Flint Hills Area Transportation Agency Board

Financial Statements
As of June 30, 2023
and For the Year Then Ended

With Report by Independent Auditor

SHIPLEY
CPA, LLC
Audit, Assurance, & Consulting Services

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Flint Hills Area Transportation Agency Board
Manhattan, Kansas

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the business-type activities of the Flint Hills Area Transportation Agency Board (the Board), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Board, as of June 30, 2023, and the respective changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, well as the *Kansas Municipal Audit and Accounting Guide*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Board and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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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 generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 Board'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 6 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

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Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and 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 auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 30, 2024, on my consideration of the Board's internal control over financial reporting and on my 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 my 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 Board'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 Board's internal control over financial reporting and compliance.

Shipley CPA, LLC

Shipley CPA, LLC
Topeka, Kansas
January 30, 2024

Flint Hills Area Transportation Agency Board
Management's Discussion and Analysis

The discussion and analysis of Flint Hills Area Transportation Agency Board's (the Board) financial performance provides an overview of the Board's financial activities for the year ended June 30, 2023. Please read in conjunction with the Board's financial statements which begin after this section.

Introduction

The Board was formed by Internal Local Agreement between (1) City of Manhattan, Kansas; (2) Riley County, Kansas; (3) Pottawatomie County, Kansas; and (4) Kansas State University pursuant to K.S.A 12-2901. The Board was formed to engage in cooperative efforts to provide a cost-effective, public transit system and to enable the Board to be a Direct Recipient of Section 5307 Urban Formula Funds for the Manhattan Urbanized Area (MUA) which is eligible for funding assistance for transit services provided within the MUA or that start or end in the MUA.

The purpose of the Board is to provide reliable public transportation services in the City of Manhattan and the surrounding areas, including Riley County and Pottawatomie County. Expenses include bus operations (fuel, insurance, maintenance); transit operations (dispatch, scheduling, and bus operators); and administrative functions. The transit services are funded by Federal funds and matching funds from the State of Kansas, and other local funding sources.

Current Year Results

The Board was formed in 2019 through an interlocal agreement between local governments of the City of Manhattan, Riley County, Pottawatomie County and Kansas State University for the purpose of planning, managing, and operating public transportation system as the Direct Recipient of Section 5307 Urban Formula Funds for the Manhattan Urbanized Area. The Agency is established pursuant K.S.A. 12-901 and meets the definition found at K.S.A. 75-117 of a municipality and therefore a governmental body for purposes of Federal Transit Law (defined generally as 49 U.S.C. 4301 *et seg.*

The Agency continues to experience significant negative impacts as a result of the COVID-19 Pandemic which began in the US in February 2020. The effects of the pandemic have impacted the Flint Hills Region since March 2020, resulting in a 50% reduction in ridership and services provided, as well as significant impacts to increasing costs driven by high rates of inflation and along with many other transit providers nationwide the Agency has experienced a serious driver shortage. Beginning in 2021/2022 the Agency began to experience a significant driver shortage and that has carried into the fiscal year 2023 and likely beyond. In addition, the increase with inflation have driven the cost of goods and services to increase significantly however the Agency's local funding has stay stagnant or flat, and has not kept up with the increasing costs. This has caused the Agency to spend reserves on operations, and to slow the completion of capital projects in fiscal year 2023. In addition, the driver shortage and the reductions in local match funds has resulted in consideration for reductions in some services in both Manhattan as well as a closure of a route on KSU Campus due to reduction in KSU funding. Those reductions begin in Spring 2023 and carry over into the next fiscal year. But even with reductions in the services operating, the riders continue to show good progress and steady increases.

Other impacts to the Agency's financials include:

- The Leadership Team set goals in fiscal year 2023 and carry into the next year, are to increase public awareness of what public transportation is within the communities we serve. In addition to improve overall public perception of public transportation and the importance it serves within those communities. Efforts and strategies are developed in effort generate awareness about the Board thereby increasing interest in possible employment candidates, increases in funding opportunities and increase ridership.

