Kansas City Area Transportation Authority

Financial Report
December 31, 2013

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McGladrey

Independent Auditor's Report

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 Kansas City Area Transportation Authority (the Authority) as of and for the years ended December 31, 2013 and 2012, and the related notes to the 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas City Area Transportation Authority, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and schedules of funding progress on pages 3 through 9 and 40 through 41, respectively, 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 an opinion 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, 2013 and 2012 dated April 8, 2014 and April 3, 2013, 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.

McGladrey LLP

Kansas City, Missouri
April 8, 2014

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, 2013 and 2012. Please read it in conjunction with the Authority's basic financial statements and notes.

Financial Highlights for Fiscal Year 2013 vs. 2012

- Net position of the Authority decreased by $3.9 million or (2.5) percent in 2013 over 2012 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 $210,900,084 had been received by the Authority from the 3/8-cent sales tax from inception through December 2013.

Financial Highlights for Fiscal Year 2012 vs. 2011

- Net position of the Authority decreased by $2.7 million or (1.7) percent in 2012 over 2011 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 $187,987,043 had been received by the Authority from the 3/8-cent sales tax from inception through December 2012.

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.

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 39 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 40 and 41 of this report.

Changes in Net Position

Fiscal Year 2013 vs. 2012

The Authority's assets exceeded liabilities by $156.6 million as of December 31, 2013.

The largest portion of the Authority's net position, $90.9 million or 58.0 percent reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles). The remaining 42.0 percent is primarily related to unrestricted balances of $13.5 million and $52.3 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 $3.9 million over 2012 primarily attributable to a reduction in restricted cash and net investments in capital assets.

Fiscal Year 2012 vs. 2011

The Authority's assets exceeded liabilities by $160.6 million as of December 31, 2012.

The largest portion of the Authority's net position, $91.4 million or 56.9 percent reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles). The remaining 43.1 percent is primarily related to unrestricted balances of $16.1 million and $53.1 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 $2.7 million over 2011 primarily attributable to a reduction in restricted cash and net investments in capital assets.

Table 1 - Condensed Statements of Net Position
As of December 31, 2013, 2012 and 2011

	2013	2012	2011
Current and other assets	**$ 88,790,783**	$ 91,181,622	$ 89,169,307
Capital assets, net	**90,888,556**	91,402,306	93,372,769
Total assets	**179,679,339**	182,583,928	182,542,076
Current and other liabilities	**17,895,093**	15,929,358	13,911,843
Noncurrent liabilities	**5,140,242**	6,076,152	5,309,230
Total liabilities	**23,035,335**	22,005,510	19,221,073
Net position:			
Investment in capital assets	**90,888,556**	91,402,306	93,372,769
Restricted	**52,296,692**	53,124,934	54,508,851
Unrestricted	**13,458,756**	16,051,178	15,439,383
Total net position	**$ 156,644,004**	$ 160,578,418	$ 163,321,003

Fiscal Year 2013

A portion of the Authority's net position, $52.3 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 $2.4 million or 2.6 percent decrease in current and other assets in 2013 over the prior year is attributable to a $2.3 million decrease in amounts due from the federal government.

Capital assets, net, decreased by $514 thousand or (0.6) percent under 2012 due to revenue equipment.

The Authority experienced an increase of $2.0 million or 12.3 percent in current and other liabilities from 2012. This increase was due primarily to an increase in accounts payable.

Fiscal Year 2012

A portion of the Authority's net position, $53.1 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 $2.0 million or 2.2 percent increase in current and other assets in 2012 over the prior year is attributable to a $4.0 million increase due from federal governments and a $1.4 million decrease in restricted cash and investments.

Capital assets, net, decreased by $2.0 million or (2.1) percent over 2011 due to other equipment and structures.

The Authority experienced an increase of $2.0 million or 14.5 percent in current and other liabilities from 2011. This increase was due primarily to an increase in accounts payable.

Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Operating revenues:			
Passenger revenues	**$ 12,307,123**	$ 12,255,314	$ 12,030,920
Charter and stadium express	**15,497**	20,738	16,520
Other	**605,397**	566,354	334,306
Total operating revenues	**12,928,017**	12,842,406	12,381,746
Nonoperating revenues:			
Investment income	**-**	1,172,650	1,372,976
Operating funding	**64,395,497**	63,783,940	60,068,108
Capital related grants and funding	**12,885,166**	11,535,045	14,810,414
Federal grant revenue received for subrecipients	**17,831,139**	9,133,905	1,214,416
Other	**454,380**	469,218	489,700
Gain on disposal of assets	**-**	32,279	348,020
Total nonoperating revenue	**95,566,182**	86,127,037	78,303,634
Total revenue	**108,494,199**	98,969,443	90,685,380
Operating expenses:			
Transportation	**48,398,833**	49,325,609	48,130,032
Maintenance	**18,745,073**	18,316,430	18,622,930
Public liability and property damage claims	**2,068,288**	449,709	2,647,142
General and administrative	**12,002,144**	11,550,759	11,019,957
Depreciation and amortization	**13,066,841**	12,899,616	12,716,046
Total operating expenses	**94,281,179**	92,542,123	93,136,107
Nonoperating expenses:			
Investment expense	**75,605**	-	-
Loss on disposal of assets	**96,690**	-	-
Federal funds passed through to subrecipients	**17,831,139**	9,133,905	1,214,416
Other nonoperating expense	**144,000**	36,000	-
Total expenses	**112,428,613**	101,712,028	94,350,523
Change in net position	**(3,934,414)**	(2,742,585)	(3,665,143)
Net position, beginning of the year	**160,578,418**	163,321,003	166,986,146
Net position, end of year	**$ 156,644,004**	$ 160,578,418	$ 163,321,003

Revenues

Fiscal Year 2013 vs. 2012

In 2013, total revenue, which includes operating and nonoperating revenues, increased by $9.5 million, or 9.6 percent when compared to 2012. Operating revenues for the fiscal year ended December 31, 2013, totaled $12.9 million and increased by $86 thousand or 0.7 percent from 2012. Revenue from bus advertising increased $39 thousand, or 6.9 percent over 2012. Passenger revenue, the Authority's largest operating revenue source, reflected an increase of $52 thousand or 0.4 percent over the previous year. The increase is directly related to an increase in Metro ridership.

Non-operating revenues increased by $9.4 million or 11.0 percent from 2012 due primarily to an increase in funding from capital grants. Funding from capital grants increased in 2013 due to federal grant funds received for subrecipients. The major component is related to projects in the Kansas City, Missouri (KCMO) Green Impact Zone funded from the federal program known as Transportation Investment Generating Economic Recovery (TIGER).

Fiscal Year 2012 vs. 2011

In 2012, total revenue, which includes operating and nonoperating revenues, increased by $8.3 million, or 9.1 percent when compared to 2011. Operating revenues for the fiscal year ended December 31, 2012, totaled $12.8 million and increased by $461 thousand or 3.7 percent from 2011. Revenue from bus advertising increased $232 thousand, or 69.4 percent over 2011. Passenger revenue, the Authority's largest operating revenue source, reflected an increase of $224 thousand or 1.9 percent over the previous year. The increase is directly related to an increase in Metro ridership.

