

# **Kansas City Area Transportation Authority Union Employees' Funded Pension Plan**

Report to the Union Employees' Funded  
Pension Committee  
April 12, 2016





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April 12, 2016

The Union Employees' Funded Pension Committee  
Kansas City Area Transportation Authority Union  
Employees' Funded Pension Plan  
Kansas City, Missouri

We are pleased to present this report related to our audit of the financial statements of the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan (the Plan) as of and for the year ended December 31, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Plan's financial reporting process.

This report is intended solely for the information and use of the Union Employees' Funded Pension Committee (the Committee) and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan.

*RSM US LLP*

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<b>Area</b>	<b>Comments</b>
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated February 5, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> The Committee has the ultimate responsibility for the appropriateness of the accounting policies used by the Plan. The Plan did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>The Committee's Judgments and Accounting Estimates</b> Summary information about the process used by the Committee in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	Audit adjustments proposed by us and recorded by the Plan are shown on the attached Summary of Recorded Audit Adjustments.
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.

<b>Area</b>	<b>Comments</b>
<b>Other Information in Documents Containing Audited Financial Statements</b>	Our responsibility for other information in documents containing the Plan's audited financial statements is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact. However, we are not aware of other documents that contain the audited financial statements.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of the Plan, including the representation letter provided to us by management, are attached as Exhibit A.

## Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Plan's December 31, 2015, financial statements.

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management's Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimates</b>
<b>Fair Values of Financial Instruments</b>	Investments are recorded at fair value.	Common collective trusts are valued at the net asset value of the underlying assets at the end of the plan year.	We tested the propriety of information provided by a third party and found it to be consistent with fair values we obtained from the Plan's third-party source. We concluded that the Plan's estimates are reasonable.
<b>Net Pension Liability</b>	The Plan discloses the net pension liability, as discussed in Note 3 to the financial statements.	The net pension liability calculation is prepared by an independent actuarial company, The Cottonwood Group. The Committee reviews the actuarial results and considers the appropriateness of the assumptions.	We obtained the actuary report, reviewed the assumptions and results for reasonableness, and tested the underlying data. We concluded that the estimates are reasonable.
<b>Pension Plan Assumptions</b>	Actuarial assumptions and estimates are used in the valuation of the Plan.	Assumptions and estimates include the expected rate of investment return on the retirement plan assets, the interest rate used to determine the present value of liabilities, and certain employee-related factors. The employee-related factors include turnover, retirement age and mortality. These factors and the estimated discount rate and rate of return are based upon historical and general market data. The Committee reviews the actuarial results.	We analyzed the Plan's methodology and concluded that the estimates are reasonable.

# Summary of Recorded Audit Adjustments

Description	Effect—Debit (Credit)				
	Assets	Liabilities	Net Position	Additions	Deductions
To record accrued expenses	\$ -	\$ (87,894)	\$ -	\$ -	\$ 87,894
Total effect			87,894	\$ -	\$ 87,894
Effect on net position	\$ -	\$ (87,894)	\$ 87,894		

## Summary of Uncorrected Misstatements

Description	Effect—Debit (Credit)				
	Assets	Liabilities	Net Position	Additions	Deductions
Current year misstatements:					
Known misstatement:					
To record employee contribution receivable	\$ 22,492	\$ -	\$ -	\$ (22,492)	\$ -
Total effect			(22,492)	\$ (22,492)	\$ -
Effect on net position	\$ 22,492	\$ -	\$ (22,492)		

**Exhibit A—Significant Written Communications Between Management and Our Firm**



April 12, 2016

RSM US LLP  
4801 Main Street, Suite 400  
Kansas City, MO 64112

This representation letter is provided in connection with your audits of the financial statements of the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan (the Plan), which comprise the statements of plan net position as of December 31, 2015 and 2014, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements present fairly, in all material respects, the net position and changes in net position in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of April 12, 2016:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 5, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal controls and programs to provide reasonable assurance that fraud is prevented and detected.
4. We are responsible for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

In that regard, we are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. The methods and significant assumptions used to determine fair values of the financial instruments are as follows: common collective trusts are valued at the net asset value of the underlying assets at the end of the Plan year. Our valuation methodologies have been consistently applied from period to period. The methods and assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

5. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the *FASB Accounting Standards Codification* (ASC) have been properly recorded and/or disclosed in the financial statements. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to nature and type of investments held by the Plan, or markets in which events could occur that would significantly disrupt normal finances within the next year.
6. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. There are no events subsequent to the date of the financial statements for which U.S GAAP requires adjustment or disclosure.
8. We are not aware of any known actual or possible litigation and claims.
9. We have no intention to terminate the Plan.
10. We have properly reported and disclosed amendments to the plan instrument, if any.
11. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Assets held for investment.
  - b. A description of the Plan.
  - c. Deposits and investment securities category of custodial credit risk, interest rate risk, credit risk and concentration of credit risk.
  - d. Fair value of investments.
12. As of and for the year ended December 31, 2015, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Effect - Debit (Credit)				
	Assets	Liabilities	Net Position	Additions	Deductions
<b>Current year misstatements:</b>					
Known misstatement:					
To record employee contribution receivable	\$ 22,492	\$ -	\$ -	\$ (22,492)	\$ -
<b>Total effect</b>			(22,492)	\$ (22,492)	\$ -
<b>Effect on net position</b>	<u>\$ 22,492</u>	<u>\$ -</u>	<u>\$ (22,492)</u>		

### **Supplementary Information**

13. With respect to pension schedules presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
14. We have omitted management's discussion and analysis, which is required to supplement the basic financial statements. We do not believe this missing information has any impact on the basic financial statements.