- The Agency hired a full-time Director of Planning to take over the planning and development of transit services.
- The Agency promoted a full-time Marketing and Communication Specialist to take over the marketing and promotions, as well as the public information distribution for ATA services.
- In May of 2023 the Agency submitted a purchase order to purchase three new vehicles for services, however there is significant bus supply shortage and as of the end of the 06/30/2023 the buses have not been received and may not receive by end of fiscal year 2024. There is concern over the aging fleet and increased costs to maintain the fleet. The last vehicle purchase was made in FY 2021. No vehicles were received in FY 2023.
- During FY 2023 Flint Hills Area Transportation Agency, Inc. completed two capital projects which resulted in 4 Bus Shelters in the City of Manhattan in which the Board will be responsible to maintain in operations. Funding was obtained through capital grants from Kansas Department of Transportation and Flint Hills Area Transportation Agency Inc. (not-for-profit entity).

Other Financial Matters
Under a shared services and joint operations agreement between Flint Hills Area Transportation Agency, Inc. (FHATA, Inc.) and the Board, FHATA, Inc. is the acting fiscal agent for the Board.

Discussion of Basic Financial Statements
The Board's only fund is the proprietary enterprise fund, which is shown in this report. The financial statements provide detailed information which shows how money flows in and out of this fund and the balance left available for spending. This information helps to determine whether or not more or fewer financial resources can be spent in the near future to finance the Board's activities.

The statements of net position reflect assets owned and liabilities owed at June 30, 2023. The difference between total assets and total liabilities is referred to as net position.

The statements of revenues, expenses, and change in net position reflect operating revenues, operating and maintenance expenses, interest income, interest expense and all other changes to net position for the years ended June 30, 2023.

The statements of cash flows reflect cash provided by or used in operating activities, capital, and related financing activities, and investing activities for the year ended June 30, 2023. The statements also disclose cash paid for interest for the year then ended.

Contacting the Authority's Financial Management
This financial report is designed to provide citizens, customers, management, funding sources and other interested parties with a general overview of the Board's finances. The report is also designed to show the Board's accountability for the money it receives. For additional information about this report:

Anne Smith, Executive Director
5815 Marlatt Avenue
Manhattan, Kansas 66503
(785) 537-6345

Financial Highlights

	June 30, 2023
Assets	
Current assets	$ 138,145
Noncurrent assets	217,089
Total Assets	355,234
Liabilities	
Current liabilities	137,182
Total Liabilities	137,182
Net Position	
Net investment in capital assets	217,089
Unrestricted	963
Total Net Position	$ 218,052

	For the Year Ended June 30, 2023
Operating Revenues	
Operating revenues	$ 2,092,888
Operating Expenses	
Contract labor	1,439,006
Office expense	25,919
Advertising	20,563
Bus services	278,708
Insurance	134,702
Licenses and fees	2,981
Information technology costs	110,268
Facilities	80,831
Depreciation	72,303
Total Operating Expenses	2,165,281
Net Operating Loss	(72,393)
Nonoperating Revenues	
Interest income	35
Net Nonoperating Revenues	35
Change in Net Position	(72,358)
Net Position - Beginning of Year	290,410
Net Position - End of Year	$ 218,052

Capital Assets

At the end of 2023, the Board had $217,089 invested in capital assets net of depreciation. Capital assets are more fully described in Note 2.

Vehicles	$ 361,715
Accumulated depreciation	(144,626)
Net Capital Assets	$ 217,089

Flint Hills Area Transportation Agency Board
Manhattan, Kansas

Statement of Net Position
Proprietary Fund
June 30, 2023

ASSETS	
Current Assets	
Cash and cash equivalents	$ 963
Accounts receivable	137,182
Total Current Assets	138,145
Noncurrent Assets	
Capital assets	
Vehicles	361,715
Less accumulated depreciation	(144,626)
Total Noncurrent Assets	217,089
Total Assets	$ 355,234
LIABILITIES	
Accounts payable	$ 137,182
Total Liabilities	137,182
NET POSITION	
Net investment in capital assets	217,089
Unrestricted	963
Total Net Position	218,052
Total Liabilities and Net Position	$ 355,234