Non-operating revenues increased by $7.8 million or 10.0 percent from 2011 due primarily to an increase in funding from capital grants. Funding from capital grants increased in 2012 due to federal grant funds received for subrecipients. The major component is related to 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 2013 vs. 2012

Total expenses in 2013 were $112.4 million, resulting in an increase of $10.7 million or 10.5 percent over 2012. The non-operating expenses category, federal funds passed through to subrecipients, is the key component, with TIGER funds used on the KCMO Green Impact Zone.

Fiscal Year 2012 vs. 2011

Total expenses in 2012 were $101.7 million, resulting in an increase of $7.4 million or 7.8 percent over 2011. The non-operating expenses category, federal funds passed through to subrecipients, is the key component, with TIGER funds used on the KCMO Green Impact Zone.

Table 3 - Schedules of Capital Assets
As of December 31, 2013, 2012 and 2011

	2013	2012	2011
Land	**$ 8,672,679**	$ 8,672,679	$ 8,672,679
Capital projects-in-progress	**1,797,128**	6,489,804	1,782,201
Building and improvements	**56,495,659**	49,700,056	49,665,476
Revenue equipment	**84,662,831**	89,371,411	89,455,858
Other equipment and structures	**57,260,338**	49,492,867	51,489,912
Other furniture and equipment	**5,443,686**	5,873,084	5,873,377
	214,332,321	209,599,901	206,939,503
Less accumulated depreciation	**123,443,765**	118,197,595	113,566,734
Net capital assets	**$ 90,888,556**	$ 91,402,306	$ 93,372,769

Capital Assets

Fiscal Year 2013 vs. 2012

The Authority's investment in capital assets is $90.9 million (net of accumulated depreciation) as of December 31, 2013. Investments in capital assets decreased by $514 thousand or (0.6) percent over 2012 capital assets.

Capital projects-in-progress decreased $4.7 million or (72.3) percent due to TIGER funded projects, Troost BRT Corridor, Unified Government transit center and corridor improvements, and system-wide passenger amenities.

Other equipment and structures increased by $7.8 million or 15.7 percent over 2012 related to the addition of two transit centers in the Unified Government of Kansas City, Kansas/Wyandotte County Kansas.

Accumulated depreciation increased $5.2 million or 4.4 percent due to an increase in depreciation expense. As shown in Note 4, the normal annual increase in accumulated depreciation is $13.1 million. In 2013 the disposal of assets was $7.8 million, which increased accumulated depreciation $5.2 million from 2012 to 2013. In contrast, the 2012 disposal was $8.3 million, which increased accumulated depreciation $4.6 million from 2011 to 2012.

Fiscal Year 2012 vs. 2011

The Authority's investment in capital assets is $91.4 million (net of accumulated depreciation) as of December 31, 2012. Investments in capital assets decreased by $2.0 million or (2.1) percent over 2011 capital assets.

Capital projects-in-progress increased $4.7 million or 264 percent due to TIGER funded projects, Troost BRT Corridor, Unified Government transit center and corridor improvements, and system-wide passenger amenities.

Other equipment and structures decreased by $2.0 million or (3.9) percent over 2011 related to retirement of assets as a result of the Authority's biennial asset inventory.

Accumulated depreciation increased $4.6 million or 4.1 percent due to an increase in depreciation expense. As shown in Note 4, the normal annual increase in accumulated depreciation is $12.9 million. In 2012 the disposal of assets was $8.3 million, which increased accumulated depreciation $4.6 million from 2011 to 2012. In contrast, the 2010 disposal was $4.3 million, which increased accumulated depreciation $8.4 million from 2010 to 2011.

Additional information on the Authority's capital assets can be found in Note 4 of this report.

Economic Factors and Next Year's Operations

The slow-moving economy continues to impact the Authority's ability to manage the current system as available funds are not growing at the rate of the economy. Sales tax receipts are increasing at approximately 1.0 percent annually.

In the state of Missouri's fiscal year 2013/14, funding for transit operating assistance increased 87.9% to $225,100 over the 2012/13 level of $119,800.

The City of Kansas City, Missouri, in the 2013/14 transit contract year increased the annual amount of the Public Mass Transit Fund to the Authority (1/2-cent sales tax). The 2014/15 contract remained at the 2013/14 level.

Federal funding for fiscal year 2014 5307 formula funding level increased slightly from fiscal year 2013. The current federal transportation program, Moving Ahead for Progress in the 21st Century (MAP-21), expires September 30, 2014. Congress is developing a new transportation program.

The Authority's management and staff continue to provide cost-effective, quality transit service for regional citizens even in light of the current economy. There remains a structural imbalance between the size of the Authority today and level of financial support that can currently be expected in the future. If the structural imbalance is not addressed in a meaningful way, adequate financial resources will not be available to sustain the current level of service.

It should be the challenge of our elected officials, civic leaders, the Board of Commissioners and staff of the Authority and other area transit communities to have meaningful dialogue on the future of a seamless regional transit system in Kansas City metropolitan area.

The Authority's capital focus in 2014 is the completion of the conversion to compressed natural gas (CNG) through facility modifications, acquisition of CNG revenue and non-revenue vehicles, new transit center, and upgrade to existing transit facilities and passenger amenities.

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 Director of Finance, Kansas City Area Transportation Authority, 1350 East 17th Street, Kansas City, Missouri 64108, telephone number (816) 346-0333.

Kansas City Area Transportation Authority

Statements of Net Position
December 31, 2013 and 2012

Assets	**2013**	2012
Current assets:		
Cash and investments	**$ 4,750,398**	$ 3,169,868
Accounts receivable	**384,910**	295,454
Due from other governments:		
Local governments	**74,016**	585,922
State governments	**421,215**	334,363
Federal government	**5,311,133**	7,563,948
Materials and supplies	**2,250,787**	2,224,970
Prepaid expenses and other assets	**1,436,484**	880,972
Designated cash and investments	**2,679,826**	2,703,224
Total current assets	**17,308,769**	17,758,721
Noncurrent assets:		
Restricted cash and investments	**52,296,692**	53,124,934
Designated cash and investments	**19,185,322**	20,297,967
Capital assets:		
Land and other nondepreciable assets	**10,469,807**	15,162,483
Other depreciable capital assets, net of depreciation	**80,418,749**	76,239,823
Total noncurrent assets	**162,370,570**	164,825,207
Total assets	**179,679,339**	182,583,928

See Notes to Basic Financial Statements.

