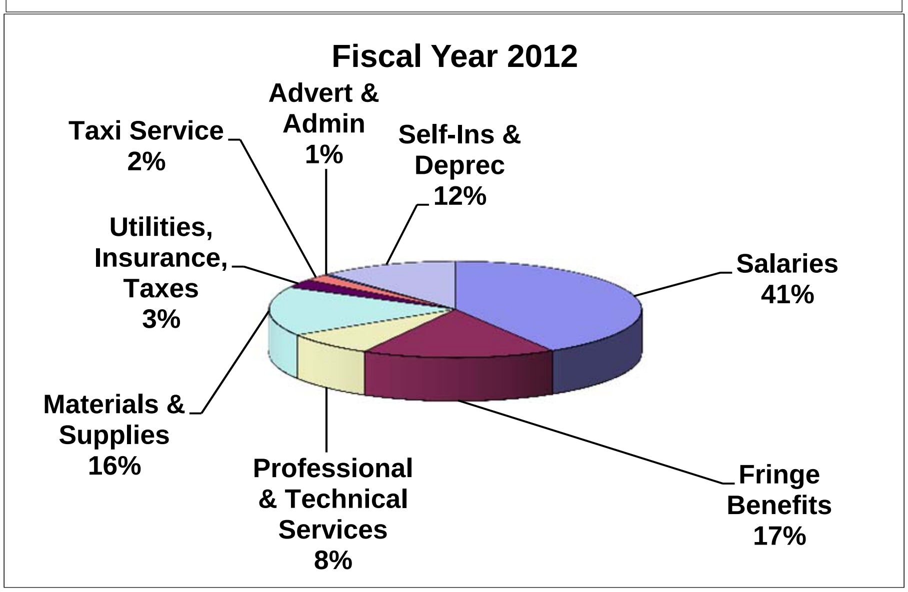




OPERATING EXPENSES







Operating Expenses

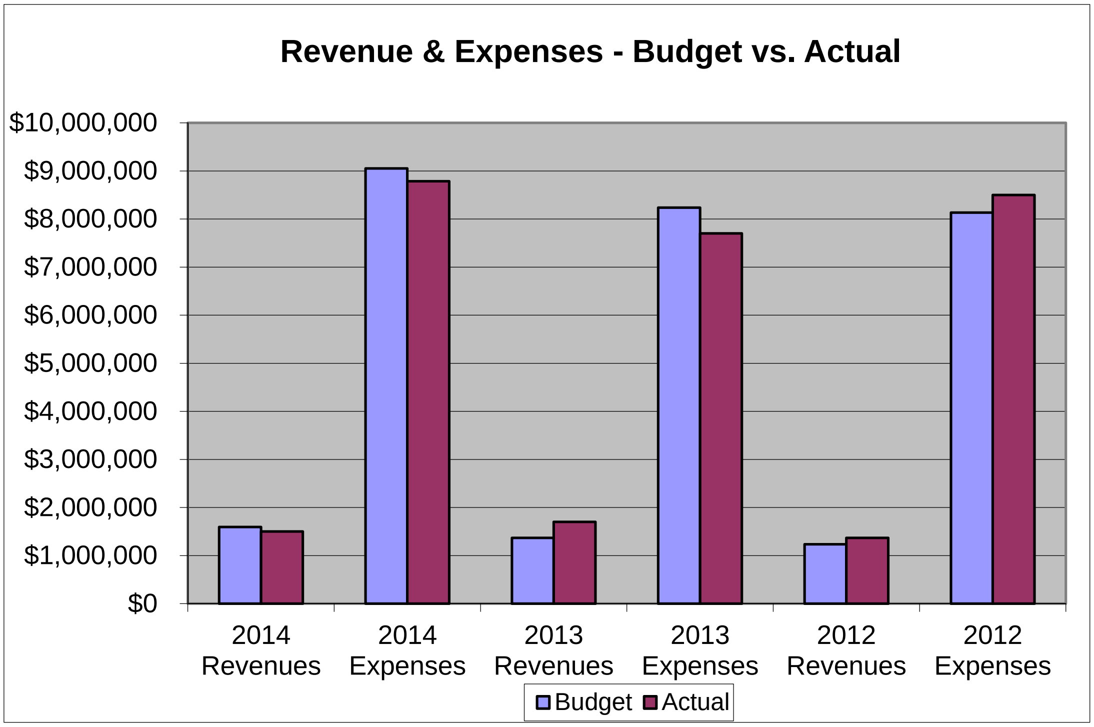
	Fiscal year Ending June 30		
	2014	**2013**	**2012**
Salaries	$3,399,424	$3,279,542	$3,512,748
Fringe Benefits	1,396,928	1,409,306	1,424,715
Professional & Technical Services	554,080	362,600	677,232
Materials & Supplies	1,204,839	1,161,904	1,399,713
Utilities, Insurance & Taxes	312,152	270,893	248,878
Contracted Taxi Service	261,047	176,728	183,343
Advertising & Administration	55,802	41,582	35,246
Depreciation & Self-Insurance	1,602,034	999,189	1,017,513
Total Operating Expenses	$8,786,306	$7,701,744	$8,499,388