Flint Hills Area Transportation Agency Board
Manhattan, Kansas

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

Operating Revenues		
Grant income	$	1,330,564
Fare income		57,910
Local match		704,414
Total Operating Revenues		2,092,888
Operating Expenses		
Contract labor		1,439,006
Office expense		25,919
Advertising		20,563
Bus services		278,708
Insurance		134,702
Travel and meetings		2,981
Information technology costs		110,268
Facilities		80,831
Depreciation		72,303
Total Operating Expenses		2,165,281
Net Operating Loss		(72,393)
Nonoperating Revenues		
Interest income		35
Net Nonoperating Revenues		35
Change in Net Position		(72,358)
Net Position - Beginning of Year		290,410
Net Position - End of Year	$	218,052

Flint Hills Area Transportation Agency Board
Manhattan, Kansas

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

Cash Flows From Operating Activities		
Receipts from customers	$	2,053,452
Payments to suppliers		(2,053,542)
Net Cash from Operating Activities		(90)
Cash Flows From Investing Activities		
Interest received		35
Net Cash from Investing Activities		35
Net Change in Cash and Cash Equivalents		(55)
Cash and Cash Equivalents, Beginning of Year		1,018
Cash and Cash Equivalents, End of Year	$	963

Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities

Net Operating Loss	$	(72,393)
Adjustments to Reconcile Net Operating Income to Net Cash Used in Operating Activities		
Depreciation		72,303
Changes in assets and liabilities:		
Accounts receivable		(39,436)
Accounts payable		39,436
Net Cash Used in Operating Activities	$	(90)

Flint Hills Area Transportation Agency Board
Manhattan, Kansas

Notes to the Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

The Flint Hills Area Transportation Agency Board (the Board) was formed in 2019 through an interlocal agreement between local governments of the City of Manhattan, Riley County, Pottawatomie County and Kansas State University for the purpose of planning, managing and operating the public transportation system as the Direct Recipient of Section 5307 Urban Formula Funds for the Manhattan Urbanized Area. The Board was established pursuant K.S.A. 12-901 and meets the definition found at K.S.A 75-117 of a municipality and therefore a governmental body for purposes of Federal Transit Law (defined generally as 49 U.S.C. 4301 *et seg.*

Joint Operations Agreement

In December 2019, the Board entered into a joint operations agreement with the Flint Hills Area Transportation Agency, Inc. The joint operations agreement outlines the duties and responsibilities of each entity in the provision of public transportation services in their service areas. Flint Hills Area Transportation Agency, Inc. is the acting fiscal agent for the Board.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Board's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of the Board are included in the statements of net position. The statements of revenues, expenses and change in net position present increases and decreases in net position. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Board considers all revenues available if they are collected by the end of the year. Expenditures are recorded when the related liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accounting records of the Board are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America. As a quasi-municipal corporation, the Board applies all statements issued by the Government Accounting Standards Board (GASB). The Board uses a single proprietary enterprise fund to account for and report its financial activities, which is limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business enterprises where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Note 1 – Summary of Significant Accounting Policies (continued)

Budget
The Board is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. As the Board is not subject to these requirements, comparison to budget has been waived on the financial statements.

Encumbrances
Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in governmental funds only. Accordingly, the Board does not record encumbrances. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash and Cash Equivalents
For the statements of cash flows, cash consists of the Board's checking account.

Deposits and Investments
K.S.A. 9-1401 establishes the depositories which may be used by the Board. The statute requires banks eligible to hold the Board's funds have a main or branch bank in the county in which the Board 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. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Board has not further limited its interest rate risk in its investment policy.

K.S.A. 12-1675 limits the Board'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 Board has limited its investment choices in its investment policy to the above and as such all cash is considered liquid and available for purposes of the statement of cash flows.

<u>Custodial Credit Risk – Deposits</u>
Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. State statutes require the Board's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Board did not use "peak periods" during the year ended June 30, 2023.

