



Kansas City Area Transportation Authority

Financial Report
December 31, 2015

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Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary fund of the Kansas City Area Transportation Authority (the Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Pension Trust Fund were not audited in accordance with *Government Auditing Standards*.

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 respective financial position of the business-type activities and the fiduciary fund of the Kansas City Area Transportation Authority, as of December 31, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 7, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which restated beginning net position of the business-type activities, to record the net pension liability. The financial statements as of and for the year ended December 31, 2014 have not been restated for the effects of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and pension and postemployment information on pages 41 through 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Kansas City Area Transportation Authority. 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended December 31, 2015 and 2014 dated April 12, 2016 and April 8, 2015, respectively, on our consideration of the Authority'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 those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
April 12, 2016

Kansas City Area Transportation Authority

Management's Discussion and Analysis Year Ended December 31, 2015

The following management's discussion and analysis of the Kansas City Area Transportation Authority's (the Authority) financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2015 and 2014. Please read it in conjunction with the Authority's basic financial statements and notes.

Financial Highlights for Fiscal Year 2015 vs. 2014

- Net position of the Authority decreased by \$1.4 million or (1) percent in 2015 over 2014 primarily attributable to a decrease in unrestricted assets and increase in restricted assets.
- In April of 2004, Kansas City, Missouri retailers began collecting the 3/8-cent sales tax approved in November 2003 by citizens of Kansas City, Missouri (the City) to support public transit and the Authority. The sales tax was renewed, effective April 2009, for 15 years through March 2024. A total of \$261,415,014 had been received by the Authority from the 3/8-cent sales tax from inception through December 2015.

Financial Highlights for Fiscal Year 2014 vs. 2013

- Net position of the Authority decreased by \$1.1 million or (.69) percent in 2014 over 2013 primarily attributable to a decrease in restricted assets and net investments in capital assets.
- In April of 2004, Kansas City, Missouri retailers began collecting the 3/8-cent sales tax approved in November 2003 by citizens of Kansas City, Missouri (the City) to support public transit and the Authority. The sales tax was renewed, effective April 2009, for 15 years through March 2024. A total of \$234,175,385 had been received by the Authority from the 3/8-cent sales tax from inception through December 2014.

Overview of the Financial Statements

This report consists of three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The basic financial statements also include notes that provide more detail for some of the data presented.

Components of the Financial Statements

Basic Financial Statements. The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to an enterprise fund using the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred.

The Authority's basic statements are the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows.

The statements of net position report the difference between the Authority's assets and liabilities, and provides one way to measure the Authority's financial health or position.

The statements of revenues, expenses and changes in net position report all of the revenues earned and expenses incurred during the current fiscal year.

The statements of cash flows provide information on the Authority's cash receipts and cash payments during the reporting period.

Kansas City Area Transportation Authority

Management's Discussion and Analysis Year Ended December 31, 2015

The statements of plan net position and changes in plan net position provide information about the Authority's Pension Trust Fund in which the Authority acts solely as a trustee or agent for the benefit of others. The resources of this fund are not available to support the Authority's programs or operations. This fund is comprised of the activity of the Authority's Salaried Employees Retirement Plan.

The basic financial statements can be found on pages 10 – 16 of this report and represent combined results for The Metro and Share-A-Fare operating divisions.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements, such as the Authority's accounting methods and policies. The notes to basic financial statements can be found on pages 17 through 40 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees and also information regarding the Authority's other postemployment benefit plan. Required supplementary information can be found on pages 41 through 47 of this report.

Changes in Net Position

Fiscal Year 2015 vs. 2014

The Authority's assets exceeded liabilities by \$138.6 million as of December 31, 2015.

The largest portion of the Authority's net position, \$92.6 million reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles). The next largest portion is related to \$51.8 million of restricted balances: (1) restricted for the replacement of capital assets and (2) 3/8-cent sales tax not yet applied to operations. Unrestricted net position changed from \$13.5 Million in 2014 to a negative \$5.8 million due to the adoption of GASB Statement No. 68 for reporting pension liability. Note 7, Pension Plans, speaks to the change.

Fiscal Year 2014 vs. 2013

The Authority's assets exceeded liabilities by \$155.6 million as of December 31, 2014.

The largest portion of the Authority's net position, \$92.5 million or 59.0 percent reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles). The remaining 41.0 percent is primarily related to unrestricted balances of \$13.5 million and \$49.6 million of restricted balances: (1) restricted for the replacement of capital assets and (2) 3/8-cent sales tax not yet applied to operations.

Net position of the Authority decreased by \$1.1 million over 2013 primarily attributable to a reduction in restricted cash and net investments in capital assets.

Kansas City Area Transportation Authority

**Management's Discussion and Analysis
Year Ended December 31, 2015**

**Table 1 - Condensed Statements of Net Position
As of December 31, 2015, 2014 and 2013**

	2015	2014 (not restated)	2013 (not restated)
Current and other assets	\$ 84,884,965	\$ 82,382,663	\$ 88,790,783
Capital assets, net	<u>92,595,323</u>	92,463,977	90,888,556
Total assets	<u>177,480,288</u>	174,846,640	179,679,339
Deferred outflows of resources	<u>6,186,193</u>	-	-
Current and other liabilities	15,184,093	13,859,835	17,895,093
Noncurrent liabilities	<u>29,789,094</u>	5,416,671	5,140,242
Total liabilities	<u>44,973,187</u>	19,276,506	23,035,335
Deferred inflows of resources	<u>70,348</u>	-	-
Net position:			
Investment in capital assets	92,595,323	92,463,977	90,888,556
Restricted	51,827,060	49,603,557	52,296,692
Unrestricted	(5,799,437)	13,502,600	13,458,756
Total net position	<u>\$ 138,622,946</u>	<u>\$ 155,570,134</u>	<u>\$ 156,644,004</u>

Fiscal Year 2015

A portion of the Authority's net position, \$51.8 million, represents resources that are subject to external restrictions on how resources may be used. The restrictions are set by sales tax legislation and contracts with local jurisdictions. The restricted net position includes local contributions restricted for the replacement of capital assets and 3/8-cent sales tax funds which have not yet been applied to operations.

A majority of the \$2.5 million or 3.0 percent increase in current and other assets in 2015 over the prior year is attributable to a \$1.2 million increase to cash and investments along with a combined \$1.4 million increase to restricted and designated cash and investments..

Capital assets, net, increased by \$131 thousand or .14 percent over 2014. The change was minimal as revenue vehicles were placed into service to replace fully depreciated vehicles. Approximately \$4 million of depreciable assets were fully depreciated and were reclassified as nondepreciable assets for 2015.

The Authority experienced an increase of \$1.3 million or (9.5) percent in current and other liabilities from 2014. This increase was due primarily to a \$260,000 increase in accounts payable along with a \$760,000 increase in accrued payroll liabilities.

Noncurrent liabilities experienced an increase of \$24.7 million primarily due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the recording of the unfunded pension liability in the amount of \$22.9 million. The 2014 and 2013 amounts presented in management's discussion and analysis have not been restated to reflect the change in the implementation of this standard.

Kansas City Area Transportation Authority

Management's Discussion and Analysis Year Ended December 31, 2015

Fiscal Year 2014

A portion of the Authority's net position, \$49.6 million, represents resources that are subject to external restrictions on how resources may be used. The restrictions are set by sales tax legislation and contracts with local jurisdictions. The restricted net position includes local contributions restricted for the replacement of capital assets and 3/8-cent sales tax funds which have not yet been applied to operations.

A majority of the \$6.4 million or 7.2 percent decrease in current and other assets in 2014 over the prior year is attributable to a \$2.6 million decrease in amounts due from the federal government.

Capital assets, net, decreased by \$1.6 million or 1.7 percent under 2013 due to revenue equipment.

The Authority experienced a decrease of \$4.0 million or (22.6) percent in current and other liabilities from 2013. This increase was due primarily to a decrease in accounts payable.

Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2015, 2014 and 2013

	2015	2014 (not restated)	2013 (not restated)
Operating revenues:			
Passenger revenues	\$ 11,146,180	\$ 12,062,643	\$ 12,307,123
Charter and stadium express	21,812	12,960	15,497
Other	536,366	413,377	605,397
Total operating revenues	11,704,358	12,488,980	12,928,017
Nonoperating revenues:			
Investment income	745,467	1,045,250	-
Operating funding	74,391,855	65,194,017	64,395,497
Capital related grants and funding	10,917,253	14,921,695	12,885,166
Federal grant revenue received for subrecipients	469,477	1,875,018	17,831,139
Other	1,050,059	940,242	454,380
Gain on disposal of assets	22,000	65,033	-
Total nonoperating revenue	87,596,111	84,041,255	95,566,182
Total revenue	99,300,469	96,530,235	108,494,199
Operating expenses:			
Transportation	50,350,040	48,499,499	48,398,833
Maintenance	21,149,058	19,148,560	18,745,073
Public liability and property damage claims	1,846,193	1,456,197	2,068,288
General and administrative	14,505,445	12,529,360	12,002,144
Depreciation and amortization	12,240,204	13,951,471	13,066,841
Total operating expenses	100,090,940	95,585,087	94,281,179
Nonoperating expenses:			
Investment expense	-	-	75,605
Loss on disposal of assets	-	-	96,690
Federal funds passed through to subrecipients	469,477	1,875,018	17,831,139
Other nonoperating expense	144,000	144,000	144,000
Total expenses	100,704,417	97,604,105	112,428,613
Change in net position	(1,403,948)	(1,073,870)	(3,934,414)
Net position, beginning of the year, as restated for 2015	140,026,894	156,644,004	160,578,418
Net position, end of year	\$ 138,622,946	\$ 155,570,134	\$ 156,644,004

Kansas City Area Transportation Authority

Management's Discussion and Analysis Year Ended December 31, 2015

Revenues

Fiscal Year 2015 vs. 2014

In 2015, total revenue, which includes operating and nonoperating revenues, increased by \$2.8 million, or 2.9 percent when compared to 2014. Operating revenues for the fiscal year ended December 31, 2015, totaled \$11.7 million and decreased by \$785 thousand or (6.3) percent from 2014. Revenue from bus advertising increased \$123 thousand, or (29.8) percent over 2014. Passenger revenue, the Authority's largest operating revenue source, reflected a decrease of \$916 thousand or (7.6) percent over the previous year. The decrease is directly related to a 5.4% reduction in Fixed-Route ridership from 2014 to 2015 resulting in a \$960,000 loss of passenger revenue.