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

FY 2013 overall operating expenses decreased $797,644, or 9.4%, from the previous year. Salaries decreased by $233,206: (1) a contractual severance payment in FY2012, and (2) driver overtime decreased. Professional Services decreased by $314,632 due to decreased maintenance requirements for buildings and parking lots. Materials & Supplies decreased from FY 2012 by $237,809: (1) fuel requirements and cost decreased, (2) spare part purchases decreased due to the purchase of new buses, and (3) radios were replaced in FY2012

BUDGET

Passenger Fares did not meet revenue budget estimates in FY2014 due to the decreased pricing of the annual student passes purchased by USD501. Operating expenses were under budget by $266,351: savings on employee benefits, fuel, maintenance expenses and vehicle parts were partially offset by the $450,000 liability claim.



	2014	2013	2012
Budgeted Revenues	$1,594,033	$1,369,504	$1,235,762
Actual Revenues	1,500,622	1,682,805	1,367,511
Budgeted Expenses	9,052,656	8,238,198	8,133,416
Actual Expenses	8,786,306	7,701,744	8,499,388

TOPEKA METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 32,636	$ 106,791
Deposits and investments:		
Operating	6,250,403	5,831,765
Designated	4,955,627	3,708,653
Accounts receivable	22,397	157,745
Grants receivable	684,886	552,536
Interest receivable	6,632	1,160
Inventory	54,809	58,003
Prepaid expenses	296,388	271,098
Total Current Assets	12,303,778	10,687,751
NON-CURRENT ASSETS		
Capital assets, net of depreciation	12,989,750	13,369,357
TOTAL ASSETS	25,293,528	24,057,108
LIABILITIES		
Current Liabilities:		
Accounts payable	244,099	97,690
Accrued payroll and benefits	92,848	138,020
Accrued vacation	123,161	105,638
Unearned revenue	37,616	45,430
Claims payable	450,000	-
TOTAL LIABILITIES	947,724	386,778
NET POSITION		
Investment in capital assets	12,989,750	13,369,357
Unrestricted	11,356,054	10,300,973
TOTAL NET POSITION	$ 24,345,804	$ 23,670,330

