



**Kansas City Area Transportation Authority**

Financial Report  
December 31, 2019

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## Independent Auditor's Report

RSM US LLP

Board of Commissioners  
Kansas City Area Transportation Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and fiduciary fund type of the Kansas City Area Transportation Authority (the Authority) as of and for the years ended December 31, 2019 and 2018, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Pension Trust Funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary fund type of the Kansas City Area Transportation Authority, as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 7 to the financial statements, the Authority adopted GASB 84, *Fiduciary Activities*, which restated beginning net position of the fiduciary fund type financial statements to include the Union Employees Pension Plan. The adoption was retrospectively applied to January 1, 2018, the earliest year presented. Our opinions are not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The 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 report dated April 21, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**RSM US LLP**

Kansas City, Missouri  
April 21, 2020

## Kansas City Area Transportation Authority

### Management's Discussion and Analysis Year Ended December 31, 2019

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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, 2019 and 2018. Please read it in conjunction with the Authority's basic financial statements and notes.

#### Financial Highlights for Fiscal Year 2019 vs. 2018

- Net position of the Authority increased by \$11 million or 8% in 2019 over 2018 primarily due to capital related federal grants and funding recoveries of \$26.6 million. While lower than in 2018, these recoveries exceeded the \$15.6 million decrease in net position before capital funding for 2019, a \$1.1 million decrease in net position before capital funding from 2018. The increased net loss was the result of a \$7.5 million increase in expenditures offset by a \$6.4 million increase in revenue from 2018 to 2019.
- 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 \$379,327,637 had been received by the Authority from the 3/8-cent sales tax from inception through December 2019.

#### Financial Highlights for Fiscal Year 2018 vs. 2017

- Net position of the Authority increased by \$17.3 million or (14)% in 2018 over 2017 primarily attributable to an increase of \$17.4 million of capital related federal funding recovery.
- 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 \$348,789,902 had been received by the Authority from the 3/8-cent sales tax from inception through December 2018.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during fiscal year 2018. The beginning net position for the Authority was restated (\$8,679,799) to retroactively report the total other postemployment benefits (OPEB) liability as of January 1, 2018. The financial statement amounts for fiscal year 2017 OPEB obligation, OPEB expense and deferred inflows of resources were not restated because information was not available.

#### 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.

## Kansas City Area Transportation Authority

### Management's Discussion and Analysis Year Ended December 31, 2019

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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 fiduciary net position and changes in fiduciary net position provide information about the Authority's Pension Trust Funds. The resources of these funds are not available to support the Authority's programs or operations. These funds are comprised of the activity of the Authority's Salaried Employees Retirement Plan and Union Employees Pension Plan.

The basic financial statements can be found on pages 10–16 of this report and represent combined results for Fixed Route and RideKC Freedom operating divisions, as well as the RideKC Development Corporation, a blended component unit.

**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 44 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 45 through 55 of this report.

#### Changes in Net Position

##### Fiscal Year 2019 vs. 2018

The Authority's assets exceeded liabilities by \$152.2 million as of December 31, 2019.

The Authority's net position primarily consists of its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles) which total \$142.4 million. The second largest component are the restricted balances of \$33.2 million. Restricted funds are comprised of two types: (1) restricted for the replacement of capital assets and (2) 3/8-cent sales tax not yet applied to operations. Unrestricted funds decreased from negative \$23.5 million in 2018 to a negative \$23.4 million due to decreases of \$2.7 million for current assets, and \$5.4 million for designated cash and investments with an increase to deferred outflows of \$260 thousand. These were offset by decreases in current liabilities of \$10.2 million primarily related to the use of Kansas City, Missouri funding for the Prospect MAX project and pension funds of \$8.4 million along with increases to OPEB of \$7.9 million and \$3.6 million for deferred inflows.

##### Fiscal Year 2018 vs. 2017

The Authority's assets exceeded liabilities by \$141.2 million as of December 31, 2018.

The largest portion of the Authority's net position, \$121.3 million reflects its investment in capital assets (e.g., land, buildings, transit facilities and revenue vehicles). The next largest portion is related to \$43.4 million of restricted balances: (1) restricted for the replacement of capital assets and (2) 3/8-cent sales tax not yet applied to operations. Unrestricted net position decreased from negative \$14.2 million in 2017 to a negative \$23.5 million as increases of \$3.7 million for current assets, \$7.6 million for designated cash and investments and \$3.7 million of deferred outflows for pension plans were offset by increases to liabilities of \$10.1 million for funds due to other governments resulting primarily from Kansas City, Missouri funding for the Prospect MAX project, \$8.6 million for OPEB and \$6.4 for the pension funds.

## Kansas City Area Transportation Authority

### Management's Discussion and Analysis Year Ended December 31, 2019

**Table 1 - Condensed Statements of Net Position  
As of December 31, 2019, 2018 and 2017**

	2019	2018	2017
Current and other assets	\$ 65,238,206	\$ 82,671,603	\$ 77,422,597
Capital assets, net	142,416,330	121,331,222	97,018,511
<b>Total assets</b>	<b>207,654,536</b>	<b>204,002,825</b>	<b>174,441,108</b>
Deferred outflows of resources	10,220,254	9,959,259	6,289,115
Current and other liabilities	16,234,688	26,465,764	14,703,787
Noncurrent liabilities	42,782,040	43,286,332	29,956,707
<b>Total liabilities</b>	<b>59,016,728</b>	<b>69,752,096</b>	<b>44,660,494</b>
Deferred inflows of resources	6,627,148	2,979,502	3,442,102
Net position:			
Investment in capital assets	142,416,330	121,331,222	97,018,511
Restricted	33,240,650	43,446,962	49,797,963
Unrestricted	(23,426,066)	(23,547,698)	(14,188,847)
<b>Total net position</b>	<b>\$ 152,230,914</b>	<b>\$ 141,230,486</b>	<b>\$ 132,627,627</b>

#### Fiscal Year 2019

A portion of the Authority's net position, \$33.2 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.

The \$17.4 million or 21.1% decrease in current and other assets in 2019 compared to the prior year is attributable to an decrease of \$900 thousand in current assets primarily related to decreases in funds due from Federal sources of \$3.7 million and local sources of \$2.3 million offset with \$4.8 million increase to cash and investments, a decrease of \$8.4 million in designated cash and investments and a decrease of \$10.2 million to non-current restricted cash and investments related to usage of local capital funds.

Capital assets, net, increased by \$21.1 million or 17.4% over 2018. The change was the result of revenue vehicle purchases of \$4.8 million, capital projects in progress increasing by \$23.7 million, equipment and furniture purchases of \$1.0 million all reduced by a \$9.1 million increase in accumulated depreciation.

The Authority experienced a decrease of \$10.2 million or 38.7% in current and other liabilities from 2018. This decrease was due to reductions of \$1.75 million of self-insurance and workers' compensation claims and \$9.1 million in unearned revenue and due to other governments primarily related to Kansas City, Missouri funds for the Prospect MAX project.

Noncurrent liabilities experienced a decrease of \$500 thousand or 1.2% primarily due to decreases to risk management and workmen's compensation claims of \$856 thousand and pension obligations of \$8.4 million along with increases to OPEB of \$7.9 million and \$820 thousand for health insurance accruals.

#### Fiscal Year 2018

A portion of the Authority's net position, \$43.4 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.

## Kansas City Area Transportation Authority

### Management's Discussion and Analysis Year Ended December 31, 2019

The \$5.2 million or 6.8% increase in current and other assets in 2018 compared to the prior year is attributable to an increase of \$3.8 million in current assets primarily related to funds due from Federal sources, an increase of \$7.5 million in designated cash and investments due to increases in the operating liabilities fund with a decrease of \$6.1 million to non-current restricted cash and investments related to usage of local capital funds.

Capital assets, net, increased by \$24.3 million or 25.0% over 2017. The change was the result of land and building purchases of \$3.8 million, revenue vehicle purchases of \$16.3 million, capital projects in progress increasing by \$5.5 million, reduced by a \$1.3 million increase in accumulated depreciation.

The Authority experienced an increase of \$11.8 million or 80.0% in current and other liabilities from 2017. This increase was due to increases of \$1.9 million in accounts payable and \$9.8 million in unearned revenue and due to other governments primarily related to Kansas City, Missouri funds for the Prospect MAX project.

Noncurrent liabilities experienced an increase of \$13.3 million or 44% primarily due to decreases to risk management and workmen's compensation claims of \$930 thousand and health insurance accruals of \$850 thousand along with increases to OPEB of \$8.6 million and \$6.4 million of pension obligation.

**Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2019, 2018 and 2017**

	2019	2018	2017
Operating revenues:			
Passenger revenues	\$ 9,029,898	\$ 9,437,354	\$ 9,402,016
Charter and stadium express	86,295	2,438	500
Other	414,072	358,490	397,833
<b>Total operating revenues</b>	<b>9,530,265</b>	<b>9,798,282</b>	<b>9,800,349</b>
Nonoperating revenues:			
Investment income	3,147,679	1,143,778	700,457
Operating funding	85,289,242	81,056,635	78,363,634
Capital related grants and funding	26,630,317	31,790,151	14,379,078
Federal grant revenue received for subrecipients	2,170,380	2,207,891	1,471,999
Federal grant revenue received on behalf of others	7,513,767	7,930,604	1,778,585
Other	1,688,428	1,897,960	1,885,946
Gain on disposal of assets	164,510	-	153,827
<b>Total nonoperating revenue</b>	<b>126,604,323</b>	<b>126,027,019</b>	<b>98,733,526</b>
<b>Total revenue</b>	<b>136,134,588</b>	<b>135,825,301</b>	<b>108,533,875</b>
Operating expenses:			
Transportation	51,472,113	47,429,399	48,461,292
Maintenance	25,661,457	26,447,255	20,269,269
Public liability and property damage claims	980,269	737,827	727,769
General and administrative	22,524,928	20,222,826	20,265,149
Depreciation and amortization	13,409,524	11,989,264	11,300,458
<b>Total operating expenses</b>	<b>114,048,291</b>	<b>106,826,571</b>	<b>101,023,937</b>
Nonoperating expenses:			
Debt service reimbursement to Jackson County	1,401,722	1,401,972	1,404,472
Federal funds passed through to subrecipients	2,170,380	2,207,891	1,471,999
Federal funds spent on behalf of others	7,513,767	7,930,604	1,778,585
Loss on disposal of assets	-	175,605	-
Other nonoperating expense	-	-	108,000
<b>Total expenses</b>	<b>125,134,160</b>	<b>118,542,643</b>	<b>105,786,993</b>
<b>Change in net position</b>	<b>11,000,428</b>	<b>17,282,658</b>	<b>2,746,882</b>
Net position, beginning of the year	141,230,486	123,947,828	129,880,745
Net position, end of year	\$ 152,230,914	\$ 141,230,486	\$ 132,627,627



## Kansas City Area Transportation Authority

### Management's Discussion and Analysis Year Ended December 31, 2019

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#### Revenues

##### **Fiscal Year 2019 vs. 2018**

In 2019, total revenue, which includes operating and non-operating revenues, increased by \$700 thousand, or 0.5% when compared to 2018. Operating revenues for the fiscal year ended December 31, 2019, totaled \$9.5 million which is a \$270 thousand decrease from 2018 resulting from reduced passenger revenues.

Non-operating revenues increased by \$1.0 million or 0.8% from 2018 primarily due to increases to investment income and operating funding. A strong market resulted in an increase of \$2.0 million to investment income. Operating funding increased \$4.2 million from 2018 primarily due to the application of \$2.1 million of Kansas City, Missouri local capital funding as local match for federal funding related to preventive maintenance and \$1.4 million for the Rock Island debt payment. Capital related grants funding decreased by \$5.1 million as there were significantly fewer revenue vehicles purchased in 2019 than in 2018 but capital projects in process increased as the Prospect MAX project neared final completion in 2019. Federal grants revenues received for subrecipients and on behalf of others, which are passed on, had virtually no change from 2018.

##### **Fiscal Year 2018 vs. 2017**

In 2018, total revenue, which includes operating and non-operating revenues, increased by \$27.3 million, or 25.1% when compared to 2017. Operating revenues for the fiscal year ended December 31, 2018, totaled \$9.8 million which is virtually no change from 2017.

Non-operating revenues increased by \$27.3 million or 25.1% from 2017 due to increases to investment income, operating funding, capital related grants funding and federal grant revenues. Favorable markets resulted in an increase of \$440 thousand to investment income. Operating funding increased \$2.7 million from 2017 primarily due to additional funding received from Kansas City, Missouri in 2018. Capital related grants funding increased by \$17.4 million due to a large purchase of revenue vehicles and increase in capital projects in process. Federal grants revenues received for subrecipients and on behalf of others, which are passed on, increased by \$6.8 million as the Authority has more Johnson County service expenses being recovered by KCATA as are Kansas City, Missouri expenses related to the Prospect MAX project.