Non-operating revenues increased by \$3.5 million or 4.2 percent from 2014 due to increased funding from local sources. Capital related grants funding decreased by \$4 million due to completion of the Kansas City, Missouri (KCMO) Green Impact Zone (TIGER) projects and the CNG Facility.

Fiscal Year 2014 vs. 2013

In 2014, total revenue, which includes operating and nonoperating revenues, decreased by \$12.0 million, or 11.0 percent when compared to 2013. Operating revenues for the fiscal year ended December 31, 2014, totaled \$12.5 million and decreased by \$439 thousand or (3.4) percent from 2013. Revenue from bus advertising decreased \$192 thousand, or (31.7) percent over 2013. Passenger revenue, the Authority's largest operating revenue source, reflected a decrease of \$244 thousand or (2.0) percent over the previous year. The decrease is directly related to the implementation of the 31-day transit pass in April of 2014. Previously, passes were issued for a specific month and the revenue was recognized in the month of the pass. Revenue for the 31-day pass is deferred until the pass is initiated in a farebox. Once initiated the revenue is recognized in the month and the pass has a 31-day life.

Non-operating revenues decreased by \$11.5 million or 12.1 percent from 2013 due primarily to federal grant funds received for subrecipients. Funding from capital grants decreased in 2014 due to federal grant funds received for subrecipients. The major component of the decrease is related to the completion of projects in the Kansas City, Missouri (KCMO) Green Impact Zone funded from the federal program known as Transportation Investment Generating Economic Recovery (TIGER).

Expenses

Fiscal Year 2015 vs. 2014

Total expenses in 2015 were \$100.7 million, resulting in an increase of \$3.1 million or 3.2 percent over 2014. Operating expenses were higher in 2015 as the KCATA took on the management of the transit operations for Johnson County, Kansas and Independence, Missouri and incurred additional expenses due to the regional rebranding project, particularly the repainting of KCATA vehicles.

Fiscal Year 2014 vs. 2013

Total expenses in 2014 were \$97.6 million, resulting in a decrease of \$14.8 million or 13.2 percent under 2013. The non-operating expenses category, federal funds passed through to subrecipients, is the key component. The decrease is a result of the completion of the KCMO Green Impact Zone, a project funded by TIGER funds.

Kansas City Area Transportation Authority

**Management's Discussion and Analysis
Year Ended December 31, 2015**

**Table 3 - Schedules of Capital Assets
As of December 31, 2015, 2014 and 2013**

	2015	2014	2013
Land	\$ 8,672,679	\$ 8,672,679	\$ 8,672,679
Capital projects-in-progress	11,605,847	7,169,309	1,797,128
Building and improvements	56,717,418	56,433,596	56,495,659
Revenue equipment	91,350,862	87,317,686	84,662,831
Other equipment and structures	57,453,789	57,245,728	57,260,338
Other furniture and equipment	5,305,133	4,959,018	5,443,686
	<u>231,105,728</u>	<u>221,798,016</u>	<u>214,332,321</u>
Less accumulated depreciation	138,510,405	129,334,039	123,443,765
Net capital assets	<u><u>\$ 92,595,323</u></u>	<u><u>\$ 92,463,977</u></u>	<u><u>\$ 90,888,556</u></u>

Capital Assets

Fiscal Year 2015 vs. 2014

The Authority's investment in capital assets is \$92.6 million (net of accumulated depreciation) as of December 31, 2015. Investments in capital assets increased by \$131 thousand or .14 percent over 2014 capital assets.

Capital projects-in-progress increased \$4.4 million or 61.9 percent due to continued construction of the CNG facility and energy efficiency lighting project.

Revenue equipment increased by \$4.0 million or 4.6 percent over 2015 related to the purchase of 15 CNG buses.

Accumulated depreciation increased \$9.2 million or 7.1 percent due to the replacement of several fully depreciated vehicles with new CNG vehicles. As shown in Note 4, the normal annual increase in accumulated depreciation is \$14 million. In 2015 the disposal of assets was \$12.2 million, which increased accumulated depreciation \$3.1 million from 2014 to 2015.

Fiscal Year 2014 vs. 2013

The Authority's investment in capital assets is \$92.5 million (net of accumulated depreciation) as of December 31, 2014. Investments in capital assets increased by \$1.6 million or 1.7 percent over 2013 capital assets.

Capital projects-in-progress increased \$5.4 million or 299 percent due to construction of the CNG building and fueling station.

Revenue equipment increased by \$2.7 million or 3.1 percent over 2013 related to CNG buses purchased.

Accumulated depreciation increased \$5.9 million or 4.8 percent due to an increase in depreciation expense. As shown in Note 4, the normal annual increase in accumulated depreciation is \$14 million. In 2014 the disposal of assets was \$8.1 million, which increased accumulated depreciation \$5.8 million from 2013 to 2014.

Kansas City Area Transportation Authority

Management's Discussion and Analysis Year Ended December 31, 2015

Economic Factors and Next Year's Operations

The economy has changed in the past twenty-four months. Fuel prices and the unemployment rate are lower and businesses are expanding. As a result sales tax revenue increased in 2015. In the state of Missouri's fiscal year 2014/15, funding for transit operating assistance was expected to be \$116,439,000 however an additional \$201,346,000 was received and the 2015/16 funding is set at \$214,430,000.

The City of Kansas City, Missouri, provides 53% of the funds required for transit and para-transit service in Kansas City, Missouri through the Public Mass Transit Fund (1/2-cent sales tax). The ½-cent sales tax renewal moved through the Missouri state legislative process in 2015 and was not only renewed, but was made a permanent tax.

The federal fiscal year begins on October 1 and ends September 30. On December 4, 2015, the President signed into law the Fixing America's Surface Transportation Act (FAST Act) that was effective as of October 1, 2015. The FAST Act authorized transit programs for five years (FFY 2016 through FFY 2020).

During 2014, the Board of Commissioners positioned itself to become the regional transit authority in the Kansas City Metropolitan Area. As a result, beginning February 1, 2015, the Authority began providing management services for transit operations previously provided by Johnson County Transit including oversight and management of all third party transit service contracts. In 2015, the Authority entered into a regional partnership with the City of Independence to manage their Intra fixed route and Intra city para-transit services. In 2016, the Authority will continue working to expand partnerships in the Kansas City metropolitan area as a leading regional transit provider.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Authority's finances. Questions concerning this report or requests for additional financial information should be directed to Senior Manager of Finance, Kansas City Area Transportation Authority, 1350 East 17th Street, Kansas City, Missouri 64108, telephone number (816) 346-0812.

Kansas City Area Transportation Authority

**Statements of Net Position
December 31, 2015 and 2014**

	2015	2014
Assets		
Current assets:		
Cash and investments	\$ 7,433,930	\$ 3,850,519
Accounts receivable	485,697	467,881
Due from other governments:		
Local governments	2,003	89,455
State governments	403,742	486,778
Federal government	2,748,342	2,744,165
Materials and supplies	2,453,067	2,453,983
Prepaid expenses and other assets	1,285,185	1,477,546
Designated cash and investments	2,697,933	2,538,447
Total current assets	17,509,899	14,108,774
Noncurrent assets:		
Restricted cash and investments	51,827,060	49,603,557
Designated cash and investments	15,548,006	18,670,332
Capital assets:		
Land and other nondepreciable assets	20,278,526	15,841,988
Other depreciable capital assets, net of depreciation	72,316,797	76,621,989
Total noncurrent assets	159,970,389	160,737,866
Total assets	177,480,288	174,846,640
Deferred outflows of resources, pension related amounts	6,186,193	-

See notes to basic financial statements.

	2015	2014
Liabilities		
Current liabilities:		
Accounts payable	\$ 4,256,335	\$ 3,914,289
Accrued liabilities:		
Payroll and benefits	2,540,448	2,158,564
Compensated absences	4,186,504	3,808,676
Other	8,954	10,338
Liabilities payable from designated assets:		
Public liability and property damage claims	1,309,604	1,198,647
Workers' compensation claims	1,410,515	1,354,185
Unearned revenue	1,471,733	1,415,136
Total current liabilities	15,184,093	13,859,835
Noncurrent liabilities:		
Liabilities payable from designated assets:		
Public liability and property damage claims	935,345	270,926
Workers' compensation claims	1,630,287	928,618
Other postemployment benefits obligation	2,921,015	2,283,772
Net pension liability	22,906,945	578,282
Compensated absences	1,395,502	1,355,073
Total noncurrent liabilities	29,789,094	5,416,671
Total liabilities	44,973,187	19,276,506
Deferred inflows of resources, pension related amounts	70,348	-
Net position		
Investment in capital assets	92,595,323	92,463,977
Restricted for capital and operating purposes	51,827,060	49,603,557
Unrestricted	(5,799,437)	13,502,600
Total net position	\$ 138,622,946	\$ 155,570,134

Kansas City Area Transportation Authority

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2015 and 2014**

	2015	2014
Operating revenues:		
Passenger	\$ 11,146,180	\$ 12,062,643
Charter and stadium express	21,812	12,960
Advertising	536,366	413,377
Total operating revenues	11,704,358	12,488,980
Operating expenses:		
Transportation	50,350,040	48,499,499
Maintenance	21,149,058	19,148,560
Public liability and property damage claims	1,846,193	1,456,197
General and administrative	14,505,445	12,529,360
Depreciation	12,240,204	13,951,471
Total operating expenses	100,090,940	95,585,087
Operating loss	(88,386,582)	(83,096,107)
Nonoperating revenues (expenses):		
Grants and funding used for operations:		
Local governments	62,413,732	54,180,772
State government	434,161	309,400
Federal government	11,543,962	10,703,845
Capital related grants and funding	10,917,253	14,921,695
Federal grant revenue received for subrecipients	469,477	1,875,018
Federal funds passed through to subrecipients	(469,477)	(1,875,018)
Investment income	745,467	1,045,250
Gain on disposition of capital assets	22,000	65,033
Rental and other nonoperating income	1,050,059	940,242
Other nonoperating expense	(144,000)	(144,000)
Total net nonoperating revenues	86,982,634	82,022,237
Change in net position	(1,403,948)	(1,073,870)
Net position, beginning of year, as restated for 2015	140,026,894	156,644,004
Net position, end of year	\$ 138,622,946	\$ 155,570,134

See notes to basic financial statements.