See Accompanying Notes to the Financial Statemetns

TOPEKA METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Passenger fares	$ 1,417,523	$ 1,592,510
Advertising	75,390	51,964
Miscellaneous	7,709	38,331
Total Operating Revenues	1,500,622	1,682,805
OPERATING EXPENSES		
Salaries	3,399,424	3,279,542
Fringe benefits	1,396,927	1,409,306
Contracted services	554,080	362,600
Materials and supplies	1,204,839	1,161,905
Utilities	171,535	142,393
Insurance	77,227	63,284
Taxes	63,390	65,216
Taxi service	261,047	176,728
Continuing education	18,275	7,924
Advertising	11,483	8,325
Other expenses	25,086	21,368
Leases	959	3,964
Self-insurance damage claims	459,241	16,995
Depreciation	1,142,793	982,194
Total Operating Expenses	8,786,306	7,701,744
OPERATING LOSS	(7,285,684)	(6,018,939)
NON-OPERATING REVENUES		
Investment income	12,784	12,981
Gain on sale of assets	-	19,435
Mill levy	4,652,017	4,541,621
Federal operating grants	2,162,165	2,056,918
State operating grants	724,424	460,462
Planning Grants	24,808	-
Total Non-Operating Revenues	7,576,198	7,091,417
INCOME BEFORE CAPITAL GRANTS	290,514	1,072,478
Capital grants	384,960	-
CHANGE IN NET POSITION	675,474	1,072,478
NET POSITION, beginning of year	23,670,330	22,597,852
NET POSITION, end of year	$ 24,345,804	$ 23,670,330

See Accompanying Notes to the Financial Statemetns

TOPEKA METROPOLITAN TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 1,628,156	$ 1,613,906
Cash paid to suppliers	(2,272,849)	(2,143,174)
Cash paid to employees	(4,824,000)	(4,707,434)
Net Cash Used in Operating Activities	(5,468,693)	(5,236,702)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	6,484,763	4,346,610
Purchase of investments	(8,150,375)	(5,350,150)
Interest received	7,312	13,806
Net Cash in Investing Activities	(1,658,300)	(989,734)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants	384,960	-
Purchase of property and equipment	(763,186)	(812,317)
Net Cash Used by Capital Related Financing Activities	(378,226)	(812,317)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Mill levy	4,652,017	4,541,621
Operating grant proceeds	2,779,047	2,479,460
Net Cash Used by Non-Capital Financing Activities	7,431,064	7,021,081
NET DECREASE IN CASH	(74,155)	(17,672)
CASH and CASH EQUIVALENTS, beginning of year	106,791	124,463
CASH and CASH EQUIVALENTS, end of year	$ 32,636	$ 106,791

	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income (loss)	$ (7,285,684)	$ (6,018,939)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,142,793	982,194
Gain on sale of assets	-	19,435
(Increase) decrease in assets		
Accounts receivable	135,348	(114,700)
Inventory	3,194	(8,457)
Prepaid expenses	(25,290)	(15,758)
Increase (decrease) in liabilities		
Accounts payable	146,409	(125,430)
Accrued payroll and benefits	(27,649)	18,587
Claims payable	450,000	-
Unearned revenue	(7,814)	26,366
Net Cash Used in Operating Activities	$ (5,468,693)	$ (5,236,702)

See Accompanying Notes to the Financial Statemetns

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority accounts for its activities as a governmental enterprise fund.

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

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

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

Unearned revenues consist of passenger ridership revenue that has not yet been earned.

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.

Investments

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

Accounts Receivable

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

Inventory

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

Capital Assets

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

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

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

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.

Compensated Absences

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

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.

Subsequent Events

The Authority evaluated subsequent events through October 10, 2014 the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Net Position

In proprietary fund financial statements, net position is displayed in three components as follows:

> *Net Investment in Capital Assets* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
>
> *Restricted* – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.
>
> *Unrestricted* – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Use of Estimates

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

NOTE 2 – CASH, DEPOSITS AND INVESTMENTS

A summary of the carrying values of cash deposits and investments at June 30, 2014 and 2013 are as follows:

	2014	2013
Cash on hand	$ 3,350	$ 1,150
Deposits	5,337,305	4,166,686
Investments	5,898,011	5,479,373
	$ 11,238,666	$ 9,647,209

These carrying values are reflected on the financial statements as follows:

	2014	2013
Cash and cash equivalents	$ 32,636	$ 106,791
Deposits and Investments		
Operating	6,250,403	5,831,765
Designated	4,955,627	3,708,653
	$ 11,238,666	$ 9,647,209

At June 30, 2014 and 2013, the above deposits consisted of demand deposits and certificates of deposit. As required by law, the depository banks are to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance to equal the amount on deposit at all times. At June 30, 2014 and 2013 the Authority's deposit balances were fully covered by FDIC insurance and pledged collateral held by the Authority or the institution's trust department.