#### Expenses

##### **Fiscal Year 2019 vs. 2018**

Total expenses in 2019 were \$125.5 million, resulting in an increase of \$7.0 million or 5.9% from 2018. Operating expenses were higher in 2019 as the result of \$3.2 million of net costs related to services, \$1.7 million for administrative costs which were primarily related to health insurance and \$1.5 million for depreciation. Non-operating expenses had virtually no change from 2018.

##### **Fiscal Year 2018 vs. 2017**

Total expenses in 2018 were \$118.5 million, resulting in an increase of \$12.8 million or 12.1% from 2017. Operating expenses were higher in 2018 as the result of \$6 million of maintenance cost and non-operating expenses increased as the result of \$6.8 million of expenses passed through to other subrecipients or on behalf of others.

## Kansas City Area Transportation Authority

### Management's Discussion and Analysis Year Ended December 31, 2019

**Table 3 - Schedules of Capital Assets  
As of December 31, 2019, 2018 and 2017**

	2019	2018	2017
Land	\$ 13,709,559	\$ 12,991,155	\$ 12,209,641
Capital projects-in-progress	40,343,794	16,615,132	10,925,355
Building and improvements	65,421,117	65,421,117	65,698,717
Revenue equipment	112,873,109	108,089,588	92,402,521
Other equipment and structures	62,744,083	62,417,123	58,432,572
Other furniture and equipment	6,120,748	5,424,165	5,720,403
	<b>301,212,410</b>	270,958,280	245,389,209
Less accumulated depreciation	<b>158,796,080</b>	149,627,058	148,370,698
<b>Net capital assets</b>	<b>\$ 142,416,330</b>	<b>\$ 121,331,222</b>	<b>\$ 97,018,511</b>

#### Capital Assets

##### Fiscal Year 2019 vs. 2018

The Authority's investment in capital assets is \$142.4 million (net of accumulated depreciation) as of December 31, 2019. Investments in capital assets increased by \$21.1 million or 17.4% over 2018 capital assets.

Capital projects-in-progress increased \$23.7 million or 142% primarily due to \$1.7 million for facility renovations/upgrades and \$21.6 million for the Prospect MAX project.

Decreases to capital projects in progress in 2019 were \$13.0 million while capital assets increased by \$10.8 million including land. The primary cause of the variance is related to assets associated with the Prospect MAX project not being fully recognized as KCATA assets. Kansas City, Missouri funding has been used to construct or procure several capital assets related to the project, which are being recognized by Kansas City, Missouri.

Revenue equipment increased by \$4.8 million or 4.5% from 2018 due to \$3.4 million related to the replacement of retired coaches along with \$1.35 million for Metroflex vans.

Accumulated depreciation increased \$9.2 million or 6.1% as the result of depreciation expense incurred during 2019 less the depreciation associated with disposed assets. In 2019, depreciation related to facilities, passenger stations and bus stop improvements increased \$4.0 million as a result of structural improvements performed in the Breen facility and new Prospect MAX stops along with an increase of \$4.5 million of depreciation associated with the purchase of 38 new revenue vehicles in 2018 and the retirement of the older, fully depreciated fleet they replaced.

For more detailed information on capital asset activity please refer to Note 4 Capital Assets in the Notes to Basic Financial Statements section of this report.

##### Fiscal Year 2018 vs. 2017

The Authority's investment in capital assets is \$121 million (net of accumulated depreciation) as of December 31, 2018. Investments in capital assets increased by \$24.3 million or 25.1% over 2017 capital assets.

Capital projects-in-progress increased \$5.7 million or 5.2% due to the Breen building renovations and the Prospect MAX project.

## **Kansas City Area Transportation Authority**

### **Management's Discussion and Analysis Year Ended December 31, 2019**

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Decreases to capital projects in progress in 2018 were \$31.5 million while capital assets increased by \$30.8 million including land. The primary cause of the variance is related to assets associated with the Prospect MAX project not being fully recognized as KCATA assets. Kansas City, Missouri funding has been used to construct or procure several capital assets related to the project, which are being recognized by Kansas City, Missouri.

Revenue equipment increased by \$15.7 million or 17% from 2017 related to the replacement of 38 revenue vehicles with new CNG revenue vehicles.

Accumulated depreciation increased \$1.26 million or .8% as the result of depreciation expense incurred during 2018 less the depreciation associated with disposed assets. In 2018, depreciation related to facility and bus stop improvements increased \$3.6 million as a result of remodeling and structural improvements performed in the Breen facility. This increase was offset by a decrease of \$2.4 million of depreciation associated with revenue vehicles as the result of older, fully depreciated fleet remaining in service throughout most of 2018 before new CNG vehicles were placed into service later in the year.

For more detailed information on capital asset activity please refer to Note 4 Capital Assets in the Notes to Basic Financial Statements section of this report.

#### **Economic Factors and Next Year's Operations**

Economic conditions in the region continued to be strong throughout all of 2019 and remained that way through the first two months of 2020. However, economic conditions in 2020 have taken a downward turn as the result of COVID-19. Both Kansas City, Missouri leadership and the State of Kansas were very proactive in restricting movement in the communities, issuing "stay at home" guidelines for their citizens. KCATA anticipates these guidelines will have a significant negative impact to sales tax revenues received by Kansas City, Missouri during the crisis, potentially reducing the amount of funding KCATA will receive from Kansas City, Missouri. Unemployment rates in the region continue to be low, but expectations are the local unemployment rates will be increasing as the result of the "stay at home" guidelines currently in place in the region. Increased unemployment could result in less need for local express services which currently transport suburban riders to Kansas City, Missouri for work. With service reductions, funding from the communities may also be reduced. To support the riders within the Kansas City, Missouri metropolitan area, KCATA and its regional partners implemented the zero-fare program which allows all riders to use services at no cost during the pandemic and potentially ongoing.

In response to the COVID-19 crisis, the federal government recently passed the CARES act which include \$25 billion for public transportation. Of that amount, the KCATA allocation for the region was in excess of \$51 million. This funding has a 100% recovery rate and can be used to recover eligible operating and capital expenses. Items eligible for recovery include service costs, passenger revenue loss, local funding loss and capital projects started after the funding eligibility date of January 20, 2020.

As KCATA has locked in pricing for fuel, the recent reductions in fuel prices has realized some savings for fuel in excess of the monthly contract amount purchased at the market rate. However, due to the locked in contract pricing, fuel expenditures for KCATA are expected to be relatively flat unless there is a considerable fluctuation in the market rate during 2020. KCATA ridership was trending downward prior to the COVID-19 crisis and have decreased considerably since the "stay at home" guidelines were issued. Traditionally, when economies are down, ridership improves as individuals forego the cost of owning and maintaining a personal vehicle and choose to pay for more efficient and convenient modes of transportation such as the non-traditional transportation alternatives. Passenger fares have been reduced to zero due to the COVID-19 crisis however loss of passenger revenues is an item that is 100% recoverable from CARES Act funding.

## **Kansas City Area Transportation Authority**

### **Management's Discussion and Analysis Year Ended December 31, 2019**

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The City of Kansas City, Missouri, provides 53.6% of the funds required for transit and para-transit service through the Public Mass Transit Fund (1/2-cent sales tax) and 3/8-cent sales tax. Anticipated sales tax revenues for 2020 are expected to increase by .5% based on discussions with the City. The state of Missouri's fiscal year 2018/19 funding received for transit operating assistance was \$329,504 and remained at that same amount for 2019/20.

The federal fiscal year begins on October 1 and ends September 30. On December 4, 2015, the sitting President signed into law the Fixing America's Surface Transportation Act (FAST Act) that was effective as of October 1, 2015. The FAST Act authorized transit programs for five years (FFY 2016 through FFY 2020) and the Authority is now in the fifth year of funding under this Act. Government operations are currently operating under a recently passed bill that continues funding for transit operations through September 2020.

The Authority has continued to support regional partners in developing regional connectivity for all citizens in the metropolitan area through multiple modes of services including several services utilizing mobile apps to schedule curb-to-curb trips. These services include Freedom-on-Demand, developed and implemented by KCATA in 2018, which is used by both ADA and non-ADA customers and microtransit services in JCT that provides a smaller scale alternative to the traditional public transit service. Freedom-on-Demand services are still being used by both KCATA and Johnson County Transit customers and was implemented in Independence in 2019. Microtransit services were originally piloted by KCATA, however Johnson County used the information gathered in that pilot to develop a service that transports multiple passengers using taxi service scheduled through an application. The service has been deemed successful enough to warrant that it will continue through 2021. A redesign of existing KCATA services was planned for 2020 to redefine service delivery, however the COVID-19 crisis has caused KCATA to redesign services to accommodate the changes in ridership volume and needs. These same types of changes are being considered by the regional partners to provide services that are feasible for the existing conditions. All these changes are being implemented with intention of providing needed services while maintaining a financial stability. The CARES Act funding is critical piece to the success of the KCATA and all its regional partners throughout this crisis.

In 2020, the Authority will be relying on the results of the service redesign along with the impacts of the COVID-19 crisis to make decisions impacting the long-term viability of the system including services that the provide the most efficient and feasible services and the continuation of the zero-fare program. During 2019, the RideKC Development Corporation was created to support and energize economic development opportunities for KCATA. Future economic development will be pursued by this group to diversify revenue opportunities for the KCATA through the establishment of future revenue streams. The anticipated results of these efforts is the assurance that the RideKC Development Corporation's success will ensure the long-term sustainability of the KCATA to provide the highest level of reliable regional transportation services.

#### **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 17<sup>th</sup> Street, Kansas City, Missouri 64108, telephone number (816) 346-0241.

**Kansas City Area Transportation Authority**

**Statements of Net Position  
December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 7,626,590	\$ 710,639
Accounts receivable	459,084	362,978
Due from other governments:		
Local governments	952,801	3,289,329
State governments	412,570	447,360
Federal government	3,277,259	6,920,457
Materials and supplies	1,540,125	1,594,882
Prepaid expenses and other assets	1,351,557	1,147,933
Designated cash and investments	1,244,000	2,961,870
<b>Total current assets</b>	<b>16,863,986</b>	<b>17,435,448</b>
Noncurrent assets:		
Restricted cash and investments	33,240,650	43,446,962
Designated cash and investments	15,133,570	21,789,193
Capital assets:		
Land and other nondepreciable assets	54,053,353	29,606,287
Other depreciable capital assets, net of depreciation	88,362,977	91,724,935
<b>Total noncurrent assets</b>	<b>190,790,550</b>	<b>186,567,377</b>
<b>Total assets</b>	<b>207,654,536</b>	<b>204,002,825</b>
Deferred outflows of resources:		
OPEB related amounts	5,707,102	-
Pension related amounts	4,513,152	9,959,259
<b>Total deferred outflows of resources</b>	<b>10,220,254</b>	<b>9,959,259</b>

See notes to basic financial statements.

	2019	2018
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 6,655,071	\$ 6,731,556
Accrued liabilities:		
Payroll and benefits	2,193,668	1,799,053
Compensated absences	3,864,716	3,545,081
Other	7,202	58,345
Liabilities payable from designated assets:		
Public liability and property damage claims	536,000	1,439,196
Workers' compensation claims	708,000	1,522,674
Unearned revenue	1,163,187	8,877,110
Due to other governments	1,106,844	2,492,749
<b>Total current liabilities</b>	<b>16,234,688</b>	<b>26,465,764</b>
Noncurrent liabilities:		
Liabilities payable from designated assets:		
Public liability and property damage claims	793,302	659,767
Workers' compensation claims	1,751,082	1,028,805
Total OPEB liability	20,728,508	12,857,805
Net pension liability	19,066,845	27,478,442
Compensated absences	442,303	1,261,513
<b>Total noncurrent liabilities</b>	<b>42,782,040</b>	<b>43,286,332</b>
<b>Total liabilities</b>	<b>59,016,728</b>	<b>69,752,096</b>
Deferred inflows of resources:		
OPEB related amounts	508,723	602,734
Pension related amounts	6,118,425	2,376,768
<b>Total deferred inflows of resources</b>	<b>6,627,148</b>	<b>2,979,502</b>
<b>Net position</b>		
Investment in capital assets	142,416,330	121,331,222
Restricted for capital and operating purposes	33,240,650	43,446,962
Unrestricted (deficit)	(23,426,066)	(23,547,698)
<b>Total net position</b>	<b>\$ 152,230,914</b>	<b>\$ 141,230,486</b>

**Kansas City Area Transportation Authority**

**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2019 and 2018**

	2019	2018
Operating revenues:		
Passenger	\$ 9,029,898	\$ 9,437,354
Charter and stadium express	86,295	2,438
Advertising	414,072	358,490
<b>Total operating revenues</b>	<b>9,530,265</b>	<b>9,798,282</b>
Operating expenses:		
Transportation	51,472,113	47,429,399
Maintenance	25,661,457	26,447,255
Public liability and property damage claims	980,269	737,827
General and administrative	22,524,928	20,222,826
Depreciation	13,409,524	11,989,264
<b>Total operating expenses</b>	<b>114,048,291</b>	<b>106,826,571</b>
<b>Operating loss</b>	<b>(104,518,026)</b>	<b>(97,028,289)</b>
Nonoperating revenues (expenses):		
Grants and funding used for operations:		
Local governments	72,495,594	67,593,420
State government	411,740	410,284
Federal government	12,381,908	13,052,931
Federal grant revenue received for subrecipients	2,170,380	2,207,891
Federal funds passed through to subrecipients	(2,170,380)	(2,207,891)
Federal grant revenue, received on behalf of others	7,513,767	7,930,604
Federal funds spent on behalf of others	(7,513,767)	(7,930,604)
Investment income	3,147,679	1,143,778
Debt service reimbursement to Jackson County	(1,401,722)	(1,401,972)
Gain (loss) on disposition of capital assets	164,510	(175,605)
Rental and other nonoperating income	1,688,428	1,897,960
<b>Total net nonoperating revenues</b>	<b>88,888,137</b>	<b>82,520,796</b>
<b>Decrease in net position before capital funding</b>	<b>(15,629,889)</b>	<b>(14,507,493)</b>
Capital related grants and funding	26,630,317	31,790,151
<b>Change in net position</b>	<b>11,000,428</b>	<b>17,282,658</b>
Net position, beginning of year	141,230,486	123,947,828
Net position, end of year	<b>\$ 152,230,914</b>	<b>\$ 141,230,486</b>

See notes to basic financial statements.