Kansas City Area Transportation Authority

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from passengers and advertisers	\$ 11,743,139	\$ 12,477,516
Payments for payroll and related fringe benefits	(49,093,304)	(48,204,439)
Payments to suppliers for goods and services	(33,953,338)	(37,012,496)
Net cash used in operating activities	(71,303,503)	(72,739,419)
Cash flows from noncapital financing activities:		
Grants and other funding used for operations	74,558,166	67,679,983
Other nonoperating expense	(144,000)	(144,000)
Net cash provided by noncapital financing activities	74,414,166	67,535,983
Cash flows from capital and related financing activities:		
Purchases of capital assets	(13,001,368)	(16,102,496)
Proceeds from sale of capital assets	22,000	149,362
Capital grants and funding	10,917,253	14,921,695
Net cash used in capital and related financing activities	(2,062,115)	(1,031,439)
Cash flows from investing activities:		
Interest received	863,210	975,311
Purchases of investments	(8,503,662)	(13,697,885)
Sales and maturities of investments	15,983,308	16,737,676
Rental and other receipts	1,050,059	940,242
Net cash provided by investing activities	9,392,915	4,955,344
Net increase (decrease) in cash and cash equivalents	10,441,463	(1,279,531)
Cash and cash equivalents at beginning of year	3,368,827	4,648,358
Cash and cash equivalents at end of year	\$ 13,810,290	\$ 3,368,827

(Continued)

Kansas City Area Transportation Authority

**Statements of Cash Flows (Continued)
Years Ended December 31, 2015 and 2014**

	2015	2014
Reconciliation of operating loss from operations to net cash (used in) operating activities:		
Operating loss	\$ (88,386,582)	\$ (83,096,107)
Adjustments to reconcile net cash (used in) operating activities:		
Depreciation	12,240,204	13,951,471
Changes in assets and liabilities:		
(Increase) in accounts receivable	(17,816)	(82,971)
Decrease (increase) in materials and supplies and prepaid expenses	193,277	(244,258)
Increase (decrease) in accounts payable and accrued liabilities	2,407,864	(3,044,171)
Increase in unearned revenue	56,597	71,507
Increase in self-insurance liabilities payable	1,533,375	78,603
Increase (decrease) in pension related amounts	669,578	(373,493)
Net cash used in operating activities	\$ (71,303,503)	\$ (72,739,419)
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and investments	\$ 7,433,930	\$ 3,850,519
Restricted cash and investments	51,827,060	49,603,557
Designated cash and investments	18,245,939	21,208,779
Total cash and investments	\$ 77,506,929	\$ 74,662,855
Reconciliation of cash and cash equivalents to specific assets on the statement of net position:		
Cash and investments	\$ 77,506,929	\$ 74,662,855
Less investments not meeting the definition of cash equivalents	63,696,639	71,294,028
Cash and cash equivalents at end of year	\$ 13,810,290	\$ 3,368,827
Supplemental schedules of noncash items:		
Noncash investing activities, increase (decrease) in fair value of investments	\$ (117,743)	\$ 69,939
Noncash capital and related financing activities, capital assets acquired through accounts payable	\$ (629,818)	\$ (491,275)

See notes to basic financial statements.

**Kansas City Area Transportation Authority
Pension Trust Fund**

**Statements of Plan Net Position
December 31, 2015 and 2014**

	2015	2014
Assets		
Investments:		
Common stock	\$ 5,848,757	\$ 4,822,522
Equity funds	4,764,363	5,979,289
U.S. agencies	1,130,510	1,264,960
Debt funds	564,383	769,719
Corporate bonds	2,096,801	2,029,947
U.S. treasury	727,527	353,027
Municipal bonds	49,461	49,248
Money market	413,216	473,188
Total investments	15,595,018	15,741,900
Accrued interest and dividends	40,717	33,869
Total assets	15,635,735	15,775,769
Liabilities		
Accrued administrative expenses	25,788	16,596
Net position available for pension benefits	\$ 15,609,947	\$ 15,759,173

See notes to basic financial statements.

**Kansas City Area Transportation Authority
Pension Trust Fund**

**Statements of Changes in Plan Net Position
Years Ended December 31, 2015 and 2014**

	2015	2014
<hr/>		
Additions:		
Employer contributions	<u>\$ 750,000</u>	<u>\$ 860,445</u>
Transfer from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan	<u>41,178</u>	<u>27,314</u>
Investment income:		
Net appreciation (depreciation) of fair value of investments	(215,372)	625,062
Interest and dividends	<u>309,903</u>	<u>300,713</u>
Net investment income	<u>94,531</u>	<u>925,775</u>
Total additions	<u>885,709</u>	<u>1,813,534</u>
Deductions:		
Benefits paid to participants	995,727	1,547,409
Administrative expenses	<u>39,208</u>	<u>31,415</u>
Total deductions	<u>1,034,935</u>	<u>1,578,824</u>
Net increase (decrease)	<u>(149,226)</u>	<u>234,710</u>
Net position available for benefits:		
Beginning of year	<u>15,759,173</u>	<u>15,524,463</u>
End of year	<u>\$ 15,609,947</u>	<u>\$ 15,759,173</u>

See notes to basic financial statements.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization: The Kansas City Area Transportation Authority (the Authority) serves four Missouri counties and three Kansas counties as a corporate body and political subdivision of the states of Missouri and Kansas. The Authority was established in 1965, approved by the United States Congress in 1966, and commenced operations in 1969, providing mass transportation service, primarily via bus, to the greater Kansas City metropolitan area. The Board of Commissioners consists of five members from the state of Missouri and five from the state of Kansas. The Kansas Commissioners are appointed by County Commissions (2) and by the Mayor/CEO of the Unified Government of Wyandotte County/Kansas City, Kansas (3). The Missouri Commissioners are appointed by the Mayor of Kansas City, Missouri (3), the Governor of Missouri (1) and the Jackson County Executive (1).

The Authority has considered all potential organizations for which the nature and significance of their relationships with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and (1) the ability of the Authority to impose its will on that organization or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Authority. Based on these criteria, there are no other organizations included in these financial statements.

Basis of accounting: The Authority accounts for its activities as an enterprise fund. The accompanying basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. In applying the accrual concept to federal grant revenues/contributions, the legal and contractual requirements of the individual programs are used for guidance. Generally, however, monies must be expended for the specific purpose or project before any amounts will be paid to the Authority. Therefore, revenues/contributions are recognized based on the expenses recorded/incurred.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Fiduciary fund type: The Authority also includes a pension trust fund, fiduciary fund type in its basic financial statements. Pension trust funds are accounted for in essentially the same manner as the enterprise fund, using the same measurement focus and basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Fund accounts for the assets of the Authority's Salaried Employees Retirement Plan. This plan is included in the reporting entity due to the Authority's significant administrative involvement. The Kansas City Area Transportation Authority Union Employees' Funded Pension Plan is excluded from the Authority's reporting entity since the Authority does not perform investment functions and does not have significant administrative involvement. The Authority's only requirement is to make the employer contribution in accordance with the union agreement. Although the Union Plan is not included in the Authority's report as a fiduciary fund, the notes to the financial statements and required supplementary information include detailed information about the Union Plan.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Materials and supplies inventories: Materials and supplies inventories, consisting of bus parts, office supplies and maintenance supplies, are stated at average cost.

Prepaid expenses: Certain payments to vendors reflecting costs applicable to future accounting periods, such as the cost of insurance policies, have been recorded as prepaid expenses in the Authority's basic financial statements.

Capital assets: Capital assets with an initial cost of \$1,000 or more and useful life greater than one year are recorded at cost. Donated capital assets are recorded at fair value as of the date of donation. Capital assets, except for land and capital projects-in-progress, are depreciated over their respective useful lives using the straight-line method as follows:

Buildings and improvements	10 - 45 years
Revenue equipment	4 - 12 years
Office furniture and equipment and other equipment and structures	3 - 15 years

Expenditures for renewals and betterments that increase property lives are capitalized. Maintenance and repair costs are charged to operations as incurred. When assets are retired or sold, historical cost and accumulated depreciation are removed from the accounts and any resulting gain or loss, net of any proceeds, is reflected in the statements of revenues, expenses and changes in net position.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized in the current fiscal year.

Cash and cash equivalents: For purposes of the statements of cash flows, cash and cash equivalents are demand deposit accounts, money market funds and securities with an original maturity of three months or less at the date of purchase.

Investments: The Authority's investments are reported at fair value, based on quoted market prices.

Compensated absences: Under the terms of the Authority's personnel policy, employees are granted vacation and sick leave in varying amounts. The liability for vacation pay is recorded as an expense in the period in which the vacation is earned. Sick pay may be carried forward indefinitely and 50 percent of any unused sick leave is paid at the time of retirement or death. The estimated amount to be paid to employees at the time of retirement or death is included in accrued compensated absences.

Pensions: Measurement of the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Salaried Employees Pension Plan and Union Employees Pension Plan and additions to/deductions from these fiduciary net positions has been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows of resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense.

Deferred inflows of resources: Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include pension related amounts not yet recognized against pension expense.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Net position classifications: In the basic financial statements, net position is classified into the three components:

Investment in capital assets – consisting of capital assets, net of accumulated depreciation.

Restricted net position – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Authority first utilizes restricted resources to finance qualifying activities.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “investment in capital assets.”

Unearned revenues: Unearned revenues primarily consist of passenger ridership revenue that has not yet been earned, as well as funds the Authority has received from insurance reimbursements in prior years that must be spent on allowable costs. The Authority recognizes this revenue once it has been earned; that is, when the expenses have been incurred.