The Authority primarily invests operating funds in the Kansas Municipal Investment Pool. At June 30, 2014 and 2013, all investments were deposited in the State of Kansas Municipal Investment Pool (MIP). The MIP is overseen by the State of Kansas.

At June 30, 2014 and 2013 the Authority had the following investments and maturities:

June 30, 2014	Investment maturities (in years)		Rating
	Value	Less than one	
Kansas Municipal Investment Pool	$ 5,898,011	$ 5,898,011	S&P AAAf/S1+

June 30, 2013	Investment maturities (in years)		
	Value	Less than one	
Kansas Municipal Investment Pool	$ 5,479,373	$ 5,479,373	S&P AAAf/S1+

Concentration of Credit Risk

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

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

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

Custodial Credit Risk – State statutes and the Authority place no limit on the amount the Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Authority's allocation of investments as of June 30, 2014 and 2013 are as follows:

Investment type	
Kansas Municipal Investment Pool	100%

Custodial Credit Risk (Deposits) – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes require the Authority's deposits in financial institutions be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Authority has no designated "peak periods". All deposits were legally insured at June 30, 2014 and 2013.

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

At June 30, 2014 and 2013, the Authority had invested $5,898,011 and $5,479,373 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable consists of Federal operating grants receivable in the amount of $684,886 at June 30, 2014, and $552,536 at June 30, 2013.

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30 2014
Capital Assets Not Being Depreciated:				
Land	$ 3,600,255	$ -	$ -	$ 3,600,255
Total capital assets not being depreciated	3,600,255	-	-	3,600,255
Capital Assets Being Deprciated:				
Revenue equipment	11,075,345	-	-	11,075,345
Service equipment	231,661	-	-	231,661
Shop and garage equipment	510,319	-	(12,319)	498,000
Furniture and office equipment	7,050	-	(7,050)	-
Computer hardware and software	60,098	77,042	-	137,140
Farebox equipment	171,491	406,925	-	578,416
Communications equipment	134,416	-	-	134,416
Leasehold improvements	1,303,427	-	-	1,303,427
Buildings	6,717,130	-	-	6,717,130
Bus shelters	35,120	279,219	-	314,339
Total capital assets being depreciated	20,246,057	763,186	(19,369)	20,989,874
Less Accumulated Depreciation For:				
Revenue equipment	(4,923,273)	(798,146)	-	(5,721,419)
Service equipment	(201,786)	(12,036)	-	(213,822)
Shop and garage equipment	(449,422)	(11,313)	12,319	(448,416)
Furniture and office equipment	(7,050)	-	7,050	-
Computer hardware and software	(56,178)	(5,348)	-	(61,526)
Farebox equipment	(167,800)	(19,796)	-	(187,596)
Communications equipment	(130,415)	(2,954)	-	(133,369)
Leasehold improvements	(1,100,771)	(59,497)	-	(1,160,268)
Buildings	(3,415,449)	(221,474)	-	(3,636,923)
Bus shelters	(24,811)	(12,229)	-	(37,040)
Total Accumulated Depreciation	(10,476,955)	(1,142,793)	19,369	(11,600,379)
Total Capital Assets Being Depreciated, Net	9,769,102	(379,607)	-	9,389,495
Total Capital Assets	$ 13,369,357	$ (379,607)	$ -	$ 12,989,750

Depreciation expense for the year ended June 30, 2014 was $1,142,793.

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

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

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

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description. The Authority participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contributions rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The employer rates established by statute for calendar years 2014, and 2013 are 9.69 and 9.37 percent respectively.

Substantially all employees of the Authority are eligible to participate in KPERS following the completion of one year of service. The Authority does not maintain the accounting records, hold the investments or administer KPERS. The Authority's annual contributions to KPERS for the years ending June 30, 2014, 2013, and 2012 were $267,561, $245,117, and $223,828, respectively, equal to the required contributions for each year.