**Kansas City Area Transportation Authority**

**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Receipts from passengers and advertisers	\$ 1,720,236	\$ 17,797,206
Payments for payroll and related fringe benefits	(57,536,644)	(57,587,094)
Payments to suppliers for goods and services	(41,334,820)	(34,623,498)
<b>Net cash used in operating activities</b>	<b>(97,151,228)</b>	<b>(74,413,386)</b>
Cash flows from noncapital financing activities:		
Grants and other funding used for operations	91,303,758	75,226,923
Funding used for debt service payments	1,401,722	1,401,972
Debt service payments to Jackson County	(1,401,722)	(1,401,972)
<b>Net cash provided by noncapital financing activities</b>	<b>91,303,758</b>	<b>75,226,923</b>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(36,090,553)	(34,319,939)
Proceeds from sale of capital assets	209,467	9,055
Capital grants and funding	26,630,317	31,790,151
<b>Net cash used in capital and related financing activities</b>	<b>(9,250,769)</b>	<b>(2,520,733)</b>
Cash flows from investing activities:		
Interest received	1,482,521	906,846
Purchases of investments	(13,428,482)	(27,810,361)
Sales and maturities of investments	28,263,160	26,364,099
Rental and other receipts	286,706	495,988
<b>Net cash provided by (used in) investing activities</b>	<b>16,603,905</b>	<b>(43,428)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,505,666</b>	<b>(1,750,624)</b>
Cash and cash equivalents at beginning of year	4,418,269	6,168,893
Cash and cash equivalents at end of year	<b>\$ 5,923,935</b>	<b>\$ 4,418,269</b>

(Continued)



**Kansas City Area Transportation Authority**

**Statements of Cash Flows (Continued)  
Years Ended December 31, 2019 and 2018**

	2019	2018
Reconciliation of operating loss to net cash (used in)		
operating activities:		
Operating loss	\$ (104,518,026)	\$ (97,028,289)
Adjustments to reconcile operating loss to net cash used in		
operating activities:		
Depreciation	13,409,524	11,989,264
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(96,106)	326,965
(Increase) decrease in materials and supplies and prepaid expenses	(148,867)	186,311
Increase (decrease) in accounts payable and accrued liabilities	1,318,376	(1,322,792)
(Decrease) increase in unearned revenue	(7,713,923)	7,671,959
(Decrease) in self-insurance liabilities payable	(862,058)	(932,117)
(Decrease) increase in due to other governments	(1,385,905)	2,492,749
Increase in OPEB related amounts	2,069,590	516,143
Increase in pension related amounts	776,167	1,686,421
<b>Net cash used in operating activities</b>	<b>\$ (97,151,228)</b>	<b>\$ (74,413,386)</b>
Reconciliation of cash and cash equivalents to the statements of		
net position:		
Cash and investments	\$ 7,626,590	\$ 710,639
Restricted cash and investments	33,240,650	43,446,962
Designated cash and investments	16,377,570	24,751,063
<b>Total cash and investments</b>	<b>\$ 57,244,810</b>	<b>\$ 68,908,664</b>
Reconciliation of cash and cash equivalents to specific assets		
on the statement of net position:		
Cash and investments	\$ 57,244,810	\$ 68,908,664
Less investments not meeting the definition of cash equivalents	51,320,875	64,490,395
<b>Cash and cash equivalents at end of year</b>	<b>\$ 5,923,935</b>	<b>\$ 4,418,269</b>
Supplemental schedules of noncash items:		
Noncash investing activities, increase in fair value of		
investments	\$ 1,665,158	\$ 236,932
Noncash capital and related financing activities, capital assets		
acquired through accounts payable	\$ (1,550,964)	\$ 2,166,696

See notes to basic financial statements.

**Kansas City Area Transportation Authority**

**Statements of Fiduciary Net Position—Pension Trust Funds  
December 31, 2019 and 2018**

	2019	2018 (as Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 100,443	\$ 3,803
Investments:		
Common stock	8,140,362	5,597,995
Equity funds	7,208,271	6,312,840
U.S. agencies	123,934	537,497
Debt funds	384,461	595,174
Corporate bonds	2,161,191	1,758,585
U.S. treasury	1,624,665	1,516,424
Municipal bonds	50,244	49,993
Money market	713,256	767,016
Common collective trusts	52,870,098	47,264,731
<b>Total investments</b>	<b>73,276,482</b>	<b>64,400,255</b>
Other receivables	228,720	325,855
Accrued interest and dividends	-	91,154
<b>Total assets</b>	<b>73,605,645</b>	<b>64,821,067</b>
<b>Liabilities</b>		
Accrued administrative expenses	227,357	201,651
<b>Fiduciary net position restricted for pension benefits         held in trust</b>	<b>\$ 73,378,288</b>	<b>\$ 64,619,416</b>

See notes to basic financial statements.

**Kansas City Area Transportation Authority**

**Statements of Changes in Fiduciary Net Position—Pension Trust Funds  
Years Ended December 31, 2019 and 2018**

	<b>2019</b>	2018 (as Restated)
Additions:		
Employer contributions	\$ 3,927,339	\$ 3,862,649
Participant contributions	<u>1,233,911</u>	<u>1,223,924</u>
	<b>5,161,250</b>	<b>5,086,573</b>
Transfer from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan		
	<u>93,569</u>	<u>47,189</u>
Investment income (loss):		
Net appreciation (depreciation) of fair value of investments, net of investment expense	<b>10,678,617</b>	(3,820,981)
Interest and dividends	<u>520,590</u>	<u>726,517</u>
<b>Total investment earnings</b>	<b>11,199,207</b>	(3,094,464)
Less investment expense	<u>150,737</u>	<u>299,933</u>
<b>Net investment income (loss)</b>	<b>11,048,470</b>	(3,394,397)
<b>Total additions</b>	<u><b>16,303,289</b></u>	<u>1,739,365</u>
Deductions:		
Benefits paid to participants	<b>7,177,119</b>	5,195,192
Administrative expenses	<u>367,298</u>	<u>150,010</u>
<b>Total deductions</b>	<u><b>7,544,417</b></u>	<u>5,345,202</u>
<b>Net increase (decrease)</b>	<u><b>8,758,872</b></u>	<u>(3,605,837)</u>
Net position held in trust for pension benefits:		
Beginning of year, as restated	<u>64,619,416</u>	<u>68,225,253</u>
End of year	<u><b>\$ 73,378,288</b></u>	<u>\$ 64,619,416</u>

See notes to basic financial statements.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### **Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies**

**Nature of operations:** 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 representing Johnson and Leavenworth counties are appointed by their respective County Commissions (2) and the Commissioners representing the Wyandotte County jurisdiction are appointed by the City Commissioners 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).

**Reporting entity:** 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, the RideKC Development Corporation has been included in the accompanying basic financial statements as a blended component unit.

RideKC Development Corporation, a not-for-profit corporation, was formed in February 2018 to promote and facilitate transit-oriented development in the Kansas City metropolitan area. The Board of Directors are appointed by Kansas City Area Transportation Authority. Board members are a combination of members on the KCATA's Board of Commissioners and members from the surrounding community who work in either Kansas or Missouri. RideKC Development Corporation has a December 31 year-end. RideKC Development Corporation is presented as a blended component unit as it provides services exclusively to KCATA.

**Measurement focus and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) as applied to business-type activities. 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.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

**Fiduciary fund type:** The Authority also includes pension trust funds, fiduciary fund type, in its basic financial statements. Pension trust funds are accounted for in essentially the same manner as the enterprise fund, using the same measurement focus and basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Funds account for the assets of the Authority's Salaried Employees Pension Plan and Union Employees Pension Plan.

#### Summary of significant accounting policies:

**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 acquisition 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 are expensed as incurred.

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

**Investments:** The Authority's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. See Note 2 for additional information regarding fair value measures.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

**Compensated absences:** Under the terms of the Authority's personnel policy, employees are granted vacation and sick leave in varying amounts. The liability for vacation pay is recorded as an expense in the period in which the vacation is earned. Sick pay may be carried forward indefinitely and 50% 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. Salaried employees hired after June 2016 are not eligible for sick pay benefit at the time of retirement.

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

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

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

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

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

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

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

Unrestricted net position—All other net position that does not meet the definition of "restricted" or "investment in capital assets."

**Unearned revenues:** Unearned revenues consist of passenger ridership revenue that has not yet been earned. The Authority recognizes this revenue once it has been earned. Unearned revenues also primarily consist of revenue from other governmental agencies, for which all eligibility requirements have not yet been satisfied. The Authority recognizes this revenue once those requirements have been met.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 1. Nature of Operations, Reporting Entity, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

**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.

**Reclassifications:** Certain prior year amounts have been reclassified to be consistent with current year presentation. These reclassifications had no effect on the change in net position or total net position.

#### 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, Operating Account and 3/8-cent Transit Sales Tax Account. As of December 31, 2019, the Authority had the following investments, by account:

	Fair Value	Investment Maturities (in Years)				Moody's Rating	Standard & Poor's Rating
		Less Than 1	1 - 2	2 - 5	Greater Than 5		
<b>Self-insurance account:</b>							
U.S. agencies	\$ 1,292,254	\$ 324,870	\$ -	\$ 967,384	\$ -	Aaa	AA+
U.S. treasury notes	3,406,507	-	380,472	2,213,592	812,443	Aaa	N/A
Taxable municipal bonds	274,915	-	-	94,564	180,351	Aa2	AA+
Mutual Funds	64,698	64,698	-	-	-	N/A	N/A
Corporate Bonds	196,048	-	-	90,803	105,245	A3	A
Corporate Bonds	404,077	-	181,393	122,015	100,669	A2	A-
Corporate Bonds	658,464	-	311,367	242,567	104,530	A2	A
Corporate Bonds	99,380	-	-	99,380	-	Aa1	AA+
Corporate Bonds	60,190	60,190	-	-	-	A3	BBB+
Corporate Bonds	370,794	-	170,352	200,442	-	A1	A
Corporate Bonds	180,593	-	-	87,823	92,770	A3	A-
Corporate Bonds	290,133	-	-	290,133	-	Aa3	AA-
Corporate Bonds	97,405	-	-	-	97,405	A1	A-
Corporate Bonds	100,049	100,049	-	-	-	Aa3	A+
Corporate Bonds	230,991	70,975	-	80,214	79,802	A1	A+
Corporate Bonds	104,300	-	-	104,300	-	A2	A+
Corporate Bonds	127,638	-	-	127,638	-	A1	AA-
Corporate Bonds	149,940	-	149,940	-	-	Aa2	AA-
Corporate Bonds	154,380	-	154,380	-	-	Aa2	A+
Accrued interest (at cost)	47,635	-	-	-	-	N/A	N/A
<b>Total self-insurance account</b>	<b>\$ 8,310,391</b>	<b>\$ 620,782</b>	<b>\$ 1,347,904</b>	<b>\$ 4,720,855</b>	<b>\$ 1,573,215</b>		
<b>Operating account:</b>							
U.S. agencies	\$ 2,442,131	\$ 474,769	\$ 1,223,089	\$ 744,273	\$ -	Aaa	AA+
U.S. treasury notes	6,762,946	924,626	1,549,301	3,441,102	847,917	N/A	N/A
Mutual funds	85,330	85,330	-	-	-	N/A	N/A
Accrued interest (at cost)	32,548	-	-	-	-	N/A	N/A
<b>Total operating account</b>	<b>\$ 9,322,955</b>	<b>\$ 1,484,725</b>	<b>\$ 2,772,390</b>	<b>\$ 4,185,375</b>	<b>\$ 847,917</b>		
<b>3/8-cent transit sales tax account:</b>							
U.S. agencies	\$ 2,794,406	\$ 474,652	\$ -	\$ 2,319,754	\$ -	Aaa	AA+
U.S. treasury notes	10,486,690	-	2,925,054	4,717,477	2,844,159	N/A	N/A
Mutual funds	177,851	177,851	-	-	-	N/A	N/A
Accrued interest (at cost)	58,109	-	-	-	-	N/A	N/A
<b>Total 3/8-cent transit sales tax account</b>	<b>\$ 13,517,056</b>	<b>\$ 652,503</b>	<b>\$ 2,925,054</b>	<b>\$ 7,037,231</b>	<b>\$ 2,844,159</b>		