Operating revenues and expenses: Operating revenues of the Authority principally consist of user charges for bus and shuttle services, as well as advertising revenue. Nonoperating revenues include reimbursements for operating and capital expenses from local, state and federal sources, including those passed through to subrecipients, interest earned on the Authority's cash and investments and a variety of other miscellaneous items. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 2. Cash and Investments

The Authority has separate investment policies and investment accounts by purpose of the investments. These investment accounts are the Self-Insurance Account, Capital Account, Kansas Workers Compensation Account and 3/8-cent Transit Sales Tax Account. As of December 31, 2015, the Authority had the following investments, by account:

	Fair Value	Investment Maturities (in Years)				Moody's Rating	Standard & Poor's Rating
		Less Than 1	1 - 2	2 - 5	Greater Than 5		
Self-insurance account:							
Asset backed securities	\$ 710	\$ -	\$ -	\$ 710	\$ -	Aaa	AAA
U.S. agencies	3,182,526	703,339	1,855,835	623,352	-	Aaa	AA+
U.S. treasury notes	5,957,494	790,462	1,149,375	4,017,657	-	N/A	N/A
Other tax exempt	91,365	91,365	-	-	-	Aa3	AA-
Mortgage	26,336	-	-	26,336	-	N/A	AA+
Mutual funds	256,063	256,063	-	-	-	N/A	N/A
Corporate bonds	430,306	-	-	430,306	-	Aaa	AA
Corporate bonds	1,876,992	581,763	638,253	656,976	-	Aa	AA
Corporate bonds	632,587	-	-	632,587	-	Aa	A
Corporate bonds	853,299	-	651,523	201,776	-	A	AA
Corporate bonds	4,059,476	1,078,768	1,273,629	1,707,079	-	A	A
Corporate bonds	405,561	224,863	180,698	-	-	Baa	A
Corporate bonds	402,362	402,362	-	-	-	Baa	BBB
Accrued interest (at cost)	69,346	-	-	-	-	N/A	N/A
Total self-insurance account	<u>\$ 18,244,423</u>	<u>\$ 4,128,985</u>	<u>\$ 5,749,313</u>	<u>\$ 8,296,779</u>	<u>\$ -</u>		
Kansas workers compensation account:							
Mutual funds	<u>\$ 1,515</u>	<u>\$ 1,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	N/A	N/A
3/8-cent transit sales tax account:							
U.S. agencies	\$ 10,783,468	\$ 3,370,263	\$ 4,246,767	\$ 3,166,438	-	Aaa	AA+
U.S. treasury notes	6,669,520	300,231	1,301,189	5,068,100	-	N/A	N/A
Mutual funds	5,377,994	5,377,994	-	-	-	N/A	N/A
Accrued interest (at cost)	78,753	-	-	-	-	N/A	N/A
Total 3/8-cent transit sales tax account	<u>\$ 22,909,735</u>	<u>\$ 9,048,488</u>	<u>\$ 5,547,956</u>	<u>\$ 8,234,538</u>	<u>\$ -</u>		
Capital account:							
U.S. agencies	\$ 6,687,934	\$ 2,817,492	\$ 1,863,092	\$ 2,007,350	\$ -	Aaa	AA+
U.S. treasury notes	8,956,946	1,220,501	993,380	6,743,065	-	N/A	N/A
Taxable municipal bonds	262,513	-	262,513	-	-	A2	AA+
Other tax exempt	111,669	111,669	-	-	-	Aa3	AA-
Mutual funds	3,131,825	3,131,825	-	-	-	N/A	N/A
Corporate bonds	650,388	-	-	650,388	-	Aaa	AA
Corporate bonds	2,655,050	842,702	756,457	1,055,891	-	Aa	AA
Corporate bonds	1,229,810	-	-	1,229,810	-	Aa	A
Corporate bonds	1,093,753	-	816,311	277,442	-	A	AA
Corporate bonds	5,411,047	1,624,608	1,220,662	2,565,777	-	A	A
Corporate bonds	190,737	-	190,737	-	-	A	BBB
Corporate bonds	801,816	477,804	-	324,012	-	Baa	A
Accrued interest (at cost)	123,361	-	-	-	-	N/A	N/A
Total capital account	<u>\$ 31,306,849</u>	<u>\$ 10,226,601</u>	<u>\$ 6,103,152</u>	<u>\$ 14,853,735</u>	<u>\$ -</u>		

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of December 31, 2014, the Authority had the following investments, by account:

	Fair Value	Investment Maturities (in Years)				Moody's Rating	Standard & Poor's Rating
		Less Than 1	1 - 2	2 - 5	Greater Than 5		
Self-insurance account:							
Asset backed securities	\$ 43,458	\$ -	\$ -	\$ 43,458	\$ -	Aaa	AAA
Taxable municipal bonds	25,023	25,023	-	-	-	A2	AA+
U.S. agencies	5,234,906	2,209,322	918,807	2,106,777	-	Aaa	AA+
U.S. treasury notes	5,310,714	250,353	225,106	4,835,255	-	N/A	N/A
Other tax exempt	103,238	-	103,238	-	-	Aa3	AA-
Mortgage	48,839	-	-	48,839	-	N/A	AA+
Mutual funds	300,436	300,436	-	-	-	N/A	N/A
Corporate bonds	180,644	-	-	180,644	-	Aaa	AA
Corporate bonds	1,899,757	175,926	627,551	1,096,280	-	Aa	AA
Corporate bonds	751,613	220,365	308,360	222,888	-	Aa	A
Corporate bonds	1,063,089	200,918	-	862,171	-	A	AA
Corporate bonds	5,222,202	879,479	1,515,301	2,827,422	-	A	A
Corporate bonds	589,561	-	409,318	180,243	-	Baa	A
Corporate bonds	217,597	-	217,597	-	-	Baa	BBB
Accrued interest (at cost)	92,321	-	-	-	-	N/A	N/A
Total self-insurance account	\$ 21,083,398	\$ 4,261,822	\$ 4,325,278	\$ 12,403,977	\$ -		
Kansas workers compensation account:							
Mutual funds	\$ 3,020	\$ 3,020	\$ -	\$ -	\$ -	N/A	N/A
3/8-cent transit sales tax account:							
U.S. agencies	\$ 14,367,167	\$ 3,253,772	\$ 3,703,409	\$ 7,409,986	\$ -	Aaa	AA+
U.S. treasury notes	7,187,979	1,025,160	-	6,162,819	-	N/A	N/A
Mutual funds	326,626	326,626	-	-	-	N/A	N/A
Accrued interest (at cost)	104,768	-	-	-	-	N/A	N/A
Total 3/8-cent transit sales tax account	\$ 21,986,540	\$ 4,605,558	\$ 3,703,409	\$ 13,572,805	\$ -		
Capital account:							
U.S. agencies	\$ 6,776,768	\$ -	\$ 3,187,249	\$ 3,589,519	\$ -	Aaa	AA+
U.S. treasury notes	9,015,597	927,985	675,317	7,412,295	-	N/A	N/A
Taxable municipal bonds	268,790	-	-	268,790	-	A2	AA+
Other tax exempt	144,533	-	144,533	-	-	Aa3	AA-
Mutual funds	1,575,779	1,575,779	-	-	-	N/A	N/A
Corporate bonds	200,716	-	-	200,716	-	Aaa	AA
Corporate bonds	2,249,190	206,085	1,043,167	999,938	-	Aa	AA
Corporate bonds	1,090,183	240,398	372,159	477,626	-	Aa	A
Corporate bonds	1,585,947	231,056	-	1,354,891	-	A	AA
Corporate bonds	6,129,156	941,421	1,643,746	3,543,989	-	A	A
Corporate bonds	331,764	-	-	331,764	-	A	BBB
Corporate bonds	676,312	-	486,055	190,257	-	Baa	A
Corporate bonds	249,441	-	249,441	-	-	A	BBB
Accrued interest (at cost)	129,736	-	-	-	-	N/A	N/A
Total capital account	\$ 30,423,912	\$ 4,122,724	\$ 7,801,667	\$ 18,369,785	\$ -		

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Authorized investments: The Authority was created as “a political subdivision of the states of Missouri and Kansas.” There are no statutory restrictions on the deposits or investments of the Authority’s funds. Pursuant to its investment policies, the Authority is limited to investments that are issued or guaranteed by the U.S. Government or Government Sponsored Enterprise (GSE) for the 3/8-cent transit sales tax account. For the self-insurance and capital accounts, investment grade bonds are also allowable investments. Money market funds may be used for reserves.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment means the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority limits the final maturity of its investment portfolio to seven years or less for the Self-insurance Account, with \$2 million limited to two-year average maturity. The Authority’s policy over the 3/8-cent Transit Sales Tax Account and the Capital Account states that investment maturities are determined by staff based on expenditure projections.

Information about the sensitivity of the fair values of the Authority’s investment to market interest rate fluctuations is provided by the previous tables that show the distribution of the Authority’s investments by maturity. The mutual funds are not subject to interest rate risk given they have no maturity dates.

Credit risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The December 31, 2015 and 2014 ratings are listed in the above table.

Concentration of credit risk: The Authority manages its concentration of credit risk by limiting the invested in GSE to 75 percent of its portfolio, with a maximum of 20 percent per issuer. The following investments were subject to concentration of credit risk as of December 31, 2015:

Federal Home Loan Mortgage Corp.	\$ 8,907,318	12%
Federal National Mortgage Association	10,148,901	14

The following investments were subject to concentration of credit risk as of December 31, 2014:

Federal Home Loan Mortgage Corp.	\$ 11,188,248	15%
Federal National Mortgage Association	13,553,775	19

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2015, none of the Authority's bank balances with financial institutions was uninsured and uncollateralized. As of December 31, 2015, the Authority had \$63,695,124 exposed to custodial credit risk for investments that were uninsured and unregistered held by the counterparty or agent but not in the Authority's name. The Authority had \$8,767,397 of investments in mutual funds not exposed to custodial credit risk.

As of December 31, 2014, none of the Authority's bank balances with financial institutions was uninsured and uncollateralized. As of December 31, 2014, the Authority had \$71,291,009 exposed to custodial credit risk for investments that were uninsured and unregistered held by the counterparty or agent and not in the Authority's name. The Authority had \$2,205,861 of investments in mutual funds not exposed to custodial credit risk.

Pension trust fund: Investments are valued at fair value. UMB, N.A. has discretionary authority concerning the purchases of investments in the Plan subject to the overall investment policy guidelines as approved by the Board of Commissioners. The investments have been valued at quoted market prices.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

All investments of the Plan are invested in common stocks, U.S. agencies, U.S. treasuries, corporate bonds, municipal bonds, money market accounts and mutual funds (debt and equity) through UMB Bank, N.A. The Equity Funds consist of mutual funds that comprise common and convertible stocks. The Debt Funds consist of mutual funds that comprise United States government and agency securities, corporate bonds and commercial paper. The Money Market Fund consists of investments similar to the Debt Funds; however, the maturity date of the Money Market Fund investments is less than one year.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of December 31, 2015 and 2014, the Plan had the following investments. Those equity investments that represent 5 percent or more of the Plan's net position are presented separately. All debt securities are presented separately.