### **Information Provided**

15. We have provided you with:
  - d. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - e. Additional information that you have requested from us for the purpose of the audit.
  - f. Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence.
  - g. The currently effective version of the Plan document, the trust agreement or insurance contracts and all related amendments. The Plan was most recently amended October 1, 2015, and effective as of January 1, 2014.
  - h. All correspondence, filings, reports and determinations with the Internal Revenue Service (IRS) relating to the Plan's maintenance of its tax-exempt status.
  - i. All Plan financial records and related data. In that regard, the payroll information we provided you covered all employees that were eligible to participate in the Plan.
  - j. All minutes of the meetings of the Plan's Union Employees' Funded Pension Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - k. Actuarial valuation reports and other reports prepared by the actuary for the Plan and the Plan Sponsor.

16. All transactions have been recorded in the accounting records and are reflected in the financial statements.

The Plan Sponsor's management designated an individual with sufficient skills, knowledge and experience to oversee the financial statement preparation process and to take responsibility for the results of the financial statement preparation services. This individual performed a detailed review of the financial statements consisting of the following procedures:

- Reconciliation of the trust activity to the financial statements.
  - Review and approval of all journal entries proposed by you, including review of supporting documentation and explanations.
  - Review of the adequacy of financial statement disclosure by review and approval of the disclosure checklist completed by you.
  - Review and approval of schedules and calculations supporting the amounts included in the notes to the financial statements.
  - Applying analytical procedures to financial statements.
17. We have disclosed to you the results of our assessment of risk that the financial statement may be materially misstated as a result of fraud.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan involving:
- a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
19. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators or others.
20. We are not aware of any pending or threatened litigation and claims, violations or possible violations of laws and regulations, or other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements, and neither we, nor the Plan Sponsor, or others acting on behalf of the Plan, have consulted a lawyer concerning litigation and claims or other matters affecting the Plan.
21. We have provided to you all documentation, including correspondence, with lawyers utilized by us for any Plan matters. There are no matters that our lawyer has advised us should be considered when preparing the financial statements.
22. We have disclosed to you the identity of the Plan's related parties and all the related-party relationships and transactions of which we are aware.

23. We are aware of no significant deficiencies or material weaknesses in the design or operation of internal controls that could adversely affect the Plan's ability to record, process, summarize and report financial data.
24. We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.
25. The Plan has satisfactory title to all owned assets which are recorded at fair value, and all liens, encumbrances or security interests have been properly disclosed.
26. With respect to the actuarial liabilities reflected in the financial statements:
  - a. The information provided to the Plan's actuary to perform the valuation is accurate and there have been no omissions from the participants' data provided to the Plan's actuary for the purpose of determining the net pension liability and other actuarially determined amounts in the financial statements.
  - b. There have been no changes in the actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements other than those disclosed in the actuary's report and financial statements.
  - c. There have been no changes in Plan provisions between the actuarial valuation date and the date of this letter.
27. We have answered your questions about the Plan's tax compliance to the best of our knowledge and belief.
28. There have been no communications, whether written or oral, from regulatory agencies concerning noncompliance or deficiencies in the operation of the plan.
29. We have complied with all aspects of contractual agreements, including provisions of the Plan, that would have a material effect on the financial statements in the event of noncompliance and all participant eligibility and coverage requirements of the Plan.
30. The IRS has determined and informed the Plan Sponsor, by a letter dated June 24, 2014, that the Plan is qualified and the trust established under the Plan is tax-exempt under the appropriate sections of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. We have operated the Plan and trust in a manner that did not jeopardize this tax status.
31. We agree with the findings of specialists in completing the actuarial valuation as of January 1, 2015, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

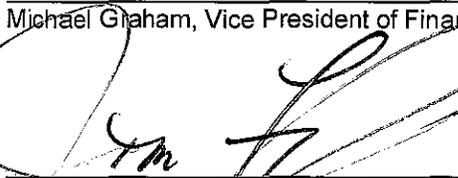
In addition, we believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining net pension liability are appropriate in the circumstances. We did not give, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.

32. We have reviewed the complementary user entity control considerations of the Service Organization Controls (SOC 1) Report on Management's Description of Russell Investments Internal Controls and the Suitability of the Design and Operating Effectiveness of Controls dated November 23, 2015, for the period ended September 30, 2015, and the SOC 1 reports on Global Fund Accounting and Custody and Retiree Services for State Street dated November 3, 2015 and December 3, 2015, respectively for year ended September 30, 2015, and we believe all applicable controls are properly designed and implemented, and operating effectively.
33. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Kansas City Area Transportation Authority Union  
Employees' Funded Pension Plan



Michael Graham, Vice President of Finance/CFO


Jim Fight, Director of Human Resources



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April 12, 2016

To the Union Employees' Funded Pension Committee and Management  
Kansas City Area Transportation Authority Union Employees' Funded Pension Plan  
Kansas City, Missouri

In connection with our audit of the financial statements of Kansas City Area Transportation Authority Union Employees' Funded Pension Plan (the Plan) as of and for the year ended December 31, 2015, we identified a deficiency in internal control over financial reporting (control deficiency).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following is the description of an identified control deficiency that we determined did not constitute a significant deficiency or material weakness:

During our testing performed, we noted that the listing of union employer and employee contributions received from the Plan Sponsor did not agree to the amount reported in the trust statement by \$63,000 for the year ended December 31, 2015, due to lack of timely reconciliations of contributions to the trust statements. We recommend that the contributions listing be reconciled to the trust statements on a timely basis.

This communication is intended solely for the information and use of the Plan Administrator, management, Union Employees' Funded Pension Committee, and others within the Plan, and is not intended to be and should not be used by anyone other than these specified parties.

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