# Kansas City Area Transportation Authority

## Notes to Basic Financial Statements

### Note 2. Cash and Investments (Continued)

	Fair Value	Than 1	1 - 2	2 - 5	Than 5	Rating	Poor's Rating
Capital account:							
U.S. agencies	\$ 2,394,335	\$ 299,820	\$ 502,780	\$ 1,591,735	\$ -	Aaa	AA+
U.S. agencies	325,007	-	-	325,007	-	WR	AA+
U.S. agencies	148,454	148,454	-	-	-	N/A	N/A
U.S. treasury notes	7,882,042	-	-	6,062,406	1,819,636	Aaa	N/A
Taxable municipal bonds	130,930	-	-	130,930	-	Aa1	AA+
Taxable municipal bonds	286,898	-	286,898	-	-	A3	A
Taxable municipal bonds	250,703	-	-	-	250,703	Aa2	AA+
Taxable municipal bonds	288,945	-	-	288,945	-	N/A	N/A
Taxable municipal bonds	241,427	-	-	-	241,427	Aa2	AA-
Taxable municipal bonds	220,191	-	-	-	220,191	Aa3	AA-
Mutual funds	43,190	43,190	-	-	-	N/A	N/A
Corporate bonds	2,225,337	-	832,294	1,393,043	-	A2	A
Corporate bonds	835,503	-	-	572,390	263,113	A3	A
Corporate bonds	793,076	-	287,205	254,198	251,673	A2	A-
Corporate bonds	303,024	-	-	303,024	-	Aa1	AA+
Corporate bonds	536,438	-	-	265,868	270,570	A1	A-
Corporate bonds	634,161	-	-	634,161	-	Aa3	AA-
Corporate bonds	552,913	-	-	252,775	300,138	A3	A-
Corporate bonds	713,467	-	-	713,467	-	A1	A+
Corporate bonds	255,458	-	-	255,458	-	A2	A+
Corporate bonds	313,590	-	-	-	313,590	Aa3	A
Corporate bonds	245,064	-	-	245,064	-	A1	AA-
Corporate bonds	299,880	-	299,880	-	-	Aa2	AA-
Corporate bonds	251,103	-	-	-	251,103	A1	A
Corporate bonds	257,301	-	257,301	-	-	Aa2	A+
Accrued interest (at cost)	113,105	-	-	-	-	N/A	N/A
Total capital account	<u>\$ 20,541,542</u>	<u>\$ 491,464</u>	<u>\$ 2,466,358</u>	<u>\$ 13,288,471</u>	<u>\$ 4,182,144</u>		

As of December 31, 2018, the Authority had the following investments, by account:

	Fair Value	Investment Maturities (in Years)				Moody's Rating	Standard & Poor's Rating
		Less Than 1	1 - 2	2 - 5	Greater Than 5		
Self-insurance account:							
U.S. agencies	\$ 1,161,750	\$ -	\$ 319,825	\$ 642,463	\$ 199,462	Aaa	AA+
U.S. treasury notes	3,315,036	123,528	392,524	1,568,396	1,230,588	N/A	N/A
Taxable municipal bonds	90,567	-	-	-	90,567	NR	AA+
Mutual funds	17,952	17,952	-	-	-	N/A	N/A
Corporate bonds	2,018,393	148,022	665,690	861,611	343,070	A	A
Corporate bonds	447,475	-	98,345	251,480	97,650	Aa	A
Corporate bonds	309,546	309,546	-	-	-	NR	A
Corporate bonds	362,996	362,996	-	-	-	A	AA
Corporate bonds	751,987	208,402	98,683	343,819	101,083	Aa	AA
Corporate bonds	58,954	-	58,954	-	-	A3	BBB+
Corporate bonds	63,581	-	-	-	63,581	Baa1	BBB+
Accrued interest (at cost)	43,298	-	-	-	-	N/A	N/A
Total self-insurance account	<u>\$ 8,641,535</u>	<u>\$ 1,170,446</u>	<u>\$ 1,634,021</u>	<u>\$ 3,667,769</u>	<u>\$ 2,126,001</u>		
Operating account:							
U.S. agencies	\$ 3,408,186	\$ 1,070,656	\$ 467,092	\$ 1,870,438	\$ -	Aaa	AA+
U.S. treasury notes	11,937,289	5,965,765	2,246,297	2,630,529	1,094,698	N/A	N/A
Mutual funds	1,475,316	1,475,316	-	-	-	N/A	N/A
Accrued interest (at cost)	52,086	-	-	-	-	N/A	N/A
Total operating account	<u>\$ 16,872,877</u>	<u>\$ 8,511,737</u>	<u>\$ 2,713,389</u>	<u>\$ 4,500,967</u>	<u>\$ 1,094,698</u>		
3/8-cent transit sales tax account:							
U.S. agencies	\$ 3,898,924	\$ 1,341,619	\$ 467,372	\$ 1,790,740	\$ 299,193	Aaa	AA+
U.S. treasury notes	13,630,501	2,579,866	740,750	8,116,161	2,193,724	N/A	N/A
Mutual funds	953,432	953,432	-	-	-	N/A	N/A
Accrued interest (at cost)	76,926	-	-	-	-	N/A	N/A
Total 3/8-cent transit sales tax account	<u>\$ 18,559,783</u>	<u>\$ 4,874,917</u>	<u>\$ 1,208,122</u>	<u>\$ 9,906,901</u>	<u>\$ 2,492,917</u>		



## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 2. Cash and Investments (Continued)

	Fair Value	Investment Maturities (in Years)				Moody's Rating	Standard & Poor's Rating
		Less Than 1	1 - 2	2 - 5	Greater Than 5		
Capital account:							
U.S. agencies	\$ 2,991,506	\$ -	\$ 294,999	\$ 2,098,121	\$ 598,386	Aaa	AA+
U.S. treasury notes	10,163,693	-	367,991	7,345,232	2,450,470	N/A	N/A
Taxable municipal bonds	320,229	-	320,229	-	-	NR	AA
Taxable municipal bonds	126,744	-	-	-	126,744	Aa1	AA+
Taxable municipal bonds	276,733	-	-	-	276,733	Aa2	AA-
Taxable municipal bonds	230,017	-	-	-	230,017	Aa2	AA+
Other	178,871	-	-	-	178,871	NR	NR
Mutual funds	54,138	54,138	-	-	-	N/A	N/A
Corporate bonds	5,358,958	296,043	1,258,804	1,931,936	1,872,175	A	A
Corporate bonds	839,465	-	295,035	251,480	292,950	Aa	A
Corporate bonds	218,027	218,027	-	-	-	A	AA
Corporate bonds	1,626,317	-	444,987	878,082	303,248	Aa	AA
Corporate bonds	196,514	-	196,514	-	-	A3	BBB+
Corporate bonds	220,092	-	-	-	220,092	Baa1	BBB+
Accrued interest (at cost)	115,734	-	-	-	-	N/A	N/A
Total capital account	<u>\$ 22,917,038</u>	<u>\$ 568,208</u>	<u>\$ 3,178,559</u>	<u>\$ 12,504,851</u>	<u>\$ 6,549,686</u>		

**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. Mutual 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 a minimum of \$2 million invested with a maximum average maturity of two years or less. 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, 2019 and 2018 ratings are listed in the above tables.

**Concentration of credit risk:** The Authority manages its concentration of credit risk by limiting the amount invested in GSE to 75% of its portfolio, with a maximum of 20% per issuer. The following investments were 5% or more of the Authority’s investments as of December 31, 2019:

Federal National Mortgage Association	\$ 5,019,255	10%
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## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 2. Cash and Investments (Continued)

The following investments were 5% or more of the Authority's investments as of December 31, 2018:

Federal Home Loan Bank Note	\$	3,584,109	5%
Federal National Mortgage Association		5,020,447	8

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, 2019, none of the Authority's bank balances with financial institutions was uninsured and uncollateralized. As of December 31, 2019, the Authority had \$51,069,478 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 \$371,069 of investments in mutual funds not exposed to custodial credit risk.

As of December 31, 2018, none of the Authority's bank balances with financial institutions was uninsured and uncollateralized. As of December 31, 2018, the Authority had \$64,490,395 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 \$2,500,838 of investments in mutual funds not exposed to custodial credit risk.

**Fair value measurements:** The Authority categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

**Level 1 input:** Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

**Level 2 input:** Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3 input:** Inputs that are unobservable for the asset or liability which are typically based upon the Authority's own assumptions as there is little, if any, related market activity.

**Hierarchy:** The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

**Inputs:** If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 2. Cash and Investments (Continued)

For the Authority, the following fair value techniques were utilized in measuring the fair value of its investments:

**Corporate bonds:** These investments are reported at fair value based on evaluation using market sources and integrating relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.

**U.S. treasury notes and mutual funds:** These investments are reported at fair value based on quoted market prices obtained from exchanges.

**U.S. Government agency securities:** U.S. Government securities are reported at fair value based on bullet (noncall) spread scale for each issuer for maturities going out to 40 years. These spreads represent credit risk and are obtained from the new issue market, secondary trading, and dealer quotes.

**Municipal bonds:** These investments are reported at fair value based on trades, bid price or spread, two-sided markets, quotes, benchmark curves, including but not limited to, treasury benchmarks and LIBOR and swap curves, market data feeds such as MSRB, financial statements, discount rate, capital rates and trustee reports.

An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. Final spreads are added to a U.S. Treasury curve. A cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes.

The Authority has no assets reported at fair value on a nonrecurring basis and no other investments meeting the fair value disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 72.

	Fair Value Measurement Using			
	Fair Value at December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level securities:				
U.S. agencies	\$ 9,396,587	\$ -	\$ 9,396,587	\$ -
U.S. treasury notes	28,538,185	28,538,185	-	-
Mortgage	-	-	-	-
Taxable municipal bonds	1,694,009	-	1,694,009	-
Corporate bonds	11,440,697	-	11,440,697	-
Mutual funds	371,069	-	371,069	-
Total securities	\$ 51,440,547	\$ 28,538,185	\$ 22,902,362	\$ -

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 2. Cash and Investments (Continued)

	Fair Value Measurement Using			
	Fair Value at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level securities:				
U.S. agencies	\$ 11,460,366	\$ -	\$ 11,460,366	\$ -
U.S. treasury notes	39,046,519	39,046,519	-	-
Mortgage	178,871	-	178,871	-
Taxable municipal bonds	1,044,290	-	1,044,290	-
Corporate bonds	12,472,305	-	12,472,305	-
Mutual funds	2,500,838	2,500,838	-	-
Total securities	<u>\$ 66,703,189</u>	<u>\$ 41,547,357</u>	<u>\$ 25,155,832</u>	<u>\$ -</u>

**Salaried employee pension trust fund:** UMB, N.A. has discretionary authority concerning the purchases of investments in the Salaried Plan subject to the overall investment policy guidelines as approved by the Board of Commissioners.

**Investment valuation and income recognition:** Investments are recorded at fair value, except for money market funds, which are recorded at amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

# Kansas City Area Transportation Authority

## Notes to Basic Financial Statements

### Note 2. Cash and Investments (Continued)

As of December 31, 2019 and 2018, the Salaried Plan had the following investments. Those equity investments that represent 5% or more of the Salaried Plan's net position are presented separately. All corporate bonds are presented separately.