Investment Type	2015			2014		
	Current Market Value	Moody's Rating	Standard & Poor's Rating	Current Market Value	Moody's Rating	Standard & Poor's Rating
Common Stock	\$ 5,848,757	N/A	N/A	\$ 4,822,522	N/A	N/A
Mutual Funds:						
Equity Funds:						
Principal Mid Cap Fund	621,546	N/A	N/A	651,583	N/A	N/A
Vanguard 500 Index	-	N/A	N/A	612,733	N/A	N/A
Vanguard Developed Markets	965,433	N/A	N/A	810,249	N/A	N/A
Other equity funds	3,177,384	N/A	N/A	3,904,724	N/A	N/A
	<u>4,764,363</u>			<u>5,979,289</u>		
Debt Funds	564,383	Not Rated	Not Rated	769,719	Not Rated	Not Rated
Corporate Bonds:						
AFLAC Inc	100,528	A3	A	124,972	A3	A
American Express Co	124,024	A3	BBB+	123,811	A3	BBB+
Ameriprise	138,620	A3	A	-	-	-
Anheuser Busch Inbev Worldwide Inc	144,491	A2	A-	151,405	A2	A
Archer Daniels Midland Co	31,338	A2	A	38,987	A2	A
BB&T Corporation	125,491	A2	A-	125,256	A2	A-
Bhp Billiton Fin USA	124,746	A1	A	126,034	A1	A+
BP Cap Mkts P L C Gtd NT	98,567	A2	A-	98,225	A2	A
Bank America Corp	111,742	Baa1	BBB+	115,778	Baa2	A-
Daimler Finance North America	100,528	A3	A-	102,085	A3	A-
General Electric Corp	54,530	A1	AA+	53,741	A1	AA+
General Electric Corp	-	-	-	56,262	A1	AA+
Goldman Sachs Group Inc Medium Term	161,818	Baa1	A-	162,502	Baa1	A-
Halliburton Co	136,664	A2	A	141,320	A2	A
Home Depot Inc	110,122	A2	A	-	-	-
JPMorgan Chase & Co Sr	54,217	A3	A-	55,235	A3	A
JPMorgan Chase & Co	74,756	A3	A-	50,475	A3	A
Morgan Stanley SR	112,910	A3	BBB+	116,671	Baa2	A-
Rio Tinto Fin USA Ltd	-	-	-	30,241	A3	A-
Simon Ppty Group	-	-	-	142,262	A2	A
Vale Overseas Ltd	99,810	Ba3	BBB+	106,660	Baa2	BBB+
Verizon Communications Inc	112,503	Baa1	BBB+	-	-	-
Wachovia Corp	79,396	A2	A+	82,802	A2	A+
Wells Fargo Co	-	-	-	25,223	A2	A+
	<u>2,096,801</u>			<u>2,029,947</u>		
U.S. Agencies:						
Federal Home Loan	670,192	Aaa	AA+	497,333	Aaa	AA+
Federal National Mortgage Association	337,098	Aaa	AA+	552,328	Aaa	AA+
Government National Mortgage Association	123,220	Aaa	AA+	215,299	Aaa	AA+
	<u>1,130,510</u>			<u>1,264,960</u>		
U.S. Treasury	727,527	NA	NA	353,027	NA	NA
Municipal Bonds	49,461	A3	AA	49,248	A3	AA
BMO Prime Money Market Fund	413,216	NA	NA	473,188	NA	NA
	<u>\$ 15,595,018</u>			<u>\$ 15,741,900</u>		

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer maturity of an investment means the greater the sensitivity of its fair value to changes in market interest rates. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity. Common stocks, mutual funds (equity and debt funds) and money market funds are not subject to interest rate risk given they have no maturity dates.

As of December 31, 2015:

Security Description	Current Market Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater Than 10
Common Stock	\$ 5,848,757	\$ -	\$ -	\$ -	\$ -
Equity Funds	4,764,363	-	-	-	-
Debt Funds	564,383	-	-	-	-
Corporate Bonds	2,096,801	-	1,860,228	236,573	-
U.S. Agencies	1,130,510	-	685,094	189,159	256,257
Municipal Bonds	49,461	-	-	-	49,461
U.S. Treasuries	727,527	-	381,875	203,677	141,975
Money Market	413,216	-	-	-	-
	<u>\$ 15,595,018</u>	<u>\$ -</u>	<u>\$ 2,927,197</u>	<u>\$ 629,409</u>	<u>\$ 447,693</u>

As of December 31, 2014:

Security Description	Current Market Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater Than 10
Common Stock	\$ 4,822,522	\$ -	\$ -	\$ -	\$ -
Equity Funds	5,979,289	-	-	-	-
Debt Funds	769,719	-	-	-	-
Corporate Bonds	2,029,947	25,224	2,004,723	-	-
U.S. Agencies	1,264,960	101,146	587,171	204,612	372,031
Municipal Bonds	49,248	-	-	49,248	-
U.S. Treasuries	353,027	-	353,027	-	-
Money Market	473,188	-	-	-	-
	<u>\$ 15,741,900</u>	<u>\$ 126,370</u>	<u>\$ 2,944,921</u>	<u>\$ 253,860</u>	<u>\$ 372,031</u>

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Credit risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The December 31, 2015 and 2014 ratings are listed in the above tables. In December 2014, the Plan updated its investment policy to establish a policy to minimize credit risk. Purchases of individual fixed income assets and bond mutual funds must be rated A3/A- or better by one major credit rating agency.

Concentration of credit risk: The Plan's investment policy is to apply the prudent-person rule: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. It is the Plan's policy that the portfolio should be well diversified in an attempt to reduce the overall risk of the portfolio. The policy specifically places the following constraints on the following specific asset classes:

Small cap	Maximum 20% of total portfolio
Foreign	Maximum 30% of total portfolio
Large cap	Minimum 20% and maximum 40% of total portfolio
Mid cap	Maximum 20% of total portfolio

Mutual funds may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Plan does not have a policy for custodial credit risk.

At December 31, 2015 and 2014, the Plan's corporate bonds, common stock, municipal bonds and U.S. agencies were uninsured investments, but the securities were held by the counterparty's trust department or agent in the name of the Plan. The equity funds, debt funds, U.S. Treasury and money market funds are not exposed to custodial credit risk. The Plan's investments during the years ended December 31, 2015 and 2014 did not differ significantly from these at the respective year-ends in amounts or level of risk.

Note 3. Grants and Operating Funding

The Authority has entered into several contracts with the federal government under the Federal Transportation Act of 1964, as amended, whereby the Authority receives financial assistance for capital improvement projects, preventive maintenance and planning assistance. The Authority also receives federal financial assistance for its Share-A-Fare program. The Federal Transit Administration allocates the amount appropriated by Congress for public mass transportation to metropolitan areas using a formula that considers such factors as population, population/density and revenue vehicle miles.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 3. Grants and Operating Funding (Continued)

In addition, the Authority also received local funding under contracts with 10 local governmental units in the greater Kansas City area, but principally from the City of Kansas City, Missouri (the City). The amounts of local funding income from the City for the years ended December 31, 2015 and 2014 were \$53,835,946 and \$46,543,546, respectively. Local operating funding for the years ended December 31, 2015 and 2014 approximately 86 percent and 83 percent of the total operating grants and funding, respectively.

Federal operating funding is comprised of the following:

	2015	2014
Formula grants used for Metro operations	\$ 9,024,696	\$ 8,302,745
Formula grants used for Share-A-Fare operations	2,519,266	2,401,100
Totals	<u>\$ 11,543,962</u>	<u>\$ 10,703,845</u>

As of December 31, 2015 and 2014, amounts due from the federal government were as follows:

	2015	2014
Metro expenditures	\$ 2,294,780	\$ 2,457,852
Share-A-Fare expenditures	453,562	286,313
	<u>\$ 2,748,342</u>	<u>\$ 2,744,165</u>

Note 4. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2015 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and rights-of-way	\$ 8,672,679	\$ -	\$ -	\$ 8,672,679
Capital projects in progress	7,169,309	4,822,361	(385,823)	11,605,847
Total capital assets not being depreciated	<u>15,841,988</u>	<u>4,822,361</u>	<u>(385,823)</u>	<u>20,278,526</u>
Capital assets being depreciated:				
Buildings and improvements	56,433,596	283,822	-	56,717,418
Revenue equipment	87,317,686	7,056,879	3,023,703	91,350,862
Other equipment and structures	57,245,728	248,196	40,135	57,453,789
Office furniture and equipment	4,959,018	346,115	-	5,305,133
Total capital assets being depreciated	<u>205,956,028</u>	<u>7,935,012</u>	<u>3,063,838</u>	<u>210,827,202</u>
Less accumulated depreciation for:				
Buildings and improvements	32,682,479	1,670,100	-	34,352,579
Revenue equipment	55,071,249	6,379,064	3,023,704	58,426,609
Other equipment and structures	37,236,444	3,763,579	40,134	40,959,889
Office furniture and equipment	4,343,867	427,461	-	4,771,328
Total accumulated depreciation	<u>129,334,039</u>	<u>12,240,204</u>	<u>3,063,838</u>	<u>138,510,405</u>
Total capital assets being depreciated, net	<u>76,621,989</u>	<u>(4,305,192)</u>	<u>-</u>	<u>72,316,797</u>
Total capital assets, net	<u>\$ 92,463,977</u>	<u>\$ 517,169</u>	<u>\$ (385,823)</u>	<u>\$ 92,595,323</u>

