

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.

Manhattan, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

June 30, 2019 and 2018

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
Manhattan, Kansas
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March 20, 2020

Board of Directors
Flint Hills Area Transportation Agency, Inc.
Manhattan, Kansas

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Flint Hills Area Transportation Agency, Inc. (the Agency), a non-profit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Agency's 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2019 and 2018, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

March 20, 2020
Flint Hills Area Transportation Agency, Inc.
(Continued)

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated DATE, on our consideration of the Agency's internal control over financial reporting and 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 reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Varny & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
STATEMENTS OF FINANCIAL POSITION
 June 30,

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 705,446	\$ 984,847
Grants receivable	163,518	331,779
Service contracts receivable	691,382	149,735
Rider fees receivable	650	18
Sales tax refund receivable	-	30,614
Inventory	17,688	18,402
Prepaid expenses	1,450	-
Total Current Assets	\$ 1,580,134	\$ 1,515,395
Non-Current Assets		
Unrestricted Capital Assets		
Building and improvements	\$ 6,953	\$ -
Office equipment and furniture	9,160	9,160
IT equipment and software	27,119	25,171
Vehicles and related equipment	45,123	236,310
Bus stops and signs	575	575
Building and maintenance equipment	4,030	10,984
Accumulated depreciation	(63,893)	(123,027)
Total Unrestricted Capital Assets	\$ 29,067	\$ 159,173
Restricted Capital Assets		
Building and Improvements	\$ 1,754,865	\$ 1,754,865
Office equipment and furniture	50,895	50,895
IT equipment and software	85,092	85,092
Vehicles and related equipment	2,221,401	1,698,649
Bus stops and signs	23,229	23,229
Building and maintenance equipment	42,389	42,389
Accumulated depreciation	(2,022,628)	(1,623,887)
Total Restricted Capital Assets	\$ 2,155,243	\$ 2,031,232
Total Non-Current Assets	\$ 2,184,310	\$ 2,190,405
TOTAL ASSETS	\$ 3,764,444	\$ 3,705,800
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 58,692	\$ 99,193
Payroll taxes payable	2,033	-
Total Current Liabilities	\$ 60,725	\$ 99,193
Net Assets		
Without Donor Restrictions		
Undesignated	\$ 1,352,373	\$ 1,246,820
Designated for bus replacement	196,104	328,556
Total Without Restrictions	\$ 1,548,477	\$ 1,575,376
With Donor Restrictions	2,155,242	2,031,231
Total Net Assets	\$ 3,703,719	\$ 3,606,607
TOTAL LIABILITIES AND NET ASSETS	\$ 3,764,444	\$ 3,705,800

The accompanying notes are an integral part of these financial statements.
 See Independent Auditor's Report.

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2019

Financial Statements

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Rider income	\$ 116,627	\$ -	\$ 116,627
Grants	2,048,233	265,252	2,313,485
Service contracts	954,390	-	954,390
Charter services	10,664	-	10,664
Other income	28,269	-	28,269
Total Revenues	\$ 3,158,183	\$ 265,252	\$ 3,423,435
Release of Restrictions	\$ 141,241	\$ (141,241)	\$ -
Expenses			
Program services	\$ 2,816,789	\$ -	\$ 2,816,789
Management and general	509,534	-	509,534
Total Expenses	\$ 3,326,323	\$ -	\$ 3,326,323
CHANGE IN NET ASSETS	\$ (26,899)	\$ 124,011	\$ 97,112
NET ASSETS - BEGINNING OF PERIOD	1,575,376	2,031,231	3,606,607
NET ASSETS - END OF PERIOD	\$ 1,548,477	\$ 2,155,242	\$ 3,703,719

