



Kansas City Area Transportation Authority

Compliance Report
December 31, 2015

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RSM US LLP

**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***

Independent Auditor's Report

To the Board of Commissioners
Kansas City Area Transportation Authority
Kansas City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary fund of the Kansas City Area Transportation Authority (the Authority), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 12, 2016. The beginning net position was restated due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to recognize a net pension liability. The financial statements of the Authority's pension trust fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Authority's pension trust fund.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

Kansas City, Missouri
April 12, 2016

**Report on Compliance for the Major Federal Program,
Report on Internal Control Over Compliance, and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Commissioners
Kansas City Area Transportation Authority
Kansas City, Missouri

Report on Compliance for the Major Federal Program

We have audited Kansas City Area Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2015. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and fiduciary fund of the Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated April 12, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The beginning net position was restated due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to recognize a net pension liability. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

Kansas City, Missouri
April 12, 2016

Kansas City Area Transportation Authority

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015**

Program	Grant Number	CFDA Number	Federal Expenditures
U.S. Department of Transportation			
Direct Funding			
Federal Transit Formula Grants	MO-90-X199	20.507	\$ 155,419
Federal Transit Formula Grants	MO-90-X257	20.507	130,544
Federal Transit Formula Grants	MO-90-X264	20.507	71,078
Federal Transit Formula Grants	MO-90-X272	20.507	154,966
Federal Transit Formula Grants	MO-90-X280	20.507	454,030
Federal Transit Formula Grants	MO-90-X288	20.507	605,533
Federal Transit Formula Grants	MO-90-X294	20.507	2,491,313
Federal Transit Formula Grants	MO-90-X295	20.507	9,961,686
Federal Transit Formula Grants	MO-95-X004	20.507	122,075
Federal Transit Formula Grants	MO-95-X253	20.507	57,141
Federal Transit Formula Grants	MO-95-X254	20.507	853,197
Federal Transit Formula Grants	MO-95-X262	20.507	3,482,266
ARRA - Federal Transit Formula Grant	MO-96-X006	20.507	7,912
Subtotal			18,547,160
Federal Transit Capital Investment Grant	MO-03-0106	20.500	121,800
Federal Transit Capital Investment Grant	MO-03-0118	20.500	165,818
Federal Transit Capital Investment Grant	MO-04-0119	20.500	3,703
Federal Transit Capital Investment Grant	MO-04-0134	20.500	419,529
Federal Transit Capital Investment Grant	MO-04-0136	20.500	167,229
Federal Transit Capital Investment Grant	MO-04-0137	20.500	298,181
Federal Transit Capital Investment Grant	MO-04-0145	20.500	111,596
Federal Transit Capital Investment Grant	MO-05-0030	20.500	84,208
Subtotal			1,372,064
Job Access Transportation Services	MO-37-X038	20.516	7,435
Job Access Transportation Services	MO-37-X045	20.516	92,537
Subtotal			99,972
Enhanced Mobility of Seniors and Individuals with Disabilities	MO-16-X046	20.513	141,875
New Freedom Projects Grant	MO-57-X007	20.521	10,802
New Freedom Projects Grant	MO-57-X009	20.521	173,408
Subtotal			184,210
Bus and Bus Facilities Formula Grant	MO-34-0001	20.526	1,606,236
ARRA - Transportation Investment Generating Economic Recovery	MO-78-0001	20.932	203,652
Total U.S. Department of Transportation			22,155,169
U.S. Department of Health & Human Services			
<i>Passed through Missouri Department of Social Services</i>			
Title XIX Transportation Operating Assistance	1105-MO-5-ADM	93.778	704,605
U.S. Department of Homeland Security			
Direct Funding: Rail and Transit Security Grant Program	EMW-2015-RA-00014-SO1	97.075	54,999
Total Expenditures of Federal Awards			\$ 22,914,773

See Notes to Schedule of Expenditures of Federal Awards.

Kansas City Area Transportation Authority

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Kansas City Area Transportation Authority (Authority) and is presented on the accrual basis of accounting. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies expended during the year, is included in the schedule. The information presented in this schedule is in accordance with the requirements of the OMB *Compliance Supplement* and the *Uniform Guidance*. Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

Note 2. Significant Accounting Policies

Expenditures of federal awards are recognized in the accounting period in which the liability is incurred. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the Authority provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Federal Transit Capital Investment Grant	20.500	\$ 298,181
Federal Transit Formula Grants	20.507	28,516
Job Access Transportation Services	20.516	23,435
New Freedom Projects Grant	20.521	107,666
ARRA - Transportation Investment Generating Economic Recovery	20.932	7,600

Kansas City Area Transportation Authority

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2015**

Number	Comment	Status	Corrective Action or Other Explanation
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None reported

Kansas City Area Transportation Authority

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2015**

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None reported

Type of auditor's report issued on compliance for the major program: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
	Federal Transit Cluster:
20.500	Federal Transit Capital Investment Grants
20.507	Federal Transit Formula Grants
20.526	Bus and Bus Facilities Formula Grant

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

Auditee qualified as low-risk auditee? Yes No

(Continued)

Kansas City Area Transportation Authority

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2015**

II. Financial Statement Findings

A. Internal Control

None reported

B. Compliance findings

None reported

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported

B. Instances of noncompliance

None reported

Kansas City Area Transportation Authority

**Corrective Action Plan
Year Ended December 31, 2015**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
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None Reported