At June 30, 2023, the Board's carrying amount of deposits and cash on hand was $963. The bank balance was held by one bank and was $963. The Board's cash funds were fully insured by the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2023.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Capital Assets

The cost of property and equipment purchases are capitalized at historical cost. The cost of major renewals and betterments that extend the lives of property and equipment are also capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reduced, and any resulting gain or loss is recognized as a change in the net assets in the period of disposal. The cost of maintenance and repairs is expensed as incurred. Capital assets are facilities or equipment with a useful life of at least 1 year. Equipment is considered a capital asset with an acquisition cost of $5,000 or more. Equipment includes rolling stock and all other such property used in the provision of public transit service.

Net Position

In the 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, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted—This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is generally the Board's policy to use restricted resources first, then unrestricted resources as they are needed.
- Unrestricted—This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt"

Note 2 – Capital Assets

The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Depreciation is computed using the straight-line method based on service lives. Depreciation expense for the year ended June 30, 2023 was $72,303. Estimated useful lives for vehicles and related equipment are 5 to 10 years.

Note 2 – Capital Assets (continued)
Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balances 7/1/2022	Increases	Decreases	Ending Balances 6/30/2023
Vehicles	$ 361,715	$ -	$ -	$ 361,715
Accumulated depreciation	72,323	72,303	-	144,626
Capital Assets, Net	$ 289,392	$ (72,303)	$ -	$ 217,089

Note 3 – Concentrations
Grants from various organizations and governmental entities account for approximately 64% of the Board's revenues for the year ended June 30, 2023.

Note 4 – Risk Management
The Board 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.

Note 5 – Commitments and Contingencies

Litigation
The Board 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 Board.

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

Note 6 – Subsequent Events
The Board has evaluated subsequent events through the date of the independent auditor's report, the date which the financial statements were available to be issued.

SINGLE AUDIT SECTION

Flint Hills Area Transportation Agency Board
Manhattan, Kansas

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Federal AL Number	Expenditures
Department of Transportation		
Passed Through Kansas Department of Transportation		
Federal Transit Cluster (20.500,20.507,20.525,20.526) - CARES	20.507	$ 30,997
Federal Transit Cluster (20.500,20.507,20.525,20.526)	20.507	1,026,908
Total Department of Transportation		1,057,905
Total Expenditures of Federal Awards		$ 1,057,905

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards.

Flint Hills Area Transportation Agency Board
Manhattan, Kansas

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs for the Flint Hills Area Transportation Agency Board (the Board). The reporting Board is defined in Note 1 of the Board's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the Schedule.

Note 2. Basis of Presentation

The accompanying Schedule is presented on a basis which is the same basis of accounting as the financial statements. The information in the 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 Board, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Board.

The Board did not elect to use the 10% de minimis cost rate.

Flint Hills Area Transportation Agency Board
Manhattan, Kansas

Schedule of Findings and Questioned Costs
June 30, 2023

Section I – Summary of Independent Auditor's Results

Financial Statement

Type of auditor's report issued:	**Unmodified**
Internal control over financial reporting:	
Material weakness(es) identified?	**No**
Significant deficiencies identified?	**No**
Noncompliance material to financial statement noted?	**No**

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	**No**
Significant deficiencies identified?	**No**
Type of auditor's report issued on compliance for major programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	**No**

Identification of Major Federal Programs:

AL Number	Name of Federal Program or Cluster
20.507	Federal Transit Cluster

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

Section II – Financial Statement Audit

None Reported

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

None Noted

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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 THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Executive Board
Flint Hills Area Transportation Agency Board

I 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 Flint Hills Area Transportation Agency Board (the Board), which comprise the statement of financial position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated January 30, 2024.

Report on Internal Control over Financial Reporting

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Board's financial statements are free from material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shipley CPA, LLC

Shipley CPA, LLC
Topeka, Kansas
January 30, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Executive Board
Flint Hills Area Transportation Agency Board

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Flint Hills Area Transportation Agency Board's (the Board) 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 each of the Board's major federal programs for the year ended June 30, 2023. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

I am required to be independent of the Board and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Board'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 Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My 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 Board's compliance based on my audit.

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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 generally accepted auditing standards, *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 Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- 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 Board's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Board'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 Board's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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 a 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.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My 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 my 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.

Shipley CPA, LLC

Shipley CPA, LLC
Topeka, Kansas
January 30, 2024