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

Financial Statements

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Rider income	\$ 123,787	\$ -	\$ 123,787
Grants	1,689,264	407,615	2,096,879
Service contracts	871,714	-	871,714
Charter services	3,951	-	3,951
Other income	12,736	-	12,736
Total Revenues	<u>\$ 2,701,452</u>	<u>\$ 407,615</u>	<u>\$ 3,109,067</u>
Release of Restrictions	<u>\$ 275,281</u>	<u>\$ (275,281)</u>	<u>\$ -</u>
Expenses			
Program services	\$ 2,163,259	\$ -	\$ 2,163,259
Management and general	440,548	-	440,548
Total Expenses	<u>\$ 2,603,807</u>	<u>\$ -</u>	<u>\$ 2,603,807</u>
CHANGE IN NET ASSETS	\$ 372,926	\$ 132,334	\$ 505,260
NET ASSETS - BEGINNING OF PERIOD	<u>1,202,450</u>	<u>1,898,897</u>	<u>3,101,347</u>
NET ASSETS - END OF PERIOD	<u><u>\$ 1,575,376</u></u>	<u><u>\$ 2,031,231</u></u>	<u><u>\$ 3,606,607</u></u>

FLINT HILLS AREA TRANSPORTATION AGENCY, INC
 Manhattan, KS
STATEMENTS OF FUNCTIONAL EXPENSES
 For the Years Ended June 30,

	2019			2018		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Wages and salaries	* \$ 1,662,185	\$ 348,289	\$ 2,010,474	\$ 1,258,151	\$ 239,644	\$ 1,497,795
Telephone	* 7,513	30	7,543	4,492	-	4,492
Office supplies	* 16,102	21,639	37,741	4,488	26,156	30,644
Advertising	* 43,504	1,483	44,987	30,410	289	30,699
Bus	* 447,058	-	447,058	376,178	77	376,255
Insurance	* 210,617	28,930	239,547	186,149	23,074	209,223
Travel and meal	* 5,292	15,306	20,598	2,949	12,841	15,790
Financial	* -	883	883	-	150	150
Licenses and fees	* 7,578	53,213	60,791	6,278	25,941	32,219
IT costs	* 30,615	16,903	47,518	52,956	6,843	59,799
Passenger amenities	* 36,401	684	37,085	-	15,063	15,063
Facilities	* 10,317	22,174	32,491	8,912	19,607	28,519
Loss on sale of assets	* -	-	-	1,319	-	1,319
Depreciation	* 339,607	-	339,607	230,977	70,863	301,840
	<u>\$ 2,816,789</u>	<u>\$ 509,534</u>	<u>\$ 3,326,323</u>	<u>\$ 2,163,259</u>	<u>\$ 440,548</u>	<u>\$ 2,603,807</u>

* Each of these expense lines contain costs that are attributed to more than one program or support function and these joint costs have been allocated on the basis of estimates of time and effort

The accompanying notes are an integral part of these financial statements.

See Independent Auditor's Report.

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
STATEMENTS OF CASH FLOWS
 For the Years Ended June 30,

Financial Statements

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from rider fees	\$ 115,995	\$ 123,787
Cash received from grantors	2,481,746	1,904,686
Cash received from service contracts	412,743	1,079,161
Cash received from other sources	69,547	29,240
Cash paid for wages, salaries, and related taxes	(2,008,441)	(1,509,599)
Cash paid to vendors, suppliers and contractors	(1,017,479)	(790,978)
Cash Provided by Operating Activities	\$ 54,111	\$ 836,297
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for unrestricted property and equipment	\$ (1,947)	\$ (132,442)
Cash paid for restricted property and equipment	(331,565)	(407,615)
Cash received from sale of property and equipment	-	7,550
Cash Used in Investing Activities	\$ (333,512)	\$ (532,507)
NET INCREASE (DECREASE) IN CASH	\$ (279,401)	\$ 303,790
CASH AND CASH EQUIVALENTS - BEGINNING	984,847	681,057
CASH AND CASH EQUIVALENTS - ENDING	\$ 705,446	\$ 984,847

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Notes to Financial Statements

Note 1: Significant Accounting Policies

Organization

Flint Hills Area Transportation Agency, Inc. (the Agency), was organized as a non-profit corporation in 1976, originally to provide low-cost transportation services to elderly and disabled individuals throughout the area of Riley County, Kansas. In 2011, services were expanded to the areas of Geary County, Fort Riley, and Pottawatomie County, as well as fixed-route services in the City of Manhattan, Kansas.