NOTE 6 – RISK MANAGEMENT

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

<u>Self-Insurance</u>

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

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

	2014	2013
Claims liabilities at beginning of the year	$ -	$ -
Claims incurred during the year	459,241	16,995
Claims paid during the year	(9,241)	(16,995)
Claims liabilities at end of the year	$ 450,000	$ -

In the past, the Authority has levied a special one-half mill ad valorem tax to establish and maintain the statutory limit of liability for aggregate claims arising from a single incident against a governmental entity for loss claims of $500,000. The Authority did not levy the special one-half mill ad valorem tax for the tax years 2014 and 2013.

NOTE 7 – BOARD DESIGNATED ASSETS

The Board has established a capital reserve of $4,455,627 for the replacement of mini-buses, buses and to help maintain an adequate and modern transportation system and for the payment of future insurance claims or premiums totaling $500,000. Investments totaling $4,955,627 and $3,708,653 have been designated by the Board for these purposes as of June 30, 2014 and June 30, 2013, respectively.

NOTE 8 – CONTINGENT LIABILITIES

Litigation

The Authority has an open claim for an accident which it has estimated it will pay in the amount of $450,000. Because a payout for this claim is likely, the liability has been accrued as a claim payable in the June 30, 2014 financial statements.

The Authority also 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, 2014.

NOTE 9 – MILL LEVY AND SIGNFICANT 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 approval by the city election on April 3, 1973. The mill levy shall be upon all the taxable property within the City, as authorized by ordinance of the City. The mill levy rate was $ 4.2/per $1,000 assessed valuation for the fiscal years ending June 30, 2014 and 2013. 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 and for guaranteeing payment of any revenue bonds issued by such authority pursuant to K.S.A. 12-2808 and to pay a portion of the principal and interest on bonds issued by Cities under the authority of K.S.A. 12-1774, and amendments thereto.

The Authority received $ 4,652,017 and $4,541,621 from the City for the fiscal years ended June 30, 2014 and 2013, respectively.

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

NOTE 10 – COMMITMENTS

<u>Contracts</u>

The Authority has contracted for the purchase of 10 new 35 foot low-floor buses. The contractual commitment is $4,181,775 for the buses which are expected to be delivered in December, 2014.

NOTE 11 – RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

TOPEKA METROPOLITAN TRANSIT AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	Budget	Actual	Variance
OPERATING REVENUES			
Passenger fares	$ 1,516,953	$ 1,417,523	$ (99,430)
Advertising	44,800	75,390	30,590
Miscellaneous	5,280	7,709	2,429
Total Operating Revenues	1,567,033	1,500,622	(66,411)
OPERATING EXPENSES			
Salaries	3,162,672	3,399,424	236,752
Fringe benefits	1,870,587	1,396,927	(473,660)
Contracted services	529,004	554,080	25,076
Materials and supplies	1,705,759	1,204,839	(500,920)
Utilities	155,050	171,535	16,485
Insurance	49,726	77,227	27,501
Taxes	68,480	63,390	(5,090)
Taxi service	190,000	261,047	71,047
Continuing education	10,080	18,275	8,195
Advertising	9,600	11,483	1,883
Other expenses	34,750	25,086	(9,664)
Leases	1,416	959	(457)
Self-insurance damage claims	72,000	459,241	387,241
Depreciation	1,193,532	1,142,793	(50,739)
Total Operating Expenses	9,052,656	8,786,306	(266,350)
OPERATING LOSS	(7,485,623)	(7,285,684)	199,939
NON-OPERATING REVENUES			
Investment income	13,200	12,784	(416)
Gain on sale of assets	27,000	-	(27,000)
Mill levy	4,530,734	4,652,017	121,283
Federal operating grants	2,140,265	2,162,165	21,900
State operating grants	724,424	724,424	-
Planning Grants	50,000	24,808	(25,192)
Total Non-Operating Revenues	7,485,623	7,576,198	90,575
INCOME BEFORE CAPITAL GRANTS	-	290,514	290,514
Capital grants	-	384,960	384,960
CHANGE IN NET POSITION	$ -	675,474	$ 675,474
NET POSITION, beginning of year		23,670,330	
NET POSITION, end of year		$ 24,345,804	