Liabilities	**2013**	2012
Current liabilities:		
Accounts payable	**$ 6,841,449**	$ 5,799,868
Accrued liabilities:		
Payroll and benefits	**3,219,278**	2,851,489
Compensated absences	**3,784,007**	3,769,214
Other	**13,700**	10,628
Public liability and property damage claims	**1,175,533**	1,080,376
Workers' compensation claims	**1,517,497**	1,635,318
Unearned revenue	**1,343,629**	782,465
Total current liabilities	**17,895,093**	15,929,358
Noncurrent liabilities:		
Public liability and property damage claims	**595,527**	1,012,766
Workers' compensation claims	**385,216**	1,444,871
Other post employment benefits obligation	**1,946,660**	1,598,426
Net pension obligation	**951,775**	763,685
Compensated absences	**1,261,064**	1,256,404
Total noncurrent liabilities	**5,140,242**	6,076,152
Total liabilities	**23,035,335**	22,005,510
Net Position		
Investment in capital assets	**90,888,556**	91,402,306
Restricted for capital and operating purposes	**52,296,692**	53,124,934
Unrestricted	**13,458,756**	16,051,178
Total net position	**$ 156,644,004**	$ 160,578,418

Kansas City Area Transportation Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues:		
Passenger	**$ 12,307,123**	$ 12,255,314
Charter and stadium express	**15,497**	20,738
Advertising	**605,397**	566,354
Total operating revenues	**12,928,017**	12,842,406
Operating expenses:		
Transportation	**48,398,833**	49,325,609
Maintenance	**18,745,073**	18,316,430
Public liability and property damage claims	**2,068,288**	449,709
General and administrative	**12,002,144**	11,550,759
Depreciation	**13,066,841**	12,899,616
Total operating expenses	**94,281,179**	92,542,123
Operating loss	**(81,353,162)**	(79,699,717)
Nonoperating revenues (expenses):		
Operating grants and funding:		
Local governments	**53,596,322**	51,882,627
State government	**231,542**	197,784
Federal government	**10,567,633**	11,703,529
Capital related grants and funding	**12,885,166**	11,535,045
Federal grant revenue received for subrecipients	**17,831,139**	9,133,905
Federal funds passed through to subrecipients	**(17,831,139)**	(9,133,905)
Investment income (loss)	**(75,605)**	1,172,650
Gain (loss) on disposition of capital assets	**(96,690)**	32,279
Rental and other nonoperating income	**454,380**	469,218
Other nonoperating expense	**(144,000)**	(36,000)
Total nonoperating revenues	**77,418,748**	76,957,132
Change in net position	**(3,934,414)**	(2,742,585)
Net position, beginning of year	**160,578,418**	163,321,003
Net position, end of year	**$ 156,644,004**	$ 160,578,418

See Notes to Basic Financial Statements.

Kansas City Area Transportation Authority

Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from passengers and advertisers	**$ 13,399,725**	$ 12,876,041
Payments for payroll and related fringe benefits	**(46,904,806)**	(46,767,899)
Payments to suppliers for goods and services	**(34,128,044)**	(31,282,340)
Net cash (used in) operating activities	**(67,633,125)**	(65,174,198)
Cash flows from noncapital financing activities:		
Operating grants and funding	**67,073,366**	59,373,399
Other nonoperating expense	**(144,000)**	(36,000)
Net cash provided by noncapital financing activities	**66,929,366**	59,337,399
Cash flows from capital and related financing activities:		
Purchases of capital assets	**(13,031,617)**	(9,624,701)
Proceeds from sale of capital assets	**87,680**	56,032
Capital grants and funding	**12,885,166**	11,535,045
Net cash provided by (used in) capital and related financing activities	**(58,771)**	1,966,376
Cash flows from investing activities:		
Interest received	**1,236,732**	767,633
Purchases of investments	**(24,176,949)**	(21,828,435)
Sales and maturities of investments	**20,674,671**	25,737,611
Rental and other receipts	**454,380**	469,218
Net cash provided by (used in) investing activities	**(1,811,166)**	5,146,027
Net increase (decrease) in cash and cash equivalents	**(2,573,696)**	1,275,604
Cash and cash equivalents at beginning of year	**7,222,054**	5,946,450
Cash and cash equivalents at end of year	**$ 4,648,358**	$ 7,222,054

(Continued)

Kansas City Area Transportation Authority

Statements of Cash Flows (Continued)
Years Ended December 31, 2013 and 2012

	2013	2012
Reconciliation of operating loss from operations to net cash (used in) operating activities:		
Operating loss	**$ (81,353,162)**	$ (79,699,717)
Adjustments to reconcile net cash (used in) operating activities:		
Depreciation	**13,066,841**	12,899,616
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	**(89,456)**	113,807
(Increase) decrease in materials and supplies and prepaid expenses	**(581,329)**	55,864
Increase in accounts payable and accrued liabilities	**2,074,285**	1,628,593
Increase (decrease) in unearned revenue	**561,164**	(80,172)
(Decrease) in self-insurance liabilities payable	**(1,499,558)**	(505,753)
Increase in net pension obligation	**188,090**	413,564
Net cash (used in) operating activities	**$ (67,633,125)**	$ (65,174,198)
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and investments	**$ 4,750,398**	$ 3,169,868
Restricted cash and investments	**52,296,692**	53,124,934
Designated cash and investments	**21,865,148**	23,001,191
Total cash and investments	**$ 78,912,238**	$ 79,295,993
Reconciliation of cash and cash equivalents to specific assets on the statement of net position:		
Cash and investments	**$ 78,912,238**	$ 79,295,993
Less investments not meeting the definition of cash equivalents	**74,263,880**	72,073,939
Cash and cash equivalents at end of year	**$ 4,648,358**	$ 7,222,054
Supplemental schedules of noncash items:		
Noncash investing activities, increase (decrease) in fair value of investments	**$ (1,312,337)**	$ 405,017
Noncash capital and related financing activities, capital assets acquired through accounts payable	**(294,156)**	1,328,205

See Notes to Basic Financial Statements.

Kansas City Area Transportation Authority
Pension Trust Fund

Statements of Plan Net Position
December 31, 2013 and 2012

	2013	2012
Assets		
Investments:		
Common stock	**$ 4,277,851**	$ 3,790,823
Equity funds	**6,945,286**	5,709,270
U.S. agencies	**1,183,242**	1,429,247
Debt funds	**744,326**	348,587
Corporate bonds	**1,460,682**	1,182,423
U.S. treasury	**439,370**	691,002
Municipal bonds	**47,222**	50,099
Money market	**424,270**	177,161
Total investments	**15,522,249**	13,378,612
Accrued interest and dividends	**28,787**	62,308
Total assets	**15,551,036**	13,440,920
Liabilities		
Accrued administrative expenses	**26,573**	4,609
Net position held in trust for pension benefits	**$ 15,524,463**	$ 13,436,311

See Notes to Basic Financial Statements.

Kansas City Area Transportation Authority
Pension Trust Fund

Statements of Changes in Plan Net Position
December 31, 2013 and 2012

	2013	2012
Additions:		
Employer contributions	**$ 945,000**	$ 900,000
Transfer from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan	**14,245**	-
Investment income:		
Net appreciation of fair value of investments	**2,155,155**	1,000,195
Interest and dividends	**272,068**	269,284
Net investment income	**2,427,223**	1,269,479
Total additions	**3,386,468**	2,169,479
Deductions:		
Benefits paid to participants	**1,244,059**	1,245,014
Administrative expenses	**54,257**	38,506
Total deductions	**1,298,316**	1,283,520
Net increase	**2,088,152**	885,959
Net position available for benefits:		
Beginning of year	**13,436,311**	12,550,352
End of year	**$ 15,524,463**	$ 13,436,311

See 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. 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.