Basis of Accounting

The Agency's policy is to prepare its financial statements on the accrual basis of accounting in accordance with financial reporting provisions prescribed by the Financial Accounting Standards Board. This basis of accounting is commonly known as U.S. Generally Accepted Accounting Principles (GAAP).

During 2019, the Agency adopted the financial reporting provisions of FASB ASU 2016-14. The primary changes include the reclassification of net assets according to donor restrictions. FASB ASU 2016-14 also requires a statement of functional expense.

Cash and Cash Equivalents

Cash includes all deposits in the bank and highly liquid investments with original maturities of three months or less. The carrying value of cash approximates fair value because of the short maturities of those financial instruments.

Grants Receivable and Revenue Recognition

Grants receivable consist of amounts due from third party grantors for reimbursement of qualifying grant award costs. Revenues are recognized when qualifying reimbursable costs are incurred. Management has evaluated the collectability of the receivable amounts at June 30, 2019 and 2018 and estimates that the entire amounts are fully collectible with a \$0 reserve for the allowance of doubtful accounts.

Service Contracts Receivable and Revenue Recognition

Service contracts (local match) receivable consists of amounts due from third parties for which the Agency has agreed to provide transportation services which include fixed routes, demand response (local and regional), as well as special services, all which remain open to the public. Revenues are recognized when the Agency has provided the requisite services. Management has evaluated the collectability of the receivable amount at June 30, 2019 and 2018 and estimates that these amounts are fully collectible with a \$0 reserve for the allowance of doubtful accounts.

Sales Tax Refund Receivable

Sales tax refunds receivable consist of amounts due from the State of Kansas as reimbursement for sales taxes paid by the Agency on behalf of local and state governmental entities. Management has evaluated the collectability of the receivable amounts at June 30, 2019 and 2018 and estimates that these balances are fully collectible with a \$0 reserve for the allowance of doubtful accounts.

Inventory

Inventory consists of amounts paid for consumable supplies and materials of which the Agency maintains an available store. The Agency uses the first-in, first-out method of expensing inventoriable items and reports the inventory balance at the lower of cost or net realizable value in accordance with FASB Accounting Standards Update (ASU) 2015-11, *Inventory (Topic 330) - Simplifying the Measurement of Inventory*, which was effective for the Agency for fiscal year ending June 30, 2019. The net effect of implementing this ASU was \$0 for the fiscal year ending June 30, 2019.

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

Note 1: Significant Accounting Policies (Continued)

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.

Restricted capital assets are those items of property and equipment which have been purchased under cost sharing grants and agreements with state and federal governments who maintain a reversionary interest in which the governmental entity ultimately controls the use of and disposal of the asset.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Property Classification</u>	<u>Useful Lives (Years)</u>
Building and improvements	20
Office equipment and furniture	3 to 10
IT equipment and software	5 to 20
Vehicles and related equipment	5 to 10
Bus stops and signs	5 to 10
Building and maintenance equipment	10

Net Assets

The Agency reports the changes in its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Advertising

The Agency's advertising costs are expensed as incurred and are separately reported on the statement of functional expense.

Income Taxes

The Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the Agency's financial statements.

The Agency believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. For each of the years ended June 30, 2019 and 2018, the Agency did not recognize any interest or penalties associated with tax matters.

The Agency's federal Exempt Organization Returns (Form 990) for 2019 and 2018 are subject to examination by the IRS, generally for three years after they are filed. No taxing authorities have commenced income tax examinations.

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

Note 1: Significant Accounting Policies (Continued)

Functional Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidating statement of functional expenses. Accordingly, certain costs have been allocated to program, management and general, and fundraising activities based on employee time estimates or other appropriate usage factors.