Investment Type	2019			2018		
	Balance	Moody's Rating	Standard & Poor's Rating	Balance	Moody's Rating	Standard & Poor's Rating
Common Stock	\$ 8,140,362	N/A	N/A	\$ 5,597,995	N/A	N/A
Mutual Funds:						
Equity Funds:						
Vanguard Developed Markets	1,360,411	N/A	N/A	1,152,825	N/A	N/A
Vanguard Institutional Index	1,266,642	N/A	N/A	1,174,536	N/A	N/A
Other equity funds	4,581,218	N/A	N/A	3,985,479	N/A	N/A
	<u>7,208,271</u>			<u>6,312,840</u>		
Debt Funds	<u>384,461</u>	Not Rated	Not Rated	<u>595,174</u>	Not Rated	Not Rated
Corporate Bonds:						
Altria Group Inc.	51,818	A3	BBB	51,102	A3	BBB
Ameriprise	125,799	A3	A	128,179	A3	A
Apple Inc.	102,297	Aa1	AA+	98,886	Aa1	AA+
BB&T Corporation	-	-	-	29,791	A2	A-
Bank America Corp	127,442	A2	A-	122,896	A2	A-
Carnival Corp Sr NT	101,499	A3	A-	101,289	A3	A-
FHLMC Corp	36,594	Aaa	AA+	-	-	-
FNMA Corp	29,050	Aaa	AA+	-	-	-
Goldman Sachs Group Inc. Medium Term	166,645	A3	BBB+	157,482	A3	BBB+
GNMA Pass-thru X Platinum	14,703	Aaa	AA+	21,677	Aaa	AA+
Home Depot Inc.	102,753	A2	A	102,985	A2	A
JPMorgan Chase & Co Sr	-	-	-	73,907	A2	A-
JPMorgan Chase & Co	134,798	A2	A-	51,058	A2	A-
Lilly Eli & Co Nt	101,290	A2	A+	98,209	A2	A+
Macys	75,694	Baa3	BBB-	-	-	-
Masco Corp	31,029	Baa3	BBB	-	-	-
Mastercard Inc.	104,360	A1	A+	-	-	-
Microsoft Corp NT	106,459	Aaa	AAA	102,976	Aaa	AAA
Morgan Stanley	107,645	A3	A+	-	-	-
Pepsico Inc. Sr	103,186	A1	A+	100,041	A1	A+
Salesforce	130,028	A3	A	125,642	A3	A-
US Bancorp Mtns BK Ent	126,983	A1	A+	123,101	A1	A+
Walmart	102,173	Aa2	AA	97,493	Aa2	AA
Walt Disney Co	101,492	A2	A	97,121	A2	A+
Wells Fargo & Co New Medium Term Sr	77,454	A2	A-	74,750	A2	A-
	<u>2,161,191</u>			<u>1,758,585</u>		
U.S. Agencies:						
Federal Home Loan	96,767	Aaa	AA+	227,175	Aaa	AA+
Federal Home Loan Mortgage Corporation	-	-	-	241,118	Aaa	AA+
Federal National Mortgage Association	26,045	Aaa	AA+	40,316	Aaa	AA+
Government National Mortgage Association	1,122	Aaa	AA+	28,888	Aaa	AA+
	<u>123,934</u>			<u>537,497</u>		
U.S. Treasury	1,624,665	NA	NA	1,516,424	NA	NA
Municipal Bonds	50,244	A1	AA	49,993	A1	AA
Federated Funds Group Government Obligations	713,256	NA	NA	767,016	NA	NA
	<u>\$ 20,406,384</u>			<u>\$ 17,135,524</u>		

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 2. Cash and Investments (Continued)

**Interest rate risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer maturity of an investment means the greater the sensitivity of its fair value to changes in market interest rates. The Salaried 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 Salaried Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Salaried 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.

Security Description	December 31, 2019					Fair Value Hierarchy
	Balance	Investment Maturities (in Years)			Greater Than 10	
		Less Than 1	1-5	6-10		
Investments reported at fair value:						
Common stock	\$ 8,140,362	\$ -	\$ -	\$ -	\$ -	1
Mutual funds:						
Equity funds	7,208,271	-	-	-	-	1
Debt funds	384,461	-	-	-	-	1
Corporate bonds	2,161,191	227,298	1,490,416	443,477	-	2
U.S. agencies	123,934	1,122	86,310	-	36,502	2
Municipal bonds	50,244	50,244	-	-	-	2
U.S. Treasury	1,624,665	-	1,527,041	97,624	-	1
Investments reported at amortized cost:						
Money market fund	713,256	-	-	-	-	N/A
	<u>\$ 20,406,384</u>	<u>\$ 278,664</u>	<u>\$ 3,103,767</u>	<u>\$ 541,101</u>	<u>\$ 36,502</u>	

Security Description	December 31, 2018					Fair Value Hierarchy
	Balance	Investment Maturities (in Years)			Greater Than 10	
		Less Than 1	1-5	6-10		
Investments reported at fair value:						
Common stock	\$ 5,597,995	\$ -	\$ -	\$ -	\$ -	1
Mutual funds:						
Equity funds	6,312,840	-	-	-	-	1
Debt funds	595,174	-	-	-	-	1
Corporate bonds	1,758,585	-	1,758,585	-	-	2
U.S. agencies	537,497	-	414,374	81,204	41,919	2
Municipal bonds	49,993	-	49,993	-	-	2
U.S. Treasury	1,516,424	-	1,260,945	255,479	-	1
Investments reported at amortized cost:						
Money market fund	767,016	-	-	-	-	N/A
	<u>\$ 17,135,524</u>	<u>\$ -</u>	<u>\$ 3,483,897</u>	<u>\$ 336,683</u>	<u>\$ 41,919</u>	

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### 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, 2019 and 2018 ratings are listed on the previous page. It is the Salaried Plan's policy that purchases of individual fixed income assets and bond mutual funds must be rated A3/A- or better by one major credit rating agency.

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

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

Mutual funds may be used for these asset classes. The policy places no limit on the amount the Salaried 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, 2019 and 2018, 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 Salaried Plan. The equity funds, debt funds, U.S. Treasury and money market funds are not exposed to custodial credit risk. The Salaried Plan's investments during the years ended December 31, 2019 and 2018 did not differ significantly from these at the respective year-ends in amounts or level of risk.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 2. Cash and Investments (Continued)

**Union employee pension trust fund:** All of the Union Plan's investments are in common collective trusts, which are measured at net asset value and not assigned a level in the fair value hierarchy.

As of December 31, 2019 and 2018, the Union Plan had the following investments. All funds within the common collective trust are presented separately.

Investment Type	2019			2018		
	Fair Value	Moody's Rating	Standard & Poor's Rating	Fair Value	Moody's Rating	Standard & Poor's Rating
Investments measured at net asset value:						
Common collective trusts:						
Russell Multi Mgr Bond Fund	\$ 20,969,685	Not rated	Not rated	\$ 14,686,989	Not rated	Not rated
Russell Short Term Investment Fund	5,640	Not rated	Not rated	3,704	Not rated	Not rated
Russell Multi Asset Core Fund	31,894,773	Not rated	Not rated	32,574,038	Not rated	Not rated
	<u>\$52,870,098</u>			<u>\$47,264,731</u>		

The following table sets forth additional disclosures of the Union Plan's investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2019 and 2018:

Investment	Fair Value at December 31		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2019	2018			
Common collective trusts (A)	<u>\$ 52,870,098</u>	<u>\$ 47,264,731</u>	\$ -	Quarterly	None

(A) These funds aim to generate consistent absolute returns by investing in assets with a diversified group of investment managers through managed account structures.

**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, 2019 and 2018, ratings are listed in the table above. The Union Plan does not have a policy for credit risk.

**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. The Union 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. The investments in the common collective trusts are not subject to interest rate risk given they have no maturity dates.

**Concentration of credit risk:** The Union Plan's investment policy is to apply the prudent-person rule: Investments shall be made with the 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 Union Plan's policy that the portfolio should be well diversified in an attempt to reduce the overall risk of the portfolio.



## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 2. Cash and Investments (Continued)

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

At December 31, 2019 and 2018, the Union Plan's common collective trusts were uninsured investments, but the securities were held by the counterparty's trust department or agent in the name of the Union Plan. The Union Plan's investments during the years ended December 31, 2019 and 2018, 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 RideKC Freedom 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 amounts of local funding income from the City for the years ended December 31, 2019 and 2018 were \$63,372,247 and \$59,055,152, respectively. Local operating funding for the years ended December 31, 2019 and 2018 was approximately 85% and 83% of the total operating grants and funding, respectively.

Federal operating funding is comprised of the following:

	2019	2018
Formula grants used for Fixed Transit operations	\$ 9,728,356	\$ 10,110,939
Formula grants used for RideKC Freedom operations	2,653,552	2,941,992
	<u>\$ 12,381,908</u>	<u>\$ 13,052,931</u>

As of December 31, 2019 and 2018, amounts due from the federal government were as follows:

	2019	2018
Fixed Transit expenditures	\$ 2,687,522	\$ 6,517,687
RideKC Freedom expenditures	589,737	402,770
	<u>\$ 3,277,259</u>	<u>\$ 6,920,457</u>

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 4. Capital Assets

A summary of changes in capital assets for the year ended December 31, 2019 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and rights-of-way	\$ 12,991,155	\$ 723,104	\$ 4,700	\$ 13,709,559
Capital projects in progress	16,615,132	36,685,460	12,956,798	40,343,794
Total capital assets not being depreciated	29,606,287	37,408,564	12,961,498	54,053,353
Capital assets being depreciated:				
Buildings and improvements	65,421,117	-	-	65,421,117
Revenue equipment	108,089,588	8,736,685	3,953,164	112,873,109
Other equipment and structures	62,417,123	654,555	327,595	62,744,083
Office furniture and equipment	5,424,165	696,583	-	6,120,748
Total capital assets being depreciated	241,351,993	10,087,823	4,280,759	247,159,057
Less accumulated depreciation for:				
Buildings and improvements	39,904,762	1,892,113	-	41,796,875
Revenue equipment	56,378,035	8,387,330	3,938,026	60,827,339
Other equipment and structures	48,428,332	2,757,188	302,476	50,883,044
Office furniture and equipment	4,915,929	372,893	-	5,288,822
Total accumulated depreciation	149,627,058	13,409,524	4,240,502	158,796,080
Total capital assets being depreciated, net	91,724,935	(3,321,701)	40,257	88,362,977
Total capital assets, net	\$ 121,331,222	\$ 34,086,863	\$ 13,001,755	\$ 142,416,330

A summary of changes in capital assets for the year ended December 31, 2018 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and rights-of-way	\$ 12,209,641	\$ 850,725	\$ 69,211	\$ 12,991,155
Capital projects in progress	10,925,355	37,234,933	31,545,156	16,615,132
Total capital assets not being depreciated	23,134,996	38,085,658	31,614,367	29,606,287
Capital assets being depreciated:				
Buildings and improvements	65,698,717	76,328	353,928	65,421,117
Revenue equipment	92,402,521	25,494,228	9,807,161	108,089,588
Other equipment and structures	58,432,572	4,089,279	104,728	62,417,123
Office furniture and equipment	5,720,403	286,298	582,536	5,424,165
Total capital assets being depreciated	222,254,213	29,946,133	10,848,353	241,351,993
Less accumulated depreciation for:				
Buildings and improvements	38,335,276	1,922,237	352,751	39,904,762
Revenue equipment	58,767,431	7,303,496	9,692,892	56,378,035
Other equipment and structures	46,047,077	2,485,983	104,728	48,428,332
Office furniture and equipment	5,220,914	277,548	582,533	4,915,929
Total accumulated depreciation	148,370,698	11,989,264	10,732,904	149,627,058
Total capital assets being depreciated, net	73,883,515	17,956,869	115,449	91,724,935
Total capital assets, net	\$ 97,018,511	\$ 56,042,527	\$ 31,729,816	\$ 121,331,222

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 5. Long-Term Liabilities

A summary of long-term liability transactions for the year ended December 31, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Compensated absences	\$ 4,806,594	\$ 3,553,162	\$ 4,052,737	\$ 4,307,019	\$ 3,864,716
Self insurance claims	4,650,442	1,685,219	2,547,277	3,788,384	1,244,000
Total long-term liabilities	<u>\$ 9,457,036</u>	<u>\$ 5,238,381</u>	<u>\$ 6,600,014</u>	<u>\$ 8,095,403</u>	<u>\$ 5,108,716</u>

A summary of long-term liability transactions for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Compensated absences	\$ 5,084,510	\$ 3,180,827	\$ 3,458,743	\$ 4,806,594	\$ 3,545,081
Self insurance claims	5,582,559	1,753,961	2,686,078	4,650,442	2,961,870
Total long-term liabilities	<u>\$ 10,667,069</u>	<u>\$ 4,934,788</u>	<u>\$ 6,144,821</u>	<u>\$ 9,457,036</u>	<u>\$ 6,506,951</u>

#### Note 6. Restrictions and Designations of Assets

The following is a summary of restrictions and designations of assets as of December 31, 2019 and 2018:

	2019	2018
Restricted assets—cash and investments used for the purchase of capital assets and long-term operating purposes	\$ 33,240,650	\$ 43,446,962
Designated assets—cash and investments used for the payment of self insurance claims	7,268,856	7,878,186
Designated assets—cash and investments used for long-term operating liabilities	9,108,714	16,872,877
Total restricted and designated assets	<u>\$ 49,618,220</u>	<u>\$ 68,198,025</u>

#### Note 7. Pension Plans

As a result of the adoption of GASB Statement No. 84, *Fiduciary Activities*, the beginning net position of the fiduciary fund was restated, to include the Union Employees Pension Plan. The effect on the financial statements are as follows:

	2018 Previously Presented	Restatement	2018 Restated
Total assets	\$ 17,230,481	\$ 47,590,586	\$ 64,821,067
Total liabilities	23,141	178,510	201,651
Fiduciary net position	17,207,340	47,412,076	64,619,416
Total additions	249,110	1,490,255	1,739,365
Total deductions	1,408,975	3,936,227	5,345,202
Change in fiduciary net position	(1,159,865)	(2,445,972)	(3,605,837)
Fiduciary net position, beginning of year	18,367,205	49,858,048	68,225,253

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 7. Pension Plans (Continued)

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

Plan information is as follows:

Below is a summary of amounts reported by the Authority as of and for the year ended December 31, 2019:

	Union Plan	Salaried Plan	Total
Net pension liability	\$ 16,563,722	\$ 2,503,123	\$ 19,066,845
Deferred outflows of resources	2,595,254	1,917,898	4,513,152
Deferred inflows of resources	(4,014,096)	(2,104,329)	(6,118,425)
Pension expense	3,307,769	1,395,737	4,703,506

Below is a summary of amounts reported by the Authority as of and for the year ended December 31, 2018:

	Union Plan	Salaried Plan	Total
Net pension liability	\$ (21,117,622)	\$ (6,360,820)	\$ (27,478,442)
Deferred outflows of resources	6,156,278	3,802,981	9,959,259
Deferred inflows of resources	(2,376,768)	-	(2,376,768)
Pension expense	3,619,548	1,929,522	5,549,070

#### Union Employees' Funded Pension Plan:

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

**Basis of accounting:** The Union Plan's financial information is prepared on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. The Authority's contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Administrative costs of the Union Plan are financed through investment earnings.

The following represents the Union Plan's membership as of January 1, 2019 and 2018:

	2019	2018
Active employees	543	493
Retirees and beneficiaries currently receiving benefits	224	230
Terminated employees entitled to benefits but not yet receiving them	17	27
	<u>784</u>	<u>750</u>

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 7. Pension Plans (Continued)

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

The Authority is required to contribute, per the terms of the Union labor agreement, (1) 7.50% of eligible wages per active participant for each week of credited service and (2) an actuarially calculated recommended contribution amount covering the difference between the 7.50% and the calculation. The Authority is required to pay the higher of the 7.50% or the calculation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
RITC Multi-Asset Core Fund	60%	6.75%
RITC Multi-Manager Bond Fund	40%	4.05%

Common collective trusts may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer.

**Rate of return:** For the years ended December 31, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.13% and -4.01%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net pension liability:** The total pension liability was determined using an actuarial valuation date of January 1, 2019 using generally accepted actuarial principals and methods. The Authority is utilizing December 31, 2019 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements. Standard update procedures were used to roll forward the total pension liability to December 31, 2019.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 7. Pension Plans (Continued)

A schedule of the Authority's changes in its net pension liability for the Union Plan for the years ended December 31, 2019 and 2018 is as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	\$ 66,969,584	\$ 49,858,048	\$ 17,111,536
Changes for the year:			
Service cost	2,109,637	-	2,109,637
Interest on total pension liability	4,556,580	-	4,556,580
Differences between expected and actual experience	(1,290,395)	-	(1,290,395)
Contributions- employer	-	2,550,097	(2,550,097)
Contributions- employee	-	1,223,924	(1,223,924)
Net investment loss	-	(1,983,833)	1,983,833
Benefit payments	(3,815,708)	(3,815,708)	-
Administrative expense	-	(375,704)	375,704
Other changes	-	(44,748)	44,748
Net changes	1,560,114	(2,445,972)	4,006,086
Balances at December 31, 2018	68,529,698	47,412,076	21,117,622
Changes for the year:			
Service cost	2,330,904	-	2,330,904
Interest on total pension liability	4,766,860	-	4,766,860
Differences between expected and actual experience	(670,910)	-	(670,910)
Changes in assumptions	47,506	-	47,506
Contributions- employer	-	2,663,317	(2,663,317)
Contributions- employee	-	1,233,911	(1,233,911)
Net investment income	-	7,525,490	(7,525,490)
Benefit payments	(5,525,218)	(5,525,218)	-
Administrative expense	-	(394,458)	394,458
Other changes	-	-	-
Net changes	949,142	5,503,042	(4,553,900)
Balances at December 31, 2019	\$ 69,478,840	\$ 52,915,118	\$ 16,563,722

Plan fiduciary net position as a percentage of the

total pension liability:	
2019	76.16%
2018	69.18

**Actuarial assumptions:** The total pension liability in the January 1, 2019 actuarial valuation was determined using mortality rates based on the PubG-2010 mortality table, projected generationally with 75% of scale MP-2019. The actuary used a 7.00% long-term rate of return, and salary increases of 4.25%.

**Discount rate:** The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan contributions from both employees and the employer will be made at the current contribution rates as determined annually by the Pension Committee in effect on the measurement date: (a) employee contribution rate of 3.75% of annual compensation; (b) employer contribution rate of the greater of 7.5% or the actuarially determined amounts per the actuarial valuation report; and (c) administrative expenses in the prior year projected forward with inflation as an estimate for administrative expenses in the current and future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 7. Pension Plans (Continued)

**Sensitivity of the Authority's net pension liability to changes in the discount rate:** The following presents the Authority's net pension liability calculated using the discount rate of 7.0% for 2019 and 2018, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability—2019	\$ 25,070,211	\$ 16,563,722	\$ 9,333,006
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability—2018	\$ 27,531,369	\$ 21,117,622	\$ 15,603,906

**Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:** For the years ended December 31, 2019 and 2018, the Authority recognized pension expense of \$3,307,769 and \$3,619,548, respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Union Plan from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ -	\$ (2,473,971)	\$ -	\$ (2,376,768)
Changes of assumptions	2,595,254	-	3,115,900	-
Net difference between projected and actual earnings on pension plan investments	-	(1,540,125)	3,040,378	-
Total deferred amounts to be recognized in pension expense in future periods	\$ 2,595,254	\$ (4,014,096)	\$ 6,156,278	\$ (2,376,768)

**Note:** Changes of assumptions—In the January 1, 2019 actuarial valuation, the mortality rates were updated to reflect the PubG-2010 tables, resulting in a \$47,506 increase in the total pension liability.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 7. Pension Plans (Continued)

Deferred inflows and outflows of resources related to the difference between expected and actual plan experience and assumption changes are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period as of the beginning of the measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:		
2020	\$	(494,578)
2021		(437,306)
2022		230,532
2023		(590,172)
2024		(116,867)
Thereafter		(10,451)
	\$	<u>(1,418,842)</u>

#### Salaried Employees' Pension Plan:

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

**Basis of accounting:** The Salaried Plan's financial information is prepared on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. The Authority's contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Administrative costs of the Salaried Plan are financed through investment earnings.

The following represents the Salaried Plan's membership as of January 1, 2019 and 2018:

	2019	2018
Active employees	106	103
Retirees and beneficiaries currently receiving benefits	53	55
Terminated employees entitled to benefits but not yet receiving them	13	13
	<u>172</u>	<u>171</u>



## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 7. Pension Plans (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	30%	3.50%
Mid Cap Domestic Equity	11%	3.50%
Small Cap Domestic Equity	8%	4.00%
International Equity	16%	6.00%
Fixed income	32%	0.00%
US Treasuries	3%	0.00%

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

**Rate of return:** For the years ended December 31, 2019 and 2018, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was 21.53% and -6.05% respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net pension liability:** The total pension liability was determined using an actuarial valuation date of January 1, 2019 using generally accepted actuarial principals and methods. The Authority is utilizing December 31, 2019 as its measurement date for reporting its net pension liability and related deferred inflows/outflows in their financial statements. Standard update procedures were used to roll forward the total pension liability to December 31, 2019.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

#### Note 7. Pension Plans (Continued)

A schedule of the Authority's changes in its net pension liability for the Salaried Plan for the years ended December 31, 2019 and 2018 is as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	\$ 22,312,212	\$ 18,367,205	\$ 3,945,007
Changes for the year:			
Service cost	695,574	-	695,574
Interest on total pension liability	1,515,929	-	1,515,929
Differences between expected and actual experience	379,181	-	379,181
Contributions- employer	-	1,312,552	(1,312,552)
Net investment loss	-	(1,110,631)	1,110,631
Benefit payments	(1,334,736)	(1,334,736)	-
Administrative expense	-	(74,239)	74,239
Other changes	-	47,189	(47,189)
Net changes	1,255,948	(1,159,865)	2,415,813
Balances at December 31, 2018	23,568,160	17,207,340	6,360,820
Changes for the year:			
Service cost	613,725	-	613,725
Interest on total pension liability	1,634,915	-	1,634,915
Differences between expected and actual experience	(836,714)	-	(836,714)
Changes in assumptions	(361,892)	-	(361,892)
Contributions- employer	-	1,264,022	(1,264,022)
Net investment income	-	3,673,717	(3,673,717)
Benefit payments	(1,651,901)	(1,651,901)	-
Administrative expense	-	(123,577)	123,577
Other changes	-	93,569	(93,569)
Net changes	(601,867)	3,255,830	(3,857,697)
Balances at December 31, 2019	\$ 22,966,293	\$ 20,463,170	\$ 2,503,123

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

2019	89.10%
2018	73.01

**Actuarial assumptions:** The total pension liability in the January 1, 2019 actuarial valuation was determined using mortality rates based on the PubG-2010 mortality table, projected generationally with 75% of Scale MP-2019. The actuary used a 7.0% long-term rate of return, and salary increases of 4.00%.

**Discount rate:** The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. The projection also assumed employee contributions were none. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Kansas City Area Transportation Authority**

**Notes to Basic Financial Statements**

**Note 7. Pension Plans (Continued)**

**Sensitivity of the Authority's net pension liability to changes in the discount rate:** The following presents the Authority's net pension liability calculated using the discount rate of 7.0% for 2019 and 2018, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability—2019	\$ 4,999,347	\$ 2,503,123	\$ 355,227
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability—2018	\$ 8,419,153	\$ 6,360,820	\$ 4,575,148

**Pension expense and deferred outflows of resources related to pensions:** For the years ended December 31, 2019 and 2018, the Authority recognized pension expense of \$1,395,737 and \$1,929,522, respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Salaried Plan pension from the following sources:

	2019		2018
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual plan experience	\$ 1,083,446	\$ (717,186)	\$ 1,426,879
Changes of assumptions	834,452	(310,194)	1,027,159
Net difference between projected and actual earnings on pension plan investments	-	(1,076,949)	1,348,943
Total deferred amounts to be recognized in pension expense in future periods	<u>\$ 1,917,898</u>	<u>\$ (2,104,329)</u>	<u>\$ 3,802,981</u>

**Note:** Changes of assumptions—In the January 1, 2019 actuarial valuation, the mortality rates were updated to reflect the PubG-2010 tables, resulting in a \$361,892 decrease in the total pension liability.

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 7. Pension Plans (Continued)

Deferred outflows of resources related to the difference between expected and actual plan experience and assumption changes are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period as of the beginning of the measurement period. Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:		
2020	\$	91,392
2021		76,111
2022		198,663
2023		(280,265)
2024		(101,102)
Thereafter		(171,230)
	<u>\$</u>	<u>(186,431)</u>

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

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

**Plan description:** The Authority's defined benefit OPEB plan, a single-employer health care plan, provides the same medical and pharmacy benefits to active employees as it does to eligible early retirees and their spouses. The plan is administered by the Authority and the Authority has the authority to establish or amend the plan provisions or contribution requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

**Benefits provided:** 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.

**Contributions:** The Authority establishes and amends contribution requirements. Currently, retirees less than age 65 pay 10% of active premium rates, while the Authority contributes 90%. Retirees equal to or greater than age 65 pay 100% of the premium rates. Spouses pay 100% 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.

**Employees covered by benefit terms:** At January 1, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees currently receiving benefits	358	360
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	651	698
	<u>1,009</u>	<u>1,058</u>

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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

**Total OPEB liability:** The Authority's total OPEB liability of \$20,728,508 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019.