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

A summary of changes in capital assets for the year ended December 31, 2014 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and rights-of-way	\$ 8,672,679	\$ -	\$ -	\$ 8,672,679
Capital projects in progress	1,797,128	5,388,361	16,180	7,169,309
Total capital assets not being depreciated	10,469,807	5,388,361	16,180	15,841,988
Capital assets being depreciated:				
Buildings and improvements	56,495,659	-	62,063	56,433,596
Revenue equipment	84,662,831	9,793,377	7,138,522	87,317,686
Other equipment and structures	57,260,338	297,314	311,924	57,245,728
Office furniture and equipment	5,443,686	148,349	633,017	4,959,018
Total capital assets being depreciated	203,862,514	10,239,040	8,145,526	205,956,028
Less accumulated depreciation for:				
Buildings and improvements	31,043,550	1,680,012	41,083	32,682,479
Revenue equipment	55,357,807	6,846,641	7,133,199	55,071,249
Other equipment and structures	32,579,370	4,910,972	253,898	37,236,444
Office furniture and equipment	4,463,038	513,846	633,017	4,343,867
Total accumulated depreciation	123,443,765	13,951,471	8,061,197	129,334,039
Total capital assets being depreciated, net	80,418,749	(3,712,431)	84,329	76,621,989
Total capital assets, net	\$ 90,888,556	\$ 1,675,930	\$ 100,509	\$ 92,463,977

Note 5. Long-Term Liabilities

A summary of long-term liability transactions for the year ended December 31, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Compensated absences	\$ 5,163,749	\$ 2,917,390	\$ 2,499,133	\$ 5,582,006	\$ 4,186,504
Self insurance claims	3,752,376	3,084,578	1,551,203	5,285,751	2,720,119
Total long-term liabilities	\$ 8,916,125	\$ 6,001,968	\$ 4,050,336	\$ 10,867,757	\$ 6,906,623

A summary of long-term liability transactions for the year ended December 31, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Compensated absences	\$ 5,045,071	\$ 2,716,545	\$ 2,597,867	\$ 5,163,749	\$ 3,808,676
Self insurance claims	3,673,773	2,304,079	2,225,476	3,752,376	2,552,832
Total long-term liabilities	\$ 8,718,844	\$ 5,020,624	\$ 4,823,343	\$ 8,916,125	\$ 6,361,508

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 6. Restrictions and Designations of Assets

The following is a summary of restrictions and designations of assets for the years ended December 31, 2015 and 2014:

	2015	2014
Restricted assets - cash and investments used for the purchase of capital assets and operating purposes	\$ 51,827,060	\$ 49,603,557
Designated assets - cash and investments used for the payment of self insurance claims	18,245,939	21,208,779
Total restricted and designated assets	<u>\$ 70,072,999</u>	<u>\$ 70,812,336</u>

Note 7. Pension Plans

Each qualified Authority employee is included in one of two pension plans depending on their status as union or salaried personnel. Each plan is administered by a separate board of trustees and the assets are held in custody by certain banks.

As a result of the adoption of GASB Statement No. 68, the beginning net position of the Authority was restated. The effect on beginning net position for 2015 is as follows:

Net position December 31, 2014, as previously reported	\$ 155,570,134
Restatement due to Union Plan	
Net pension liability	(14,493,410)
Removal of net pension obligation	1,097,542
Restatement due to Salary Plan	
Net pension liability	(1,628,112)
Removal of net pension obligation	(519,260)
Net position December 31, 2014, as restated	<u>\$ 140,026,894</u>

The pension-related deferred inflows/outflows and pension expense for 2014 were not available. Management did not restate the 2014 financial information contained on these basic financial statements as it was not practical to do so.

Union Employees' Funded Pension Plan:

Plan description: The Union Plan is a single-employer defined benefit pension plan covering full-time union employees who meet the eligibility requirements of being a permanent employee (members). The Plan is administered by the Union Employees' Funded Pension Committee appointed by the Board of Commissioners of the Kansas City Area Transportation Authority (the Authority) and Division 1287, Amalgamated Transit Union, AFL-CIO (the Union).

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 7. Pension Plans (Continued)

Basis of accounting: The Union Plan's financial information is prepared on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. The Authority's contributions are recognized when due and a formal commitment to provide the contributions is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Securities without an established market value are reported at estimated fair value. Administrative costs of the Union Plan are financed through investment earnings.

The following represents the Union Plan's membership as of January 1, 2015 and 2014:

	2015	2014
Active employees	536	519
Retirees and beneficiaries currently receiving benefits	223	220
Terminated employees entitled to benefits but not yet receiving them	4	8
	763	747

Contributions: Each active participant is required to contribute 3.75 percent of their eligible earnings less allowances or other amounts provided in the applicable labor agreement for each week of Credited Service.

The Authority is required to contribute 7.50 percent of eligible wages per active participant for each week of Credited Service. Effective March 2014, as a result of the labor arbitration decision, the Authority is now obligated to fund up to the actuarial recommended contribution annually.

Investments: The Plan's investment policy has the following asset allocation ranges permitted and the long-term expected arithmetic real rate of return for each major asset class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	29% - 39%	4.6% to 7.2%
Fixed income	31% - 41%	1.7% to 2.7%
Real estate	18% - 28%	3.1% to 6.9%
Cash	2% - 12%	0.0% to 0.6%

Common collective trusts may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

Net pension liability: The total pension liability was determined using an actuarial valuation date of January 1, 2015 using generally accepted actuarial principals and methods. In fiscal year 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Authority is utilizing December 31, 2015 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements. Standard update procedures were used to roll forward the total pension liability to December 31, 2015.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 7. Pension Plans (Continued)

A schedule of the Authority's changes in its net pension liability for the Union Plan for the year ended December 31, 2015 is as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 58,251,948	\$ 43,758,538	\$ 14,493,410
Changes for the year:			
Service cost	1,823,167	-	1,823,167
Interest	4,483,228	-	4,483,228
Differences between expected and actual experience	(77,383)	-	(77,383)
Contributions- employer	-	2,436,703	(2,436,703)
Contributions- employee	-	1,103,227	(1,103,227)
Net investment income	-	(677,912)	677,912
Benefit payments	(3,796,329)	(3,796,329)	-
Administrative expense	-	(77,356)	77,356
Other changes	1,676,801	(61,563)	1,738,364
Net Changes	4,109,484	(1,073,230)	5,182,714
Balances at December 31, 2015	\$ 62,361,432	\$ 42,685,308	\$ 19,676,124

Plan fiduciary net position as a percentage of the
total pension liability

68.45%

Actuarial assumptions: The total pension liability in the January 1, 2015 actuarial valuation was determined using mortality rates based on the RP-2014 Blue Collar Combined Mortality Table with improvement scale MP-2014. The actuary used a 7.50 percent long-term rate of return, and salary increases of 4.25 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's net pension liability to changes in the discount rate: The following presents the Authority's net pension liability calculated using the discount rate of 7.50 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 25,298,388	\$ 19,676,124	\$ 14,807,565

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 7. Pension Plans (Continued)

Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions: For the year ended December 31, 2015, the Authority recognized pension expense of \$2,880,648. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Union Plan pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ -	\$ (70,348)
Changes of assumptions	1,524,365	-
Net difference between projected and actual earnings on pension plan investments	3,168,321	-
Total deferred amounts to be recognized in pension expense in future periods	<u>\$ 4,692,686</u>	<u>\$ (70,348)</u>

Note: Changes of assumptions – the mortality assumption was changed from the 2014 IRS Static Mortality table to the RP-2014 Mortality table (with blue collar adjustment) projected generationally with scale MP-2014. The net effect of this assumption change was an increase in the total pension liability of \$1,676,801.

Deferred outflows of resources are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period, which was 11 years. The deferred inflows related to the difference between expected and actual investment earnings is being amortized over a closed 4-year period beginning in the current year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ 937,481
2017	937,481
2018	937,481
2019	937,481
2020	145,401
Thereafter	727,013
	<u>\$ 4,622,338</u>

Salaried Employees' Pension Plan:

Plan description: The Plan is a single-employer defined benefit pension plan covering full-time salaried employees who meet the eligibility requirement of one year of continuous employment as an Employee (or at least one year of continuous employment as an employee of the Authority with at least six consecutive months of such employment as an Employee). The Plan is administered by the Salaried Pension Committee appointed by the Board of Commissioners of the Kansas City Area Transportation Authority (the Authority.) The Plan is a pension trust fund of the Authority. The Plan allows employee rollover contributions from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan (Union Plan).

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 7. Pension Plans (Continued)

Basis of accounting: The Salaried Plan's financial information is prepared on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. The Authority's contributions are recognized when due and a formal commitment to provide the contributions is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Securities without an established market value are reported at estimated fair value. Administrative costs of the Salaried Plan are financed through investment earnings.

The following represents the Salaried Plan's membership as of January 1, 2015 and 2014:

	2015	2014
Active employees	93	89
Retirees and beneficiaries currently receiving benefits	46	46
Terminated employees entitled to benefits but not yet receiving them	11	9
	150	144

Contributions: Employer contributions are subject to annual appropriation by the Authority. The only employee contributions allowed are rollovers from the Union Plan sponsored by the Authority. The Plan receives an annual actuarial valuation for the purpose of determining the recommended contribution rates.

Investments: The Plan's investment policy has the following asset allocation ranges permitted, and the long-term expected arithmetic real rate of return for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	55%-75%	4.6% to 7.2%
Fixed income	10%-40%	1.7% to 2.7%
Real estate	0%-10%	3.1% to 6.9%
Cash	0-10%	0.0% to 0.6%

Mutual funds may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

Rate of return: For the years ended December 31, 2015 and 2014, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was 1.0 percent and 6.16 percent, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability: The total pension liability was determined using an actuarial valuation date of January 1, 2015 using generally accepted actuarial principals and methods. In fiscal year 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Authority is utilizing December 31, 2015 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements. Standard update procedures were used to roll forward the total pension liability to December 31, 2015.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 7. Pension Plans (Continued)

A schedule of the Authority's changes in its net pension liability for the Salaried Plan for the year ended December 31, 2015 is as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 17,387,285	\$ 15,759,173	\$ 1,628,112
Changes for the year:			
Service cost	398,735	-	398,735
Interest	1,349,207	-	1,349,207
Differences between expected and actual experience	65,236	-	65,236
Contributions- employer	-	750,000	(750,000)
Net investment income	-	94,531	(94,531)
Benefit payments	(995,727)	(995,727)	-
Administrative expense	-	(39,208)	39,208
Other changes	636,032	41,178	594,854
Net Changes	1,453,483	(149,226)	1,602,709
Balances at December 31, 2015	\$ 18,840,768	\$ 15,609,947	\$ 3,230,821

Plan fiduciary net position as a percentage of the
total pension liability

82.85%

Actuarial assumptions: The total pension liability in the January 1, 2015 actuarial valuation was determined using mortality rates based on the RP2014 total mortality table with 2014 intermediate assumption Social Security improvement scale. The actuary used a 7.50 percent long-term rate of return, and salary increases of 4.00 percent.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's net pension liability to changes in the discount rate: The following presents the Authority's net pension liability calculated using the discount rate of 7.50 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 4,703,749	\$ 3,230,821	\$ 1,941,693

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 7. Pension Plans (Continued)

Pension expense and deferred outflows of resources related to pensions: For the year ended December 31, 2015, the Authority recognized pension expense of \$891,194. At December 31, 2015, the Authority reported deferred outflows of resources related to the Salaried Plan pension from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual plan experience	\$ 57,712
Changes of assumptions	573,433
Net difference between projected and actual earnings on pension plan investments	<u>862,362</u>
Total deferred amounts to be recognized in pension expense in future periods	<u>\$ 1,493,507</u>

Note: Changes of assumptions – the mortality assumption was changed from the 2014 IRS Static Mortality table to the RP-2014 Mortality table projected generationally with scale based on Social Security intermediate assumptions. Also, the assumed form of benefit payment was updated to 75 percent lump sum, 25 percent annuity. The net effect of these assumption changes was an increase in the total pension liability of \$636,032.