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, mutual funds and securities with an original maturity of three months or less.

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, but does not vest and is subject to forfeiture upon leaving the service of the Authority. However, effective January 1, 1982, 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.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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, 2013, the Authority had the following investments, by account:

		Investment Maturities (in Years)					
	Fair Value	Less Than 1	1 - 2	2 - 5	Greater Than 5	Moody's Rating	Standard & Poor's Rating
Self-insurance account:							
Asset backed securities	$ 341,166	$ -	$ -	$ 341,166	$ -	Aaa	AAA
Taxable municipal bonds	86,660	-	-	86,660	-	A2	AA+
U.S. agencies	5,681,829	405,277	2,236,750	3,039,802	-	Aaa	AA+
U.S. treasury notes	5,730,887	1,003,142	250,395	4,034,766	442,584	N/A	N/A
Other tax exempt	152,942	-	-	152,942	-	Aa3	AA-
Mortgage	72,831	-	-	-	72,831	N/A	AA+
Mutual funds	57,347	-	-	-	-	N/A	N/A
Corporate bonds	378,224	-	-	200,220	178,004	Aaa	AA
Corporate bonds	2,106,892	430,470	384,978	1,291,444	-	Aa	AA
Corporate bonds	220,719	-	220,719	-	-	Aa	A
Corporate bonds	786,149	-	-	786,149	-	A	AA
Corporate bonds	5,999,579	817,414	1,331,212	3,850,953	-	A	A
Corporate bonds	589,231	206,358	-	382,873	-	Baa	A
Corporate bonds	408,778	200,734	-	208,044	-	Baa	BBB
Accrued interest	97,008	-	-	-	-	N/A	N/A
Total self-insurance account	$ 22,710,242	$ 3,063,395	$ 4,424,054	$ 14,375,019	$ 693,419		
Kansas workers compensation account:							
Mutual funds	$ 4,527	$ -	$ -	$ -	$ -	N/A	N/A
3/8-cent transit sales tax account:							
U.S. agencies	$ 18,787,862	$ 3,875,711	$ 4,340,422	$ 10,571,729	$ -	Aaa	AA+
U.S. treasury notes	5,678,801	1,014,830	1,064,050	3,599,921	-	N/A	N/A
Mutual funds	694,936	-	-	-	-	N/A	N/A
Accrued interest	137,324	-	-	-	-	N/A	N/A
Total 3/8-cent transit sales tax account	$ 25,298,923	$ 4,890,541	$ 5,404,472	$ 14,171,650	$ -		

Note 2. Cash and Investments (Continued)

		Investment Maturities (in Years)					
	Fair Value	Less Than 1	1 - 2	2 - 5	Greater Than 5	Moody's Rating	Standard & Poor's Rating
Capital account:							
Asset backed securities	$ 268,677	$ -	$ -	$ 268,677	$ -	Aaa	AAA
U.S. agencies	6,030,234	251,080	-	5,779,154	-	Aaa	AA+
U.S. treasury notes	7,225,015	1,505,378	930,241	4,002,580	786,816	N/A	N/A
Taxable municipal bonds	273,097	-	-	273,097	-	A2	AA+
Other tax exempt	193,726	-	-	193,726	-	Aa3	AA-
Mutual funds	326,763	-	-	-	-	N/A	N/A
Corporate bonds	438,046	-	-	240,264	197,782	Aaa	AA
Corporate bonds	2,924,888	235,952	467,266	2,221,670	-	Aa	AA
Corporate bonds	436,408	-	-	436,408	-	Aa	A
Corporate bonds	974,215	-	-	974,215	-	A	AA
Corporate bonds	6,961,608	1,056,658	1,911,722	3,993,228	-	A	A
Corporate bonds	671,160	237,312	-	433,848	-	Baa	A
Corporate bonds	480,497	230,844	-	249,653	-	Baa	BBB
Accrued interest	124,936	-	-	-	-	N/A	N/A
Total capital account	$ 27,329,270	$ 3,517,224	$ 3,309,229	$ 19,066,520	$ 984,598		

As of December 31, 2012, the Authority had the following investments, by account:

		Investment Maturities (in Years)					
	Fair Value	Less Than 1	1 - 2	2 - 5	Greater Than 5	Moody's Rating	Standard & Poor's Rating
Self-insurance account:							
Asset backed securities	$ 862,877	$ -	$ 279,036	$ 383,463	$ 200,378	Aaa	AAA
Taxable municipal bonds	129,580	-	-	129,580	-	A2	AA+
U.S. agencies	6,268,498	1,105,722	726,212	4,436,564	-	Aaa	AA+
U.S. treasury notes	5,888,203	4,026,782	1,018,932	842,489	-	N/A	N/A
Other tax exempt	154,775	-	-	154,775	-	Aa3	AA-
Mortgage	116,194	-	-	-	116,194	N/A	AA+
Mutual funds	117,997	-	-	-	-	N/A	N/A
Corporate bonds	203,680	-	-	203,680	-	Aaa	AA
Corporate bonds	1,885,347	-	404,998	1,265,310	215,039	Aa	AA
Corporate bonds	653,602	-	-	653,602	-	Aa	A
Corporate bonds	246,324	-	-	246,324	-	A	AA
Corporate bonds	5,894,277	188,051	1,433,775	4,044,562	227,889	A	A
Corporate bonds	201,280	-	-	201,280	-	Baa	BBB
Accrued interest	108,414	-	-	-	-	N/A	N/A
Total self-insurance account	$ 22,731,048	$ 5,320,555	$ 3,862,953	$ 12,561,629	$ 759,500		
Kansas workers compensation account:							
Mutual funds	$ 6,037	$ -	$ -	$ -	$ -	N/A	N/A
3/8-cent transit sales tax account:							
U.S. agencies	$ 18,376,867	$ 3,018,010	$ 3,956,980	$ 11,401,877	$ -	Aaa	AA+
U.S. treasury notes	7,699,455	3,015,620	1,950,706	2,733,129	-	N/A	N/A
Mutual funds	1,994,013	-	-	-	-	N/A	N/A
Accrued interest	154,034	-	-	-	-	N/A	N/A
Total 3/8-cent transit sales tax account	$ 28,224,369	$ 6,033,630	$ 5,907,686	$ 14,135,006	$ -		

Note 2. Cash and Investments (Continued)