Reclassifications

Certain prior-year amounts have been reclassified to be consistent with the current year's presentation. The reclassifications had no impact on previously reported net assets, in total.

Estimates

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

Subsequent Events

Management has evaluated subsequent events through March 20, 2020, which is also the date on which the financial statements were available to be issued.

Note 2: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 705,446	\$ 984,847
Grants receivable	163,518	331,779
Service contracts receivable	691,382	149,735
Rider fees receivable	650	18
Sales tax refund receivable	-	30,614
	\$ 1,560,996	\$ 1,496,993

As part of the Agency's liquidity management plan, they invest cash in excess of daily requirements in marketable securities and interest bearing depository accounts.

Additionally, the board has internally designated funds for bus replacements. The designations for 2019 and 2018, were \$196,104 and \$328,556, respectively.

Note 3: Cash and Cash Equivalents

At June 30, 2019, the carrying amount of the Agency's cash and cash equivalents was composed of \$705,446 in depository banking accounts. The bank balance of the amounts held on deposit was \$621,714, of which \$335,193 was secured by FDIC insurance coverage. The remaining \$286,521 is unsecured. Management has evaluated the degree of risk due to depository loss and has determined that the likelihood thereof is remote.

At June 30, 2018, the carrying amount of the Agency's cash and cash equivalents was composed of \$983,834 in depository banking accounts and \$1,013 of cash on hand. The bank balance of the amounts held on deposit was \$1,014,367, of which \$321,231 was secured by FDIC insurance coverage. The remaining \$693,136 is unsecured. Management has evaluated the degree of risk due to depository loss and has determined that the likelihood thereof is remote.

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

Note 4: Grants

Grants from various organizations and governmental entities account for approximately 68% and 67% of the Agency's revenues for the years ended June 30, 2019 and 2018, respectively. The individual sources thereof were as follows:

<u>Grantor</u>	<u>Purpose</u>	<u>2019</u>	<u>2018</u>
Kansas Department of Transportation	Operations	\$ 485,244	\$ 416,326
Kansas Department of Transportation	Administration	122,756	125,116
Kansas Department of Transportation	Capital purchases	53,050	407,615
Kansas Department of Transportation	T-Works State funding	520,215	445,441
Kansas Department of Transportation	5339 Funding	212,202	-
Kansas Department of Transportation	Mobility Management	55,945	-
FHRTA	Operations	790,277	663,377
FHRTA	Administration	42,721	10,004
Others	Operations	31,075	29,000
Total Grants Received		<u><u>\$ 2,313,485</u></u>	<u><u>\$ 2,096,879</u></u>

Note 5: Service Contracts

Service contracts from various organizations and governmental entities account for approximately 28% and 23% of the Agency's revenues for the years ended June 30, 2019 and 2018, respectively. The individual sources thereof were as follows:

<u>Organization</u>	<u>2019</u>	<u>2018</u>
Kansas State University	\$ 399,585	\$ 389,224
Riley County, Kansas	120,000	120,000
City of Manhattan, Kansas	146,117	92,382
Geary County, Kansas	206,250	230,000
Pottawatomie County, Kansas	7,014	1,857
Other Local Governments	18,250	1,106
Highland Community College	11,729	17,000
University Crossing	22,500	20,145
Other service contracts (specials)	22,945	-
	<u><u>\$ 954,390</u></u>	<u><u>\$ 871,714</u></u>