Topeka Metropolitan Transit Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Program	CFDA#	Grant Number	Federal Expenditures
U.S. Department of Transportation:			
Operating Assistance - FY13	20.507	KS-90-X147-01	$ 552,535
Operating Assistance - FY14	20.507	KS-90-X151-00	1,609,630
Job Access and Reverse Commute (JARC)	20.516	KS-37-X016-00	236,617
New Freedom	20.521	KS-57-X003-00	148,343
Total Expenditures of Federal Awards			$ 2,547,125

See accompanying notes to the schedule of federal awards.

Topeka Metropolitan Transit Authority
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1. Organization

The Topeka Metropolitan Transit Authority (the Authority) is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies are included on the Schedule of Expenditures of Federal Awards.

Note 2. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information presented in this schedule is in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Authority received notification of the Job Access and Reverse Commute (JARC) grant award during the year ended June 30, 2014. The expenditures of $236,617 reported on the schedule of federal awards for the year ended June 30, 2104 were incurred and reported on the Authority's June 30, 2013 financial statements.

Note 3. Local Government Contributions

Local cost sharing, as defined by the Office of Management and Budget Circular A-102, Attachment F, is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

Note 4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the Authority's grant programs for economy and efficiency and program results that may result in disallowed costs to the Authority. However, management does not believe such audits would result in any disallowed costs that would be material to the Authority's financial position at June 30, 2014.

Topeka Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
For the year ended June 30, 2014

Section 1 - Summary **of Auditor's Results**

Financial Statements:

Type Audit Report Issued on Financial Statements of Auditee

Unmodified

Internal Control Over Financial Reporting

No material weaknesses identified. No significant deficiencies reported.

General Compliance

The audit did not disclose any instances of noncompliance which would be material to the financial statements.

Federal Awards:

Internal Control Over Major Programs

No material weaknesses identified. No significant deficiencies reported.

Type Audit Report Issued on Compliance for Major Programs

Unqualified

Audit Findings

The audit did not disclose any audit findings that are required to be reported under OMB Circular A-133.

Major Programs

CFDA Number	Name of Federal Program
20.507	Federal Transit Capital and Operating Assistance Cluster
20.516 & 20.521	Transit Services Programs Cluster

Dollar Threshold Used to Distinguish Between Type A and Type B Program

$300,000

Auditee Qualified as a Low-risk Auditee

Yes

Section 2 – Financial Statement Findings

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None

Summary Schedule of Prior Audit Findings

Financial Reporting

Condition

As reported by the Authority's prior auditors, the Authority has relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process.

Current Status

Management evaluated the cost/benefit and believes that it is of the most benefit to them to continue having the audit firm prepare the financial statements. The Authority has designated an individual who possesses suitable skills, knowledge, or experience to oversee those services.

Section 3 – Federal Award Findings

Federal Award Findings Required to be Reported in Accordance with OMB Circular A-133

None

Summary Schedule of Prior Audit Findings

None

CHV & Co

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Topeka Metropolitan Transit Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Topeka Metropolitan Transit Authority (the Authority) which comprise the statement of net position as of June 30, 2014, and the related statement of revenues, expenses, and change in net positon, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Other Offices

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(816) 364-1118
(816) 364-6144 FAX

1333 Meadowlark Lane
Suite 204
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Merriam, Kansas
October 10, 2014

Cochran Head Vick & Co, P.A.

CHV & Co

COCHRAN HEAD VICK & CO., P.A.

Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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To the Board of Directors
Topeka Metropolitan Transit Authority

Report on Compliance for Each Major Federal Program

We have audited the Topeka Metropolitan Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Merriam, Kansas
October 10, 2014

Cochran Head Vick & Co., P.A.