		Investment Maturities (in Years)					
	Fair Value	Less Than 1	1 - 2	2 - 5	Greater Than 5	Moody's Rating	Standard & Poor's Rating
Capital account:							
Asset backed securities	$ 655,703	$ -	$ 231,639	$ 424,064	$ -	Aaa	AAA
U.S. agencies	6,332,620	1,306,386	1,033,573	3,992,661	-	Aaa	AA+
U.S. treasury notes	5,258,204	3,224,227	1,529,182	504,795	-	N/A	N/A
Other tax exempt	196,047	-	-	196,047	-	Aa3	AA-
Mutual funds	2,225,723	-	-	-	-	N/A	N/A
Corporate bonds	244,416	-	-	244,416	-	Aaa	AA
Corporate bonds	2,177,589	-	490,999	1,446,547	240,043	Aa	AA
Corporate bonds	965,561	-	-	965,561	-	Aa	A
Corporate bonds	372,109	-	-	372,109	-	A	AA
Corporate bonds	6,679,615	229,841	2,072,516	4,377,258	-	A	A
Corporate bonds	241,536	-	-	241,536	-	Baa	BBB
Accrued interest	107,132	-	-	-	-	N/A	N/A
Total capital account	$ 25,456,255	$ 4,760,454	$ 5,357,909	$ 12,764,994	$ 240,043		

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, 2013 and 2012 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, 2013:

Federal Home Loan Mortgage Corp.	$ 15,002,064	20%
Federal National Mortgage Association	14,229,733	19

Note 2. Cash and Investments (Continued)

The following investments were subject to concentration of credit risk as of December 31, 2012:

Federal Home Loan Mortgage Corp.	$	12,642,468	17%
Federal National Mortgage Association		15,080,234	20

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 the possession of another party. As of December 31, 2013, none of the Authority's bank balances with financial institutions was uninsured and uncollateralized. As of December 31, 2013, the Authority had $74,259,387 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 $1,083,573 of investments in mutual funds not exposed to custodial credit risk.

As of December 31, 2012, the Authority had $72,073,939 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 $4,343,770 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. treasury, 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.

Note 2. Cash and Investments (Continued)

As of December 31, 2013 and 2012, 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.

	2013			2012		
Investment Type	Current Market Value	Moody's Rating	Standard & Poor's Rating	Current Market Value	Moody's Rating	Standard & Poor's Rating
Common Stock	$ 4,277,851	N/A	N/A	$ 3,790,823	N/A	N/A
Mutual Funds:						
Equity Funds:						
UMB Scout International Fund	1,188,740	N/A	N/A	918,545	N/A	N/A
Principal Mid Cap Fund	794,699	N/A	N/A	-	-	-
Vanguard 500 Index	539,812	N/A	N/A	718,107	N/A	N/A
Other equity funds	4,422,035	N/A	N/A	4,072,618	N/A	N/A
	6,945,286			5,709,270		
Debt Funds	744,326	Not Rated	Not Rated	348,587	Not Rated	Not Rated
Corporate Bonds:						
Bank America Corp	57,089	Baa2	A-	58,551	Baa2	A-
Bunge Ltd Financial Corp	77,135	Baa2	BBB-	78,272	Baa2	BBB-
Daimler Finance North America	101,557	A3	A-	102,803	A3	A-
Dayton Power and Light Co	70,572	Baa1	BBB-	-	-	-
Ford Motor Credit Co LLC	86,882	Baa3	BBB-	87,635	Baa3	BB+
General Electric Corp	57,419	A1	AA+	59,377	A1	AA+
Goldman Sachs Group Inc	68,216	Baa1	A-	68,804	A3	A-
Goldman Sachs Group Inc SR	91,589	Baa1	A-	-	-	-
Health Care REIT Inc	108,700	Baa2	BBB-	111,547	Baa2	BBB-
Hewlett Packard Co	81,329	Baa1	BBB+	80,942	Baa1	BBB+
Hyundai Cap America Inc	-	-	-	80,945	Baa1	BBB+
John Deere	104,685	A2	A	106,753	A2	A
JPMorgan Chase & Co	50,717	A3	A	102,150	A2	A
Missouri State Health	40,154	Aa3	SP-2	-	-	-
Morgan Stanley SR	119,965	Baa2	A-	-	-	-
Rio Tinto Fin USA Ltd	95,875	A3	A-	103,015	A3	A-
Spectra Energy	35,477	Baa2	BBB-	-	-	-
URS Corp New SR	76,404	Baa3	BBB-	-	-	-
Vale Overseas Ltd	110,914	Baa2	A-	115,059	Baa2	A-
Wells Fargo Co	26,003	A2	A+	26,570	A2	A+
	1,460,682			1,182,423		
U.S. Agencies:						
Federal Home Loan	556,932	Aaa	AA+	608,563	Aaa	AA+
Federal National Mortgage Association	367,325	Aaa	AA+	334,379	Aaa	AA+
Government National Mortgage Association	258,985	Aaa	AA+	384,866	Aaa	AA+
Overseas Private Invt Corp U S Govt	-	-	-	101,439	Aaa	AA+
	1,183,242			1,429,247		
U.S. Treasury	439,370	N/A	N/A	691,002	N/A	N/A
Municipal Bonds	47,222	A3	AA	50,099	A3	AA
BMO Prime Money Market Fund	424,270	N/A	N/A	-	-	-
Marshall Prime Money Market Fund	-	-	-	177,161	N/A	N/A
	$ 15,522,249			$ 13,378,612		

Note 2. Cash and Investments (Continued)

Asset allocation: The Plan's investment policy has the following asset allocation ranges permitted:

Asset Class	Range
Equities	55-75%
Fixed income	10-40%
Other	0-10%
Cash	0-10%

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, 2013:

		Investment Maturities (in Years)			
Security Description	Current Market Value	Less Than 1	1-5	6-10	Greater Than 10
Common Stock	$ 4,277,851	$ -	$ -	$ -	$ -
Equity Funds	6,945,286	-	-	-	-
Debt Funds	744,326	-	-	-	-
Corporate Bonds	1,460,682	121,483	1,339,199	-	-
U.S. Agencies	1,183,242	151,601	480,414	35,081	516,146
Municipal Bonds	47,222	-	-	47,222	-
U.S. Treasuries	439,370	-	439,370	-	-
Money Market	424,270	-	-	-	-
	$ 15,522,249	$ 273,084	$ 2,258,983	$ 82,303	$ 516,146

As of December 31, 2012:

		Investment Maturities (in Years)			
Security Description	Current Market Value	Less Than 1	1-5	6-10	Greater Than 10
Common Stock	$ 3,790,823	$ -	$ -	$ -	$ -
Equity Funds	5,709,270	-	-	-	-
Debt Funds	348,587	-	-	-	-
Corporate Bonds	1,182,423	-	1,079,408	103,015	-
U.S. Agencies	1,429,247	-	410,507	143,620	875,120
Municipal Bonds	50,099	-	-	50,099	-
U.S. Treasuries	691,002	-	691,002	-	-
Money Market	177,161	-	-	-	-
	$ 13,378,612	$ -	$ 2,180,917	$ 296,734	$ 875,120

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, 2013 and 2012 ratings are listed in the above tables. The Plan does not have a policy for credit risk.

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 of 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, 2013 and 2012, 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, 2013 and 2012 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.

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 amount of local funding income from the City for the years ended December 31, 2013 and 2012 were $46,392,042 and $45,100,819, respectively. In 2013 and 2012, local operating funding approximated 83 percent and 81 percent of the total operating grants and funding, respectively.