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

Notes to Financial Statements

Note 6: Capital Assets

Changes in capital assets for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Unrestricted				
Office equipment and furniture	\$ 9,160	\$ -	\$ -	\$ 9,160
IT equipment and software	25,171	1,947	-	27,118
Vehicles and equipment	236,310	-	191,187	45,123
Bus stops and signs	575	-	-	575
Building and maintenance equipment	10,984	-	-	10,984
Accumulated depreciation	(123,027)	(5,360)	64,494	(63,893)
Total Unrestricted	<u>\$ 159,173</u>	<u>\$ (3,413)</u>	<u>\$ 255,681</u>	<u>\$ 29,067</u>
Restricted capital assets				
Buildings and improvements	\$ 1,754,865	\$ -	\$ -	\$ 1,754,865
Office equipment and furniture	50,895	-	-	50,895
IT equipment and software	85,092	-	-	85,092
Vehicles and equipment	1,698,649	522,752	-	2,221,401
Bus stops and signs	23,229	-	-	23,229
Building and maintenance equipment	42,389	-	-	42,389
Accumulated depreciation	(1,623,887)	(398,741)	-	(2,022,628)
Total Restricted	<u>\$ 2,031,232</u>	<u>\$ 124,011</u>	<u>\$ -</u>	<u>\$ 2,155,243</u>
Total Net Capital Assets	<u>\$ 2,190,405</u>	<u>\$ 120,598</u>	<u>\$ 255,681</u>	<u>\$ 2,184,310</u>

The composition of the ending net capital assets by asset class is as follows:

	<u>Balance at June, 30, 2019</u>
Unrestricted	
Building and improvement	\$ 5,360
Equipment and furniture	777
IT Equipment and software	16,870
Vehicles and related equipment	2,701
Bus stops and signs	-
Building and maintenance equipment	3,359
Total Unrestricted	<u>\$ 29,067</u>
Restricted capital assets	
Buildings and improvements	\$ 1,224,700
Office equipment and furniture	21,811
IT equipment and software	9,238
Vehicles and equipment	876,739
Bus stops and signs	5,768
Building and maintenance equipment	16,987
Total Restricted Capital Assets	<u>\$ 2,155,243</u>
Total Net Capital Assets	<u>\$ 2,184,310</u>

For the year ended June 30, 2019, property and equipment additions consisted of the acquisition of 5 buses, and 2 new computers. The disposals from unrestricted were actually transfers to restricted capital assets. There were no actual disposals in the current year.

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

Notes to Financial Statements

Note 6: Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Unrestricted				
Office equipment and furniture	\$ 13,686	\$ -	\$ 4,526	\$ 9,160
IT equipment and software	7,996	19,175	2,000	25,171
Vehicles and equipment	156,436	109,609	29,735	236,310
Bus stops and signs	575	-	-	575
Building and maint. equipment	7,328	3,656	-	10,984
Accumulated depreciation	(123,862)	(26,558)	27,393	(123,027)
Total Unrestricted	<u>\$ 62,159</u>	<u>\$ 105,882</u>	<u>\$ 63,654</u>	<u>\$ 159,173</u>
Restricted capital assets				
Buildings and improvements	\$ 1,754,865	\$ -	\$ -	\$ 1,754,865
Office equipment and furniture	50,895	-	-	50,895
IT equipment and software	90,672	-	5,580	85,092
Vehicles and equipment	1,330,023	407,615	38,989	1,698,649
Bus stops and signs	23,229	-	-	23,229
Building and maint. equipment	42,389	-	-	42,389
Accumulated depreciation	(1,393,174)	(275,282)	44,569	(1,623,887)
Total Restricted	<u>\$ 1,898,899</u>	<u>\$ 132,333</u>	<u>\$ 89,138</u>	<u>\$ 2,031,232</u>
Total Net Capital Assets	<u>\$ 1,961,058</u>	<u>\$ 238,215</u>	<u>\$ 152,792</u>	<u>\$ 2,190,405</u>

The composition of the ending net capital assets by asset class is as follows:

	<u>Balance at June, 30, 2018</u>
Unrestricted	
Equipment and furniture	\$ 1,022
IT Equipment and software	20,222
Vehicles and related equipment	128,102
Bus stops and signs	28
Building and maintenance equipment	9,799
Total Unrestricted	<u>\$ 159,173</u>
Restricted capital assets	
Buildings and improvements	\$ 1,312,394
Office equipment and furniture	26,804
IT equipment and software	13,024
Vehicles and equipment	650,428
Bus stops and signs	7,356
Building and maintenance equipment	21,226
Total Restricted Capital Assets	<u>\$ 2,031,232</u>
Total Net Capital Assets	<u>\$ 2,190,405</u>

For the year ended June 30, 2018, property and equipment additions consisted of the acquisition of eight buses, equipment upgrades for the building, and 16 new dell computers. Disposals included two mini-buses and various office equipment. The Agency received \$7,550 for sale of these items.