**Actuarial methods and assumptions:** The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.5%
Discount rate	2.74%—measurement date
	4.10%—year preceding measurement date
Health care cost trend rates	14.79% decreasing to 6.0%
Retirees' share of benefit-related costs	10%
Mortality rates	Pub-2010 General Employees Headcount-Weighted Mortality (SOA Scale MP-2019)

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate.

#### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of December, 2017	\$ 12,944,396
Changes for the year:	
Service cost	849,282
Interest	433,714
Changes in assumptions or other inputs	(688,874)
Difference between actual and expected experience	(7,871)
Contributions and payments made	(672,842)
Net changes	(86,591)
Balance as of December, 2018	12,857,805
Changes for the year:	
Service cost	1,534,359
Interest	522,031
Changes in assumptions or other inputs	2,843,634
Difference between actual and expected experience	3,730,809
Contributions and payments made	(760,130)
Net changes	7,870,703
Balance as of December 31, 2019	\$ 20,728,508

Note: Changes of assumptions—The discount rate was changed from 4.10% at the beginning of the year to 2.74% at the end of the year, the actuarial method changed from *Projected Unit Credit* to *Entry-Age-Normal as a Percentage of Salary*, mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2017 to Pub-2010 General Employees Headcount-Weighted Mortality (SOA Scale MP-2019), and the medical trend rate was updated to reflect actual experience. This resulted in a \$2,843,634 increase in the total OPEB liability.

**Kansas City Area Transportation Authority**

**Notes to Basic Financial Statements**

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

**Sensitivity of the total OPEB liability to changes in the discount rate:** The following presents the total OPEB liability of the Authority, as well as what the Authority's approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	2019		
	1% Decrease 1.74%	Discount Rate 2.74%	1% Increase 3.74%
Total OPEB liability	\$ 22,324,133	\$ 20,728,508	\$ 19,191,735

  

	2018		
	1% Decrease 3.10%	Discount Rate 4.10%	1% Increase 5.10%
Total OPEB liability	\$ 13,823,242	\$ 12,857,805	\$ 11,983,626

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:** The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (13.79% decreasing to 5%) or 1-percentage-point higher (15.79% decreasing to 7%) than the current healthcare cost trend rates:

	2019		
	(13.79% Decreasing to 5.00%)	Health Care Cost Trend Rates (14.79% Decreasing to 6.00%)	(15.79% Decreasing to 7.00%)
Total OPEB liability	\$ 18,191,731	\$ 20,728,508	\$ 23,667,879

  

	2018		
	(6.87% Decreasing to 4.00%)	Health Care Cost Trend Rates (7.87% Decreasing to 5.00%)	(8.87% Decreasing to 6.00%)
Total OPEB liability	\$ 11,518,608	\$ 12,857,805	\$ 14,441,389

**Kansas City Area Transportation Authority**

**Notes to Basic Financial Statements**

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

**OPEB expense and deferred inflows of resources related to OPEB:** For the years ended December 31, 2019 and 2018, the Authority recognized OPEB expense of \$2,829,719 and \$1,188,985, respectively. At December 31, 2019 and 2018, the Authority reported and deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,238,618	\$ (5,747)	\$ (6,809)
Changes of assumptions or other inputs	2,468,484	(502,976)	(595,925)
	\$ 5,707,102	\$ (508,723)	\$ (602,734)

Amounts reported as the deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average remaining service lives of plan participants (actives and retirees) as follows:

Years ending December 31:	
2020	\$ 773,330
2021	773,330
2022	773,330
2023	773,330
2024	773,330
Thereafter	1,331,729
	\$ 5,198,379

**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 \$2,000,000 per occurrence 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. Claims did not exceed coverage for the year ended December 31, 2019, and for each of the past three fiscal years.

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 2019 and 2018 are as follows:

	2019	2018
Beginning balance	\$ 4,650,442	\$ 5,582,559
Claims expense	1,685,219	1,753,961
Claims payments and adjustments	(2,547,277)	(2,686,078)
Ending balance	\$ 3,788,384	\$ 4,650,442

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### **Note 9. Risk Management (Continued)**

The Authority has established a Board-designated cash and investment 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 \$8,310,391 and \$7,878,186 as of December 31, 2019 and 2018, respectively.

In addition to these designated assets, the Authority maintains a letter of credit, which has been renewed through 2020, as collateral for the payment of self-insurance claims. As of December 31, 2019 and 2018, the amount available to the Authority on this letter of credit was \$1,506,000 and \$1,372,000, respectively. There were no draws on the letter of credit in fiscal years 2019 and 2018.

The excess of designated assets available for payment of these claims over the recorded liability was \$4,522,007 and \$3,227,744 as of December 31, 2019 and 2018, respectively.

#### **Note 10. Deferred Compensation Plan**

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

#### **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, 2019:**

The Authority has committed to purchase the following:

- 1) \$492,199 in construction projects;
- 2) \$13,986,092 for property/casualty insurance and employee health insurance/benefits;
- 3) \$166,924 legal services;
- 4) \$1,695,729 miscellaneous materials;
- 5) \$7,631,394 in services;
- 6) \$3,973,220 in Software subscriptions and annual maintenance agreements; and
- 7) \$3,517,388 for equipment,

KCATA's legal services and A&E Professional Services are procured on an "as needed" basis with an annual "not to exceed" contract amount.



## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 11. Commitments and Contingencies (Continued)

**Rock Island Railroad Corridor Project:** The Authority and Jackson County, Missouri have forged a partnership for the acquisition and public use of the 17.7 mile railroad corridor running from near the Truman Sports Complex through Raytown and into Lee's Summit into southern Jackson County (the County).

Jackson County will be constructing a shared use pathway for walking/biking for transportation purposes. The Authority will study the appropriate future transit option for the corridor as well as TOD (Transit Oriented Development) opportunities for economic development at key location along the corridor.

The Rock Island Corridor was purchased from Union Pacific for \$52 million by the County in partnership with the Authority with annual debt service for the cost of acquisition funded on 50/50 basis. The funding agreement requires the Authority to reimburse the County for 50% of the annual debt service payment of approximately \$1.4 million each year for 30 years through 2046.

Key dates for the project:

- September 2015 the Authority and the County enter into a Cooperative Agreement for funding the purchase of Rock Island.
- April 2016 Jackson Legislature approves issuance of Bonds to purchase the Corridor.
- May 2016 Jackson County closes the purchase transaction.
- January 2017 the County and the Authority enter a Cooperative Agreement for the Maintenance and Operations of the RIRR Corridor.
- June 2019 Jackson County holds Trail ribbon cutting ceremony to open southern leg of the Trail.

Under Section 8 of the Cooperative Agreement approved by the Authority Board on September 30, 2015:

The Authority retains the exclusive right to purchase the rail corridor ROW excluding the Trail for purposes of constructing and operating a Multi-Modal Corridor Project. Should County bonds issued for the purchase be outstanding at the time purchase occurs, the Authority will assume responsibility of that outstanding debt.

At this time, there are no plans to exercise this option in the near future.

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

**Prospect MAX Bus Rapid Transit (BRT) Project:** The Authority, in partnership with the City of Kansas City, Missouri, is implementing a plan for enhanced transit service along Kansas City's Prospect Avenue corridor. The ten-mile Prospect Avenue Corridor is a key urban commercial arterial and residential street that parallels US 71. Prospect MAX will operate along 11th and 12th Streets into the downtown area and connect with the downtown Streetcar line. The two new mobility hubs will include options like paratransit connections, bikeshare, scooters and connections to other local routes.

Benefits of MAX service

- Improved faster service with fewer stops
- Improved streets and sidewalks
- 10-minute service intervals
- Enhanced passenger stations with attractive, well-lit shelters
- New technologies

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### Note 11. Commitments and Contingencies (Continued)

##### Key Dates

- August 2015 FTA Approval for Entry into Project Development
- April 2017 KCATA / City of Kansas City, Missouri cooperative agreement signed
- April 2017 Environmental Clearance
- April 2018 FTA Single Year Grant Agreement Executed
- November 2019 Complete Construction (All construction except 12<sup>th</sup> and Charlotte Transit Center scheduled to open in June 2020)
- December 2019 Begin Prospect MAX BRT Service

Project costs for the Prospect MAX is estimated to be \$55.8 million, with \$38 million in Federal funds and \$17.8 million in local matching funds (\$12.5 million from KCMO and \$5.3 million from KCATA.) Capital improvements include 48 new MAX stations, two transit centers, 12 BRT compressed natural gas (CNG) buses and pedestrian safety and access improvements such as new sidewalk and pedestrian traffic signal upgrades.

#### Note 12. RideKC Development Corporation Blended Component Unit

Presented below is the RideKC Development Corporation summarized financial statements as of and for the year ending December 31, 2019:

##### Condensed Statement of Net Position as of December 31, 2019

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Assets, current assets	\$ 1,470,050
Noncurrent assets, land	461,050
Total assets	<u>1,931,100</u>
Current liabilities, accounts payable	8,456
Noncurrent liabilities, due to the Authority - Fixed Transit	2,038,910
Total liabilities	<u>2,047,366</u>
Net position (deficit)	<u>\$ (116,266)</u>

##### Condensed Statement of Revenue, Expenses and Changes in Net Position For the Year Ended December 31, 2019

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Operating revenue	\$ -
Operating expense	117,852
Operating loss	<u>(117,852)</u>
Nonoperating revenues	<u>1,586</u>
Change in net position	(116,266)
Net position, beginning of the year	-
Net position (deficit), end of the year	<u>\$ (116,266)</u>

## Kansas City Area Transportation Authority

### Notes to Basic Financial Statements

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#### **Note 13. 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. 87, *Leases 2017*, issued June 2017, will be effective for the Authority beginning with its fiscal year ending December 31, 2020. Statement No. 87 is designed to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the Authority beginning with its fiscal year ending December 31, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

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

#### **Note 14. Subsequent Events**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively affect the Authority's operations, suppliers or other vendors, as well as intergovernmental entities and citizens it collects fees from. The operations for the Authority's services could be negatively impacted by the regional and global outbreak of COVID-19, including the potential for stop-work orders on existing construction projects for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Authority's operations, or that of its suppliers and vendors, may adversely affect the Authority's revenues, ability to provide its services and operating results. In addition, a significant outbreak of an epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Authority operates, resulting in an economic downturn that could affect demand for services. As of the date of this report, management believes COVID-19 has not had any such impact on the Authority's financial statements or operations. The extent to which COVID-19 may affect the Authority's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

**Kansas City Area Transportation Authority**

**Required Supplementary Information—Salaried Employees Pension Plan  
Schedule of Changes in Net Pension Liability  
For the Last Six Fiscal Years**

	2019	2018
<b>Total Pension Liability</b>		
Service cost	\$ 613,725	\$ 695,574
Interest on total pension liability	1,634,915	1,515,929
Difference between expected and actual experience	(836,714)	379,181
Changes in assumptions	(361,892)	-
Benefit payments including refunds of member contributions	(1,651,901)	(1,334,736)
<b>Net change in total pension liability</b>	<b>(601,867)</b>	1,255,948
Total pension liability, beginning of year	23,568,160	22,312,212
Total pension liability, end of year	<u>\$ 22,966,293</u>	<u>\$ 23,568,160</u>
<b>Plan Fiduciary Net Position</b>		
Contributions, employer	\$ 1,264,022	\$ 1,312,552
Contributions, employee	-	-
Net investment income (loss)	3,673,717	(1,110,631)
Benefit payments including refunds of member contributions	(1,651,901)	(1,334,736)
Administrative expenses	(123,577)	(74,239)
Other (transfers)	93,569	47,189
<b>Net change in plan fiduciary net position</b>	<b>3,255,830</b>	(1,159,865)
Plan fiduciary net position, beginning of year	17,207,340	18,367,205
Plan fiduciary net position, end of year	<u>\$ 20,463,170</u>	<u>\$ 17,207,340</u>
<b>Net Pension Liability</b>	<u>\$ 2,503,123</u>	<u>\$ 6,360,820</u>

Information prior to 2014 is unavailable.