Note 3. Grants and Operating Funding (Continued)

Federal operating funding is comprised of the following:

	2013	2012
Formula grants used for Metro operations	$ 8,343,607	$ 9,408,047
Formula grants used for Share-A-Fare operations	2,224,026	2,295,482
Totals	$ 10,567,633	$ 11,703,529

As of December 31, 2013 and 2012, amounts due from the federal government were as follows:

	2013	2012
Metro expenditures	$ 5,074,369	$ 7,328,473
Share-A-Fare expenditures	236,764	235,475
	$ 5,311,133	$ 7,563,948

Note 4. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2013 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	6,489,804	10,687,914	15,380,590	1,797,128
Total capital assets not being depreciated	15,162,483	10,687,914	15,380,590	10,469,807
Capital assets being depreciated:				
Buildings and improvements	49,700,056	8,043,859	1,248,256	56,495,659
Revenue equipment	89,371,411	1,129,549	5,838,129	84,662,831
Other equipment and structures	49,492,867	8,129,037	361,566	57,260,338
Office furniture and equipment	5,873,084	127,692	557,090	5,443,686
Total capital assets being depreciated	194,437,418	17,430,137	8,005,041	203,862,514
Less accumulated depreciation for:				
Buildings and improvements	30,645,097	1,646,707	1,248,254	31,043,550
Revenue equipment	54,578,723	6,466,035	5,686,951	55,357,807
Other equipment and structures	28,584,133	4,323,614	328,377	32,579,370
Office furniture and equipment	4,389,642	630,485	557,089	4,463,038
Total accumulated depreciation	118,197,595	13,066,841	7,820,671	123,443,765
Total capital assets being depreciated, net	76,239,823	4,363,296	184,370	80,418,749
Total capital assets, net	$ 91,402,306	$ 15,051,210	$ 15,564,960	$ 90,888,556

Note 4. Capital Assets (Continued)

A summary of changes in capital assets for the year ended December 31, 2012 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	1,782,201	5,924,958	1,217,355	6,489,804
Total capital assets not being depreciated	10,454,880	5,924,958	1,217,355	15,162,483
Capital assets being depreciated:				
Buildings and improvements	49,665,476	132,388	97,808	49,700,056
Revenue equipment	89,455,858	4,319,244	4,403,691	89,371,411
Other equipment and structures	51,489,912	990,428	2,987,473	49,492,867
Office furniture and equipment	5,873,377	803,243	803,536	5,873,084
Total capital assets being depreciated	196,484,623	6,245,303	8,292,508	194,437,418
Less accumulated depreciation for:				
Buildings and improvements	28,992,949	1,749,956	97,808	30,645,097
Revenue equipment	52,689,506	6,292,908	4,403,691	54,578,723
Other equipment and structures	27,287,795	4,261,292	2,964,954	28,584,133
Office furniture and equipment	4,596,484	595,460	802,302	4,389,642
Total accumulated depreciation	113,566,734	12,899,616	8,268,755	118,197,595
Total capital assets being depreciated, net	82,917,889	(6,654,313)	23,753	76,239,823
Total capital assets, net	$ 93,372,769	$ (729,355)	$ 1,241,108	$ 91,402,306

Note 5. Long-Term Liabilities

A summary of long-term liability transactions for the year ended December 31, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Compensated absences	$ 5,025,618	$ 2,869,476	$ 2,850,023	$ 5,045,071	$ 3,784,007
Self insurance claims	5,173,331	1,518,282	3,017,840	3,673,773	2,693,030
Total long-term liabilities	$ 10,198,949	$ 4,387,758	$ 5,867,863	$ 8,718,844	$ 6,477,037

A summary of long-term liability transactions for the year ended December 31, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Compensated absences	$ 4,964,473	$ 3,061,276	$ 3,000,131	$ 5,025,618	$ 3,769,214
Self insurance claims	5,679,084	1,093,940	1,599,693	5,173,331	2,715,694
Total long-term liabilities	$ 10,643,557	$ 4,155,216	$ 4,599,824	$ 10,198,949	$ 6,484,908

Note 6. Restrictions and Designations of Assets

The following is a summary of restrictions and designations of assets for the years ended December 31, 2013 and 2012:

	2013	2012
Restricted assets - cash and investments used for the purchase of capital assets and operating purposes	$ 52,296,692	$ 53,124,934
Designated assets - cash and investments used for the payment of self insurance claims	21,865,148	23,001,191
Total restricted and designated assets	$ 74,161,840	$ 76,126,125

Note 7. Pension Plans

The Authority's employees are covered by one of two single-employer defined benefit pension plans depending on their status as union or salaried personnel.

For union personnel, retirement benefits accrue to members of the plans according to formulas prescribed by the plans and based upon earnings levels and years of service. The benefits which accrue to members become 100 percent vested after 10 years of service under the plan. Union employees contribute 3.75 percent of their annual salary to the contributory plan, while the Authority contributes 7.50 percent of the employee's annual salary to the union contributory plan.

For salaried personnel, retirement benefits accrue to members of the plans according to formulas prescribed by the plans and based upon earnings levels and years of service. The benefits which accrue to members become 100 percent vested after five years of service under the plan. All contributions to the plan are made by the Authority based upon the actuarially determined contribution amount.

Members who have attained at least the age of 55 with 15 years of continuous service under either the salaried plan or the union plan may elect early retirement, in which case they would be eligible to receive a percentage of their accrued benefit in accordance with the terms of the plan.

Retirement benefits are paid in monthly installments over the member's expected lifetime or in a lump sum at the member's option. The amount of monthly benefits paid by the salaried plan is based upon a percentage of the member's monthly earnings multiplied by the length of service. Union members retiring before December 1, 1989 receive monthly benefits of $11.50 for each year of service subsequent to November 1, 1946, and $4.00 per month for each year of service prior to November 1, 1946. Pursuant to a plan amendment on September 1, 1992, payment to union members who retired on or before November 1, 1989 received benefits payment increases of 5 percent. Pursuant to a plan amendment effective June 1, 2000, payment to union members who retired on or before December 31, 1999 received a benefit payment increase of 2 percent. Union members retiring December 1, 1989 and after receive benefits based on their highest five years' earnings multiplied by the length of service. The plans also provide for death and disability benefits.

Note 7. Pension Plans (Continued)

The union benefit provisions and all other requirements are established through labor negotiations and administered by the Retirement Committee. Salaried pension provisions are established by the Board of Commissioners.

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 Authority, 1200 East 18th Street, Kansas City, Missouri 64108.