Deferred outflows of resources are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period, which was 10 years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ 285,719
2017	285,719
2018	285,719
2019	285,719
2020	281,503
Thereafter	69,128
	<u>\$ 1,493,507</u>

The union employees' pension plan and salaried employees' pension plan issue their own stand-alone financial reports. Copies may be requested from the Kansas City Area Transportation, 1200 East 18th Street, Kansas City, Missouri 64108.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 8. Other Postemployment Benefits (OPEB)

Plan description: The Authority provides a single-employer defined benefit healthcare plan that provides the same medical and pharmacy benefits to active employees as it does to eligible early retirees and their spouses. Employees who have attained age 55 and retire from active employment with 15 consecutive years of service are eligible for retiree benefits. Eligible retirees and their dependents receive medical and pharmacy benefits through a fully-insured plan. These are the same plans that are available for active employees. The Authority also provides a life insurance benefit of \$1,000 to each retiree. The OPEB plan does not issue a stand-alone financial report and is not included in the report of a public retirement system of another entity.

Funding policy: The Authority establishes and amends contribution requirements. Currently, retirees less than age 65 pay 10 percent of active premium rates, while the Authority contributes 90 percent. Retirees equal to or greater than age 65 pay 100 percent of the premium rates paid by active employees. Spouses pay 100 percent of the active premium rates. The current funding policy of the Authority is to pay premiums as they occur on a pay-as-you-go basis.

Annual OPEB cost and net OPEB obligation: The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the Authority's annual OPEB obligation:

	2015	2014
Annual required contribution	\$ 1,312,412	\$ 1,148,928
Interest on net OPEB obligation	91,351	77,866
Adjustment to annual required contribution	(129,506)	(131,028)
Annual OPEB cost (expense)	1,274,257	1,095,766
Contributions and payments made	(637,014)	(758,654)
Increase in net OPEB obligation	637,243	337,112
Net OPEB obligation - January 1	2,283,772	1,946,660
Net OPEB obligation - December 31	<u>\$ 2,921,015</u>	<u>\$ 2,283,772</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2015 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 1,092,571	68.13%	\$ 1,946,660
December 31, 2014	1,095,766	69.24	2,283,772
December 31, 2015	1,274,257	49.99	2,921,015

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 8. Other Postemployment Benefits (OPEB) (Continued)

Funded status and funding progress as of December 31, 2015: As of January 1, 2015, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$11,483,648 and the actuarial value of assets is none, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,483,648 as of December 31, 2015. The covered payroll as of December 31, 2015 (annual payroll of active employees covered by the plan) was \$34,156,532 and the ratio of the UAAL to the covered payroll was 33.6 percent.

Funded status and funding progress as of December 31, 2014: As of January 1, 2014, the plan was zero percent funded. The results of the January 1, 2013 valuation were rolled forward to December 31, 2014. The actuarial accrued liability for benefits was \$8,974,755 and the actuarial value of assets is none, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,974,755 as of December 31, 2014. The covered payroll as of December 31, 2014 (annual payroll of active employees covered by the plan) was \$32,439,093 and the ratio of the UAAL to the covered payroll was 27.7 percent.

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

In the January 1, 2015 actuarial valuation, projected unit credit method was used. The actuarial assumptions included a 4 percent discount rate and a 6.0 – 10.0 percent healthcare cost trend rate. The UAAL is being amortized as a closed level dollar. The amortization of UAAL is done over a period of 30 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. There are multiple estimates and assumptions used in these valuations. The actuarial cost method used is the Projected Unit Credit. Mortality Rates are estimated using the RP-2000 Projected 10 Years using Projection Scale AA. Turnover Rates used for OPEB valuation are 0 percent 5.27 percent for ages 25-55 and Retirement rates are estimated at 3-100 percent for ages 55-65. It is also assumed that male spouses are 3 years older than female spouses.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 9. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the Authority's risk management program, the Authority retains up to a maximum of \$600,000 per occurrence (\$1,500,000 aggregate retention) for workers' compensation and \$1,000,000 per occurrence (\$1,000,000 aggregate retention) for vehicular liability. The Authority purchases commercial insurance for claims in excess of the maximum under an umbrella policy and purchases commercial insurance for employee health insurance.

A provision for claims expense and related liability is established when information available prior to the issuance of the basic financial statements indicates it is probable a liability has been incurred and the amount of the loss can be reasonably estimated.

Changes in the estimated liability for claims during 2015 and 2014 are as follows:

	2015	2014
Beginning balance	\$ 3,752,376	\$ 3,673,773
Claims expense	3,084,578	2,304,079
Claims payments and adjustments	(1,551,203)	(2,225,476)
Ending balance	<u>\$ 5,285,751</u>	<u>\$ 3,752,376</u>

The Authority has established a Board-designated asset account, which is available to pay such claims. The level of funding is determined based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Designated assets available to pay claims were \$18,245,939 and \$21,208,779 as of December 31, 2015 and 2014, respectively.

In addition to these designated assets, the Authority maintains a letter of credit, which has been renewed through 2015, as collateral for the payment of self insurance claims. As of December 31, 2015 and 2014, the amount available to the Authority on this letter of credit was \$1,473,000. There were no draws on the letter of credit in fiscal years 2015 and 2014.

The excess of designated assets available for payment of these claims over the recorded liability was \$12,960,188 and \$17,456,403 as of December 31, 2015 and 2014, respectively.

Note 10. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergency. The plan was amended to comply with IRC Section 457(g) which allowed the plan to hold its assets in trust. Under these requirements, the assets of the plan are not subject to the creditors of the Authority and the liability and corresponding investments are not reflected in the financial statements.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 11. Commitments and Contingencies

Pending/threatened litigation: The Authority is involved in lawsuits, claims and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage and disputes over eminent domain proceedings. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

Grants: The Kansas City Area Transportation Authority obtains financial assistance from various federal and state agencies in the forms of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the Authority.

Purchase commitments as of December 31, 2015:

Bus, van and equipment purchases: The Authority has a contractual commitment for the purchase of 15 CNG low floor buses, four maintenance service trucks and three 12-passenger vans totaling approximately \$2,365,500. Expected delivery is by March 2016 for the buses and September 2016 for the service truck and passenger vans. The Authority also has a contractual commitment for the purchase of 1,764,000 gallons of diesel fuel totaling approximately \$3,500,000.

Services: The Authority has entered into a contract for Share-A-Fare Paratransit service for February 2016 through January 2017 for approximately \$8,400,000.

Construction contracts: The Authority has entered into various construction contracts totaling approximately \$3,350,000.

These commitments will be paid with federal, state or local grants and funding.

Note 12. Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements not yet required to be implemented by the Authority:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the Authority with its year ending December 31, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The related disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.

Kansas City Area Transportation Authority

Notes to Basic Financial Statements

Note 12. Pending Pronouncements (Continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the Authority beginning with its fiscal year ending December 31, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015, will be effective for the Authority beginning with its fiscal year ending December 31, 2016. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants by establishing criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement also establishes additional note disclosure requirements for qualifying external investment pools and for governments that participate in those pools.

GASB Statement No. 82, *Pension Issues*, issued April 2016, will be effective for the Authority beginning with its fiscal year ending December 31, 2017. This Statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance and addresses the following: (1) presentation of payroll-related measures in required supplementary information, (2) selection of assumptions and the treatment of deviations from guidance in Actuarial Standard of Practice for financial reporting purposes, and (3) classification of payments made by employers to satisfy plan member contribution requirements.

The Authority has not yet determined the effect this Statement will have on the Authority's financial statements.

Kansas City Area Transportation Authority

**Required Supplementary Information - Pension Plans
Schedule of Changes in Net Pension Liability
For the Last Two Fiscal Years**

	Salaried Employees Pension Plan 2015	Union Employees Pension Plan 2015
Total Pension Liability		
Service cost	\$ 398,735	\$ 1,823,167
Interest	1,349,207	4,483,228
Changes in benefit terms	-	-
Difference between expected and actual experience	65,236	(77,383)
Changes in assumptions	636,032	1,676,801
Benefit payments including refunds of member contributions	(995,727)	(3,796,329)
Net change in total pension liability	1,453,483	4,109,484
Total pension liability, beginning of year	17,387,285	58,251,948
Total pension liability, end of year	<u>\$ 18,840,768</u>	<u>\$ 62,361,432</u>
Plan Fiduciary Net Position		
Contributions, employer	\$ 750,000	\$ 2,436,703
Contributions, employee	-	1,103,227
Net investment income	94,531	(677,912)
Benefit payments including refunds of member contributions	(995,727)	(3,796,329)
Administrative expenses	(39,208)	(77,356)
Other (transfers)	41,178	(61,563)
Net change in plan fiduciary net position	(149,226)	(1,073,230)
Plan fiduciary net position, beginning of year	15,759,173	43,758,538
Plan fiduciary net position, end of year	<u>\$ 15,609,947</u>	<u>\$ 42,685,308</u>
Net Pension Liability	<u>\$ 3,230,821</u>	<u>\$ 19,676,124</u>

Information prior to 2014 is unavailable.