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2019 and 2018

Note 7: Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to the passage of time		
Property and equipment	\$ 2,155,242	\$ 2,031,231

Note 8: Net Assets Released from Restrictions

The composition of net assets released from restriction for each of the years ended June 30, 2019 and 2018 is as follows:

	2019	2018
Grant revenues restricted for property and equipment	\$ 265,252	\$ 407,615
Acquisitions of restricted property and equipment	(454,125)	(407,615)
Depreciation expense on restricted capital assets	330,114	275,281
Net assets released from restriction	\$ 141,241	\$ 275,281

SUPPLEMENTARY INFORMATION



March 20, 2020

Board of Directors
Flint Hills Area Transportation Agency, Inc.
Manhattan, Kansas

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

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 Flint Hills Area Transportation Agency, Inc. (the Agency) which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Agency's internal control.

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

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

March 20, 2020
Flint Hills Area Transportation Agency, Inc.
(Continued)

Compliance and Other Matters

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

Varny & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas



March 20, 2020

Board of Directors
Flint Hills Area Transportation Agency, Inc.
Manhattan, Kansas

**Independent Auditor's Report on Compliance for Each
Major Federal Program and on Internal Control Over
Compliance In Accordance With the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Flint Hills Area Transportation Agency, Inc. (the Agency) with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB*) *Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2019. The Agency'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 for each of the Agency'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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency 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, 2019.

March 20, 2020
Flint Hills Area Transportation Agency, Inc.
(Continued)

Report on Internal Control Over Compliance

Management of the Agency 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 Agency'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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, 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.

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

Varnoff & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

Federal Agency/Program Title	Federal Agency or Pass-Through Grantor	Federal Agency or Pass-Through Grant Number	Federal CFDA Number	Expenditures
U.S. Department of Transportation				
Federal Transit Cluster (20.500, 20.507, 20.525, 20.526)				
Bus and Bus Facilities Formula & Discretionary Program	Kansas Department of Transportation	NA	20.526	\$ 212,202
Federal Transit - Formula Grant	Flint Hills Regional Transit Alliance	NA	20.507	832,997
Total Federal Transit Cluster				<u>\$ 1,045,199</u>
Formula Grant for Rural Areas	Kansas Department of Transportation	NA	20.509	<u>\$ 522,409</u>
TOTAL FEDERAL EXPENDITURES				<u><u>\$ 1,567,608</u></u>

Note 1: Basis of Presentation

The expenditures presented above are reported utilizing the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Note 2: Non-Cash Assistance, Insurance, and Loans

The Agency did not receive or expend any Federal awards in the form of noncash assistance, insurance, loans or loan guarantees for the year ended June 30, 2019.

Note 3: Indirect Cost Rate

The Agency does not allocate indirect costs to its federal award program. Accordingly, use of the 10% de minimis indirect cost rate provisioned by the Uniform Guidance Section 414 is not applicable.

FLINT HILLS AREA TRANSPORTATION AGENCY, INC.
 Manhattan, Kansas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:
 Material weaknesses identified? Yes None
 Reportable conditions identified not considered
 to be material weaknesses? Yes None reported
 Noncompliance material to financial statements noted? Yes None

Federal Awards

Internal controls over major programs:
 Material weaknesses identified? Yes No
 Reportable conditions identified not considered
 to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for
 major programs: Unqualified

Any audit findings disclosed that are required to be
 reported in accordance with Title 2 U.S. Code of Federal
 Regulations (CFR) Part 200.516(a) Yes No

Identification of major programs:

Name of Federal Program	CFDA Number
Federal Transit Cluster	20.507 & 20.526

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? Yes No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.