The Authority's annual pension cost for the salaried and for the union and related information for each plan is as follows:

2013	Required Contributions	Interest on Net Pension Obligation	Actual Required Contribution Adjustment	Actual Pension Cost	Contributions Made	Increase (Decrease) in Net Pension Assets	Net Pension Asset (Liability) Beginning of Year	Net Pension Asset (Liability) End of Year
Salaried	$ 891,546	$ (32,173)	$ 62,495	$ 921,868	$ 945,000	$ 23,132	$ 428,973	$ 452,105
Union	2,272,083	89,449	(100,984)	2,260,548	2,049,326	(211,222)	(1,192,658)	(1,403,880)
Total	$ 3,163,629	$ 57,276	$ (38,489)	$ 3,182,416	$ 2,994,326	$ (188,090)	$ (763,685)	$ (951,775)

2012	Required Contributions	Interest on Net Pension Obligation	Actual Required Contribution Adjustment	Actual Pension Cost	Contributions Made	Increase (Decrease) in Net Pension Assets	Net Pension Asset (Liability) Beginning of Year	Net Pension Asset (Liability) End of Year
Salaried	$ 913,464	$ (35,707)	$ 69,360	$ 947,117	$ 900,000	$ (47,117)	$ 476,090	$ 428,973
Union	2,495,027	61,966	(69,956)	2,487,037	2,120,590	(366,447)	(826,211)	(1,192,658)
Total	$ 3,408,491	$ 26,259	$ (596)	$ 3,434,154	$ 3,020,590	$ (413,564)	$ (350,121)	$ (763,685)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset (Liability)
Salaried	12/31/2011	$ 815,588	110.3%	$ 476,090
	12/31/2012	947,117	95.0	428,973
	12/31/2013	921,868	102.5	452,105
Union	12/31/2011	$ 2,589,837	80.5%	$ (826,211)
	12/31/2012	2,487,037	85.3	(1,192,658)
	12/31/2013	2,260,548	90.7	(1,403,880)

Note 7. Pension Plans (Continued)

	Salaried	Union
Contributions made	$945,000	$2,049,326
Actuarial valuation date	January 1, 2013	January 1, 2013
Amortization method	Level dollar closed	Level amount open
Remaining amortization period	4 years	30 years
Actuarial cost method	Frozen entry age	Entry age
Actuarial assumptions:		
Net investment return	7.5%	7.5%
Salary assumptions	4.0%	4.25%
Disability	1987 Commissioners Table	RP2000 Combined Annuitant/Non-Annuitant Table set forward 7 years
Mortality	RP2000 Combined Annuitant/Non Annuitant Mortality Table	RP2000 Combined Annuitant/Non-Annuitant Mortality Table
Turnover	Table T-3 of the Actuary's Pension Handbook	Select rates of 15%, 10% and 10% in the first three years. Ultimate rates of Table T-3 of the Actuary's Pension Handbook
Amortization period	Closed	Open

Funded status and funding progress as of December 31, 2013: As of January 1, 2013, the most recent actuarial valuation date, the union employees' pension plan and salaried employees' pension plan was 69.2 percent and 81.6 percent funded, respectively. The actuarial accrued liability for benefits was $54,977,015 and $16,848,290, respectively. The actuarial value of assets was $38,036,451 and $13,745,251, respectively, resulting in an unfunded actuarial accrued liability (UAAL) of $(16,940,564) and $(3,103,039), respectively. The covered payroll (annual payroll of active employees covered by the plan) was $26,890,312 and $6,005,404, respectively, and the ratio of the UAAL to the covered payroll was (63.0) percent and (51.7) percent, respectively.

Funded status and funding progress as of December 31, 2012: As of January 1, 2012, the most recent actuarial valuation date, the union employees' pension plan and salaried employees' pension plan was 65.9 percent and 80.4 percent funded, respectively. The actuarial accrued liability for benefits was $57,694,771 and $16,563,839, respectively. The actuarial value of assets was $38,002,540 and $13,313,459, respectively, resulting in an unfunded actuarial accrued liability (UAAL) of $(19,692,231) and $(3,250,380), respectively. The covered payroll (annual payroll of active employees covered by the plan) was $27,573,796 and $6,344,517, respectively, and the ratio of the UAAL to the covered payroll was (71.4) percent and (51.2) percent, respectively.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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:

	2013	2012
Annual required contribution	$ 1,133,470	$ 905,541
Interest on net OPEB obligation	63,937	53,363
Adjustment to annual required contribution	(104,836)	(85,398)
Annual OPEB cost (expense)	1,092,571	873,506
Contributions and payments made	(744,337)	(609,159)
Increase in net OPEB obligation	348,234	264,347
Net OPEB obligation - January 1	1,598,426	1,334,079
Net OPEB obligation - December 31	$ 1,946,660	$ 1,598,426

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

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013 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, 2011	$ 870,555	67.07%	$ 1,334,079
December 31, 2012	873,506	69.74	1,598,426
December 31, 2013	1,092,571	68.13	1,946,660

<u>Funded status and funding progress as of December 31, 2013</u>: As of January 1, 2013, the most recent valuation date, the plan was zero percent funded. 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, 2013. The covered payroll as of December 31, 2013 (annual payroll of active employees covered by the plan) was $32,330,034 and the ratio of the UAAL to the covered payroll was 27.8 percent.

<u>Funded status and funding progress as of December 31, 2012</u>: As of January 1, 2012, the plan was zero percent funded. The results of the January 1, 2011 valuation were rolled forward to December 31, 2012. The actuarial accrued liability for benefits was $7,855,251 and the actuarial value of assets is none, resulting in an unfunded actuarial accrued liability (UAAL) of $7,855,251 as of December 31, 2012. The covered payroll as of December 31, 2012 (annual payroll of active employees covered by the plan) was $31,997,568 and the ratio of the UAAL to the covered payroll was 24.6 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.

<u>Actuarial methods and assumptions</u>: 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.

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

In the January 1, 2013 actuarial valuation, projected unit credit method was used. The actuarial assumptions included a 4 percent discount rate and a 6.0 – 9.5 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 2008 IRS Static Mortality Table Scale AA Projected to 2013. Turnover Rates used for pension valuation are 15 percent, 10 percent and 10 percent for the first three years. Retirement rates are estimated at 3-100 percent for ages 55-65. It is also estimated that male spouses are assumed to be 3 years older, and female spouses are assumed to be 3 years younger.

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 2013 and 2012 are as follows:

	2013	2012
Beginning balance	$ 5,173,331	$ 5,679,084
Claims expense	1,518,282	1,093,940
Claims payments and adjustments	(3,017,840)	(1,599,693)
Ending balance	$ 3,673,773	$ 5,173,331

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 $21,865,148 and $23,001,191 as of December 31, 2013 and 2012, respectively.

In addition to these designated assets, the Authority maintains a letter of credit, which has been renewed through 2014, as collateral for the payment of self insurance claims. As of December 31, 2013 and 2012, 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 2013 and 2012.

The excess of designated assets available for payment of these claims over the recorded liability was $18,191,375 and $17,827,860 as of December 31, 2013 and 2012, 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 investment are not reflected in the 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, 2013:

Bus, van and equipment purchases: The Authority has a contractual commitment for the purchase of 23 buses and 1 CNG Service truck, totaling approximately $9,795,000. Expected delivery is by April 2014 and August 2014 for the buses and second quarter of 2014 for the service truck. The Authority also has a contractual commitment for the purchase of 2,200,000 gallons of diesel fuel totaling approximately $6,600,000.

Construction contracts: The Authority has entered into various construction contracts totaling approximately $15,410,000.