Salaried Employees Pension Plan 2014	Union Employees Pension Plan 2014
\$ 393,564	\$ 1,657,267
1,267,046	4,199,534
-	-
-	-
-	-
(1,547,409)	(3,882,725)
<u>113,201</u>	<u>1,974,076</u>
17,274,084	56,277,872
<u>\$ 17,387,285</u>	<u>\$ 58,251,948</u>

\$ 860,445	\$ 2,490,987
-	1,083,747
925,775	2,463,634
(1,547,409)	(3,882,574)
(31,415)	(62,062)
27,314	(27,314)
<u>234,710</u>	<u>2,066,418</u>
15,524,463	41,692,120
<u>\$ 15,759,173</u>	<u>\$ 43,758,538</u>
<u>\$ 1,628,112</u>	<u>\$ 14,493,410</u>

Kansas City Area Transportation Authority

**Required Supplementary Information - Pension Plans
Schedule of Net Pension Liability and Related Ratios
For the Last Two Fiscal Years**

	Salaried Employees Pension Plan 2015	Union Employees Pension Plan 2015
Total pension liability, end of year	\$ 18,840,768	\$ 62,361,432
Plan fiduciary net position, end of year	<u>15,609,947</u>	<u>42,685,308</u>
Net pension liability	<u><u>\$ 3,230,821</u></u>	<u><u>\$ 19,676,124</u></u>
Plan fiduciary net position as a percentage of the total pension liability	82.85%	68.45%
Covered employee payroll	\$ 6,076,318	\$ 28,631,221
Net pension liability as a percentage of covered employee payroll	53.17%	68.72%
Information prior to 2014 is unavailable.		

Salaried Employees Pension Plan 2014	Union Employees Pension Plan 2014
\$ 17,387,285	\$ 58,251,948
<u>15,759,173</u>	<u>43,758,538</u>
<u>\$ 1,628,112</u>	<u>\$ 14,493,410</u>
90.64%	75.12%
\$ 5,761,978	\$ 27,122,786
28.26%	53.44%

Kansas City Area Transportation Authority

**Required Supplementary Information - Pension Plans
Schedule of Employer Contributions
For the Ten Years Ended December 31, 2015**

Salaried Employees Pension Plan

Year Ended December 31,	Annual Recommended Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 736,367	\$ 739,550	\$ (3,183)	\$ 5,235,979	14.12%
2007	779,086	795,951	(16,865)	5,646,903	14.10
2008	731,087	812,552	(81,465)	5,635,819	14.42
2009	811,286	860,000	(48,714)	6,141,909	14.00
2010	854,001	860,000	(5,999)	6,145,730	13.99
2011	806,145	900,000	(93,855)	6,235,887	14.43
2012	881,559	900,000	(18,441)	6,344,517	14.19
2013	860,445	945,000	(84,555)	6,005,404	15.74
2014	748,911	860,445	(111,534)	5,761,978	14.93
2015	793,573	750,000	43,573	6,076,318	12.34

Union Employees Pension Plan

Year Ended December 31,	Annual Recommended Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 1,926,490	\$ 1,639,485	\$ 287,005	\$ 24,689,706	6.64%
2007	1,792,053	2,047,060	(255,007)	25,468,958	8.04
2008	1,803,128	2,055,566	(252,438)	27,429,163	7.49
2009	2,422,138	2,882,344	(460,206)	27,443,885	10.50
2010	2,370,772	2,062,572	308,200	27,712,152	7.44
2011	2,441,900	2,051,196	390,704	28,258,875	7.26
2012	2,348,733	2,090,240	258,493	27,573,796	7.58
2013	2,161,149	2,050,024	111,125	26,890,312	7.62
2014	2,210,419	2,490,987	(280,568)	27,122,786	9.18
2015	2,436,703	2,436,703	-	28,631,221	8.51

The information presented in the required supplementary schedules was determined as part of the January 1, 2015 actuarial valuation. Additional information follows:

	Salaried Employees Pension Plan	Union Employees Pension Plan
1. Cost method	Entry age normal	Entry age normal
2. Long-term rate of return	7.5%	7.5%
3. Salary increases	4.0%	4.25%
4. Amortization method	Level dollar, Closed	Level amount, Open
5. Remaining amortization period	15 years	30 years

Kansas City Area Transportation Authority

**Required Supplementary Information - Salaried Pension Plan
Schedule of Investment Returns
For the Last Two Fiscal Years**

	2015	2014
Annual money-weighted rate of return, net of investment expense	1.00%	6.16%

Information prior to 2014 is unavailable.

Kansas City Area Transportation Authority

**Required Supplementary Information – Other Postemployment Benefit Plan
Schedule of Funding Progress
December 31, 2015**

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll [(a-b)/c]
2013	01/01/2013	\$ -	\$ 8,974,755	\$ (8,974,755)	- %	\$ 32,330,034	(27.76)%
2014	01/01/2013	-	8,974,755	(8,974,755)	-	32,439,093	(27.67)
2015	01/01/2015	-	11,483,648	(11,483,648)	-	34,156,532	33.62

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of January 1, 2015. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are as follows: discount rate of 4.0%; turnover rates are estimated at 5-0% for ages 25-55; retirement rates are estimated at 3-100% for ages 55-65.
4. The amortization method is closed level dollar.
5. Initial annual health care cost trend rate of 10%; annual reduction of 1.0%; ultimate annual health care cost trend rate of 6.0%.

Kansas City Area Transportation Authority

**Combining Statement of Net Position, by Division
December 31, 2015**

	Metro	Share-A-Fare	Total
Assets			
Current assets:			
Cash and investments	\$ 7,433,930	\$ -	\$ 7,433,930
Intercompany	30,634	(30,634)	-
Accounts receivable	475,530	10,167	485,697
Due from (to) other governments:			
Local governments	(46,261)	48,264	2,003
State governments	257,057	146,685	403,742
Federal government	2,294,780	453,562	2,748,342
Materials and supplies	2,453,067	-	2,453,067
Prepaid expenses and other assets	1,285,185	-	1,285,185
Designated cash and investments	2,697,933	-	2,697,933
Total current assets	16,881,855	628,044	17,509,899
Noncurrent assets:			
Restricted cash and investments	51,827,060	-	51,827,060
Designated cash and investments	15,548,006	-	15,548,006
Capital assets:			
Land and other nondepreciable assets	20,278,526	-	20,278,526
Other depreciable capital assets, net of depreciation	72,316,797	-	72,316,797
Total noncurrent assets	159,970,389	-	159,970,389
Total assets	176,852,244	628,044	177,480,288
Deferred outflows of resources, pension related amounts	6,186,193	-	6,186,193

See note to other supplementary information.

	Metro	Share-A-Fare	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 3,677,161	\$ 579,174	\$ 4,256,335
Accrued liabilities:			
Payroll and benefits	2,526,480	13,968	2,540,448
Compensated absences	4,160,589	25,915	4,186,504
Other	8,954	-	8,954
Liabilities payable from designated assets:			
Public liability and property damage	1,309,604	-	1,309,604
Workers' compensation claims	1,410,515	-	1,410,515
Unearned revenue	1,471,733	-	1,471,733
Total current liabilities	14,565,036	619,057	15,184,093
Noncurrent liabilities:			
Liabilities payable from designated assets:			
Public liability and property damage	935,345	-	935,345
Workers' compensation claims	1,630,287	-	1,630,287
Other postemployment benefits obligation	2,921,015	-	2,921,015
Net pension liability	22,906,945	-	22,906,945
Compensated absences	1,386,864	8,638	1,395,502
Total noncurrent liabilities	29,780,456	8,638	29,789,094
Total liabilities	44,345,492	627,695	44,973,187
Deferred inflows of resources, pension related amounts	70,348	-	70,348
Net position			
Investment in capital assets	92,595,323	-	92,595,323
Restricted, capital and operating purposes	51,827,060	-	51,827,060
Unrestricted	(5,799,786)	349	(5,799,437)
Total net position	\$ 138,622,597	\$ 349	\$ 138,622,946

Kansas City Area Transportation Authority

**Combining Statement of Revenues, Expenses and Changes in Net Position, by Division
Year Ended December 31, 2015**

	Metro	Share-A-Fare	Total
Operating revenues:			
Passenger	\$ 10,371,674	\$ 774,506	\$ 11,146,180
Charter and stadium express	21,812	-	21,812
Advertising	536,366	-	536,366
Total operating revenues	10,929,852	774,506	11,704,358
Operating expenses:			
Transportation	42,018,848	8,331,192	50,350,040
Maintenance	21,149,058	-	21,149,058
Public liability and property damage claims	1,846,193	-	1,846,193
General and administrative	12,902,859	1,602,586	14,505,445
Depreciation and amortization expense	12,240,204	-	12,240,204
Total operating expenses	90,157,162	9,933,778	100,090,940
Operating loss	(79,227,310)	(9,159,272)	(88,386,582)
Nonoperating revenues (expenses):			
Operating funding:			
Local governments	55,890,099	6,523,633	62,413,732
State government	317,785	116,376	434,161
Federal government	9,024,696	2,519,266	11,543,962
Capital related grants and funding	10,917,253	-	10,917,253
Federal grant revenue received for subrecipients	469,477	-	469,477
Federal funds passed through to subrecipients	(469,477)	-	(469,477)
Investment income	745,467	-	745,467
Gain on disposition of capital assets	22,000	-	22,000
Rental and other nonoperating income	1,050,059	-	1,050,059
Other nonoperating expense	(144,000)	-	(144,000)
Total nonoperating revenues	77,823,359	9,159,275	86,982,634
Change in net position	(1,403,951)	3	(1,403,948)
Net position, beginning of year, as restated	140,026,548	346	140,026,894
Net position, end of year	<u>\$ 138,622,597</u>	<u>\$ 349</u>	<u>\$ 138,622,946</u>

See note to other supplementary information.

Kansas City Area Transportation Authority

Note to Other Supplementary Information

In addition to the basic financial statements, the Kansas City Area Transportation Authority presents a combining statement of net position and a combining statement of revenues, expenses and changes in net position for its two divisions. A brief explanation of these divisions is as follows:

Metro: This is the main operating division of the Authority which accounts for mass transit operations.

Share-A-Fare: This operating division accounts for the activities of the Authority's Share-A-Fare program, which is primarily devoted to the transport of elderly and disabled Americans.