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. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the Authority beginning with its year ending December 31, 2014. This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Note 12. Pending Pronouncements (Continued)

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Authority beginning with its year ending December 31, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, issued November 2013, will be effective for the Authority beginning with its year ending December 31, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

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

Kansas City Area Transportation Authority

Required Supplementary Information – Pension Plans
Schedule of Funding Progress
December 31, 2013

Salaried Employees Pension Plan (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) as Percentage of Covered Payroll (a-b)/c)
01/01/2011	$ 12,484	$ 15,170	$ (2,686)	82.3%	$ 6,236	(43.1)%
01/01/2012	13,313	16,564	(3,251)	80.4	6,345	(51.2)
01/01/2013	**13,745**	**16,848**	**(3,103)**	**81.6**	**6,005**	**(51.7)**

Union Employees Pension Plan (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) as Percentage of Covered Payroll (a-b)/c)
01/01/2011	$ 36,767	$ 56,743	$ (19,976)	64.8%	$ 28,259	(70.7)%
01/01/2012	38,003	57,695	(19,692)	65.9	27,574	(71.4)
01/01/2013	**38,036**	**54,977**	**(16,941)**	**69.2**	**26,890**	**(63.0)**

The Authority has voluntarily agreed to make contributions to the salaried employees' pension plan sufficient to provide the plan with assets with which to pay pension benefits to plan participants. Although the Authority has not expressed any intent to terminate the Plan Agreement, it may do so at any time. Contributions to the plan are designed to fund normal costs on a current basis and to fund past service costs over a 30-year period.

The information presented in the required supplementary schedules was determined as part of the January 1, 2013 actuarial valuation. Additional information follows:

	Salaried Employees Pension Plan	Union Employees Pension Plan
1. Cost method	Frozen entry age	Entry age
2. Asset valuation	Fair value	Fair value
3. Net investment return	7.5%	7.5%
4. Salary increases	4.0%	4.25%
5. Amortization method	Level dollar, Closed	Level amount, Open
6. Remaining amortization period	4 years	30 years

Kansas City Area Transportation Authority

Required Supplementary Information – Other Postemployment Benefit Plan
Schedule of Funding Progress
December 31, 2013

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)	UAAL as a Percentage of Covered Payroll [(a-b)/c]
2011	01/01/2011	$ -	$ 7,855,251	$ (7,855,251)	- %	$ 31,673,685	(24.80)%
2012	01/01/2011	-	7,855,251	(7,855,251)	-	31,997,568	(24.55)
2013	**01/01/2013**	**-**	**8,974,755**	**(8,974,755)**	-	**32,330,034**	**(27.76)**

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of January 1, 2013. 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 15%, 10% and 10% for the first 3 years; 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 9.50%; annual reduction of 0.5%; ultimate annual health care cost trend rate of 6.0%.

Kansas City Area Transportation Authority

Combining Statement of Net Position, by Division
December 31, 2013

Assets	Metro	Share-A-Fare	Total
Current assets:			
Cash and investments	$ 4,750,398	$ -	$ 4,750,398
Intercompany	(608,209)	608,209	-
Accounts receivable	369,563	15,347	384,910
Due from other governments:			
Local governments	47,018	26,998	74,016
State governments	211,068	210,147	421,215
Federal government	5,074,369	236,764	5,311,133
Materials and supplies	2,250,787	-	2,250,787
Prepaid expenses and other assets	1,436,484	-	1,436,484
Designated cash and investments	2,679,826	-	2,679,826
Total current assets	16,211,304	1,097,465	17,308,769
Noncurrent assets:			
Restricted cash and investments	52,296,692	-	52,296,692
Designated cash and investments	19,185,322	-	19,185,322
Capital assets:			
Land and other nondepreciable assets	10,469,807	-	10,469,807
Other depreciable capital assets, net of depreciation	80,418,749	-	80,418,749
Total noncurrent assets	162,370,570	-	162,370,570
Total assets	178,581,874	1,097,465	179,679,339

See Note to Other Supplementary Information.

Liabilities	Metro	Share-A-Fare	Total
Current liabilities:			
Accounts payable	$ 5,803,695	$ 1,037,754	$ 6,841,449
Accrued liabilities:			
Payroll and benefits	3,184,089	35,189	3,219,278
Compensated absences	3,759,831	24,176	3,784,007
Other	13,700	-	13,700
Liabilities payable from designated assets:			
Public liability and property damage	1,175,533	-	1,175,533
Workers' compensation claims	1,517,497	-	1,517,497
Unearned revenue	1,343,629	-	1,343,629
Total current liabilities	16,797,974	1,097,119	17,895,093
Noncurrent liabilities:			
Liabilities payable from designated assets:			
Public liability and property damage	595,527	-	595,527
Workers' compensation claims	385,216	-	385,216
Other postemployment benefits obligation	1,946,660	-	1,946,660
Net pension obligation	951,775	-	951,775
Accrued compensated absences	1,261,064	-	1,261,064
Total noncurrent liabilities	5,140,242	-	5,140,242
Total liabilities	21,938,216	1,097,119	23,035,335
Net Position			
Investment in capital assets	90,888,556	-	90,888,556
Restricted, capital and operating purposes	52,296,692	-	52,296,692
Unrestricted	13,458,410	346	13,458,756
Total net position	$ 156,643,658	$ 346	$ 156,644,004

Kansas City Area Transportation Authority

Combining Statement of Revenues, Expenses and Changes in Net Position, by Division
Year Ended December 31, 2013

	Metro	Share-A-Fare	Total
Operating revenues:			
Passenger	$ 11,592,285	$ 714,838	$ 12,307,123
Charter and stadium express	15,497	-	15,497
Advertising	605,397	-	605,397
Total operating revenues	12,213,179	714,838	12,928,017
Operating expenses:			
Transportation	39,987,040	8,411,793	48,398,833
Maintenance	18,745,073	-	18,745,073
Public liability and property damage claims	2,068,288	-	2,068,288
General and administrative	11,099,692	902,452	12,002,144
Depreciation and amortization expense	13,066,841	-	13,066,841
Total operating expenses	84,966,934	9,314,245	94,281,179
Operating loss	(72,753,755)	(8,599,407)	(81,353,162)
Nonoperating revenues (expenses):			
Operating funding:			
Local governments	47,326,148	6,270,174	53,596,322
State government	126,335	105,207	231,542
Federal government	8,343,607	2,224,026	10,567,633
Capital related grants and funding	12,885,166	-	12,885,166
Federal grant revenue received for subrecipients	17,831,139	-	17,831,139
Federal funds passed through to subrecipients	(17,831,139)	-	(17,831,139)
Investment expense	(75,605)	-	(75,605)
Loss on disposition of capital assets	(96,690)	-	(96,690)
Rental and other nonoperating income	454,380	-	454,380
Other nonoperating expense	(144,000)	-	(144,000)
Total nonoperating revenues	68,819,341	8,599,407	77,418,748
Change in net position	(3,934,414)	-	(3,934,414)
Net position, beginning of year	160,578,072	346	160,578,418
Net position, end of year	$ 156,643,658	$ 346	$ 156,644,004

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.

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