	2017	2016	2015	2014
\$	554,860	\$ 471,547	\$ 398,735	\$ 393,564
	1,466,353	1,375,401	1,349,207	1,267,046
	877,084	890,536	65,236	-
	903,754	-	636,032	-
	(2,045,437)	(1,022,654)	(995,727)	(1,547,409)
	1,756,614	1,714,830	1,453,483	113,201
	20,555,598	18,840,768	17,387,285	17,274,084
\$	22,312,212	\$ 20,555,598	\$ 18,840,768	\$ 17,387,285
\$	1,256,289	\$ 754,000	\$ 750,000	\$ 860,445
	-	-	-	-
	2,558,624	1,060,105	94,531	925,775
	(2,045,437)	(1,022,654)	(995,727)	(1,547,409)
	(70,560)	(28,313)	(39,208)	(31,415)
	181,749	113,455	41,178	27,314
	1,880,665	876,593	(149,226)	234,710
	16,486,540	15,609,947	15,759,173	15,524,463
\$	18,367,205	\$ 16,486,540	\$ 15,609,947	\$ 15,759,173
\$	3,945,007	\$ 4,069,058	\$ 3,230,821	\$ 1,628,112

**Kansas City Area Transportation Authority**

**Required Supplementary Information—Union Employees Pension Plan  
Schedule of Changes in Net Pension Liability  
For the Last Six Fiscal Years**

	2019	2018
<b>Total Pension Liability</b>		
Service cost	\$ 2,330,904	\$ 2,109,637
Interest on total pension liability	4,766,860	4,556,580
Difference between expected and actual experience	(670,910)	(1,290,395)
Changes in assumptions	47,506	-
Benefit payments including refunds of member contributions	(5,525,218)	(3,815,708)
<b>Net change in total pension liability</b>	<b>949,142</b>	<b>1,560,114</b>
Total pension liability, beginning of year	<b>68,529,698</b>	66,969,584
Total pension liability, end of year	<b>\$ 69,478,840</b>	<b>\$ 68,529,698</b>
<b>Plan Fiduciary Net Position</b>		
Contributions, employer	\$ 2,663,317	\$ 2,550,097
Contributions, employee	1,233,911	1,223,924
Net investment income (loss)	7,525,490	(1,983,833)
Benefit payments including refunds of member contributions	(5,525,218)	(3,815,708)
Administrative expenses	(394,458)	(375,704)
Other (transfers)	-	(44,748)
<b>Net change in plan fiduciary net position</b>	<b>5,503,042</b>	<b>(2,445,972)</b>
Plan fiduciary net position, beginning of year	<b>47,412,076</b>	49,858,048
Plan fiduciary net position, end of year	<b>\$ 52,915,118</b>	<b>\$ 47,412,076</b>
<b>Net Pension Liability</b>	<b>\$ 16,563,722</b>	<b>\$ 21,117,622</b>

Information prior to 2014 is unavailable.

	2017	2016	2015	2014
\$	1,996,043	\$ 1,894,701	\$ 1,823,167	\$ 1,657,267
	4,522,438	4,524,248	4,483,228	4,199,534
	(193,109)	(1,896,192)	(77,383)	-
	2,868,379	-	1,676,801	-
	(4,957,070)	(4,151,286)	(3,796,329)	(3,882,725)
	4,236,681	371,471	4,109,484	1,974,076
	62,732,903	62,361,432	58,251,948	56,277,872
\$	66,969,584	\$ 62,732,903	\$ 62,361,432	\$ 58,251,948
\$	2,322,232	\$ 2,530,180	\$ 2,436,703	\$ 2,490,987
	1,172,264	1,138,310	1,103,227	1,083,747
	6,655,989	3,453,539	(677,912)	2,463,634
	(4,957,070)	(4,151,286)	(3,796,329)	(3,882,574)
	(363,175)	(333,039)	(77,356)	(62,062)
	(181,749)	(113,455)	(61,563)	(27,314)
	4,648,491	2,524,249	(1,073,230)	2,066,418
	45,209,557	42,685,308	43,758,538	41,692,120
\$	49,858,048	\$ 45,209,557	\$ 42,685,308	\$ 43,758,538
\$	17,111,536	\$ 17,523,346	\$ 19,676,124	\$ 14,493,410

**Kansas City Area Transportation Authority**

**Required Supplementary Information—Salaried Employees Pension Plan  
Schedule of Net Pension Liability and Related Ratios  
For the Last Six Fiscal Years**

	<b>2019</b>	2018
Total pension liability, end of year	<b>\$ 22,966,293</b>	\$ 23,568,160
Plan fiduciary net position, end of year	<b>20,463,170</b>	17,207,340
<b>Net pension liability</b>	<b><u>\$ 2,503,123</u></b>	<b><u>\$ 6,360,820</u></b>
Plan fiduciary net position as a percentage of the total pension liability	<b>89.10%</b>	73.01%
Covered payroll	<b>\$ 8,704,522</b>	\$ 8,728,639
Net pension liability as a percentage of covered payroll	<b>28.76%</b>	72.87%

Information prior to 2014 is unavailable.



2017	2016	2015	2014
\$ 22,312,212	\$ 20,555,598	\$ 18,840,768	\$ 17,387,285
18,367,205	16,486,540	15,609,947	15,759,173
<u>\$ 3,945,007</u>	<u>\$ 4,069,058</u>	<u>\$ 3,230,821</u>	<u>\$ 1,628,112</u>
82.32%	80.20%	82.85%	90.64%
\$ 7,902,132	\$ 6,795,068	\$ 6,076,318	\$ 5,761,978
49.92%	59.88%	53.17%	28.26%

**Kansas City Area Transportation Authority**

**Required Supplementary Information—Union Employees Pension Plan  
Schedule of Net Pension Liability and Related Ratios  
For the Last Six Fiscal Years**

	<b>2019</b>	2018
Total pension liability, end of year	<b>\$ 69,478,840</b>	\$ 68,529,698
Plan fiduciary net position, end of year	<b>52,915,118</b>	47,412,076
<b>Net pension liability</b>	<b><u>\$ 16,563,722</u></b>	<b><u>\$ 21,117,622</u></b>
Plan fiduciary net position as a percentage of the total pension liability	<b>76.16%</b>	69.18%
Covered payroll	<b>\$ 32,400,450</b>	\$ 32,198,194
Net pension liability as a percentage of covered payroll	<b>51.12%</b>	65.59%

Information prior to 2014 is unavailable.

2017	2016	2015	2014
\$ 66,969,584	\$ 62,732,903	\$ 62,361,432	\$ 58,251,948
49,858,048	45,209,557	42,685,308	43,758,538
<u>\$ 17,111,536</u>	<u>\$ 17,523,346</u>	<u>\$ 19,676,124</u>	<u>\$ 14,493,410</u>
74.45%	72.07%	68.45%	75.12%
\$ 30,963,093	\$ 30,780,779	\$ 28,631,221	\$ 27,122,786
55.26%	56.93%	68.72%	53.44%

**Kansas City Area Transportation Authority**

**Required Supplementary Information—Pension Plans  
Schedule of Employer Contributions  
For the Last Ten Fiscal Years**

**Salaried Employees Pension Plan**

Year Ended December 31,	Annual Recommended Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$ 854,001	\$ 860,000	\$ (5,999)	\$ 6,145,730	13.99%
2011	806,145	900,000	(93,855)	6,235,887	14.43
2012	881,559	900,000	(18,441)	6,344,517	14.19
2013	860,445	945,000	(84,555)	6,005,404	15.74
2014	748,911	860,445	(111,534)	5,761,978	14.93
2015	793,573	750,000	43,573	6,076,318	12.34
2016	931,915	754,000	177,915	6,795,068	11.10
2017	1,226,529	1,256,289	(29,760)	7,902,132	15.90
2018	1,312,552	1,312,552	-	8,728,639	15.04
2019	1,264,022	1,264,022	-	8,704,522	14.52

**Union Employees Pension Plan**

Year Ended December 31,	Annual Recommended Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$ 2,370,772	\$ 2,062,572	\$ 308,200	\$ 27,712,152	7.44%
2011	2,441,900	2,051,196	390,704	28,258,875	7.26
2012	2,348,733	2,090,240	258,493	27,573,796	7.58
2013	2,161,149	2,050,024	111,125	26,890,312	7.62
2014	2,210,419	2,490,987	(280,568)	27,122,786	9.18
2015	2,436,703	2,436,703	-	28,631,221	8.51
2016	2,530,180	2,530,180	-	30,780,779	8.22
2017	2,322,232	2,322,232	-	30,963,093	7.50
2018	2,550,097	2,550,097	-	32,198,194	7.92
2019	2,663,317	2,663,317	-	32,400,450	8.22

The information presented in the required supplementary schedules was determined as part of the January 1, 2019 actuarial valuation. Additional information follows:

	Salaried Employees Pension Plan	Union Employees Pension Plan
1. Cost method	Entry age normal	Entry age normal
2. Long-term rate of return	7.0%	7.0%
3. Salary increases	4.0%	4.25%
4. Amortization method	Level dollar, Closed	Level amount, Open
5. Remaining amortization period	15 years	30 years

**Kansas City Area Transportation Authority**

**Required Supplementary Information—Pension Plans  
Schedule of Investment Returns  
For the Last Six Fiscal Years**

**Salaried Employees Pension Plan**

	<b>2019</b>	2018	2017
Annual money-weighted rate of return, net of investment expense	<b>21.53%</b>	(6.05)%	15.68%
	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	6.91%	1.00%	6.16%

**Union Employees Pension Plan**

	<b>2019</b>	2018	2017
Annual money-weighted rate of return, net of investment expense	<b>16.13%</b>	(4.01)%	15.17%
	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	8.18%	(1.60)%	5.95%

Information prior to 2014 is unavailable.

**Kansas City Area Transportation Authority**

**Required Supplementary Information**

**Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios**

	2019	2018
<b>Total OPEB liability</b>		
Service cost	\$ 1,534,359	\$ 849,282
Interest	522,031	433,714
Changes of benefit terms	-	-
Differences between expected and actual experience	3,730,809	(7,871)
Changes of assumptions or other inputs	2,843,634	(688,874)
Benefit payments	<u>(760,130)</u>	<u>(672,842)</u>
<b>Net change in total OPEB liability</b>	<b>7,870,703</b>	<b>(86,591)</b>
Total OPEB liability—beginning	<u>12,857,805</u>	12,944,396
Total OPEB liability—ending	<u><u>\$ 20,728,508</u></u>	<u><u>\$ 12,857,805</u></u>
Covered payroll	<b>36,918,225</b>	39,471,554
Total OPEB liability as a percentage of covered payroll	<b>56.15%</b>	32.57%

*Changes of assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.44%
2018	4.10%
2019	2.74%

Assumption changes in 2019 - in addition to the above discount rate change, the actuarial method changed from the Projected *Unit Credit* to *Entry-Age-Normal as a Percentage of Salary*, the mortality assumption changed to the *Pub-2010 General Employees Headcount-Weighted Mortality (SOA Scale MP-2019)*.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Kansas City Area Transportation Authority**

**Combining Schedule of Net Position  
December 31, 2019**

	Fixed Transit	RideKC Freedom	RideKC Development	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 6,163,872	\$ -	\$ 1,462,718	\$ 7,626,590
Intercompany	2,811,000	(772,090)	(2,038,910)	-
Accounts receivable	450,162	8,922	-	459,084
Due from other governments:				
Local governments	853,119	99,682	-	952,801
State governments	288,880	123,690	-	412,570
Federal government	2,687,522	589,737	-	3,277,259
Materials and supplies	1,540,125	-	-	1,540,125
Prepaid expenses and other assets	1,344,225	-	7,332	1,351,557
Designated cash and investments	1,244,000	-	-	1,244,000
<b>Total current assets</b>	<b>17,382,905</b>	<b>49,941</b>	<b>(568,860)</b>	<b>16,863,986</b>
Noncurrent assets:				
Restricted cash and investments	33,240,650	-	-	33,240,650
Designated cash and investments	15,133,570	-	-	15,133,570
Capital assets:				
Land and other nondepreciable assets	53,592,303	-	461,050	54,053,353
Other depreciable capital assets, net of depreciation	88,362,977	-	-	88,362,977
<b>Total noncurrent assets</b>	<b>190,329,500</b>	<b>-</b>	<b>461,050</b>	<b>190,790,550</b>
<b>Total assets</b>	<b>207,712,405</b>	<b>49,941</b>	<b>(107,810)</b>	<b>207,654,536</b>
Deferred outflows of resources:				
OPEB related amounts	5,707,102	-	-	5,707,102
Pension related amounts	4,513,152	-	-	4,513,152
<b>Total deferred outflows of resources</b>	<b>\$ 10,220,254</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,220,254</b>

See note to other supplementary information.

	Fixed Transit	RideKC Freedom	RideKC Development	Total
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 6,621,615	\$ 25,000	\$ 8,456	\$ 6,655,071
Accrued liabilities:				
Payroll and benefits	2,193,668	-	-	2,193,668
Compensated absences	3,842,650	22,066	-	3,864,716
Other	7,202	-	-	7,202
Liabilities payable from designated assets:				
Public liability and property damage	536,000	-	-	536,000
Workers' compensation claims	708,000	-	-	708,000
Unearned revenue	1,163,187	-	-	1,163,187
Due to other governments	1,106,844	-	-	1,106,844
<b>Total current liabilities</b>	<b>16,179,166</b>	<b>47,066</b>	<b>8,456</b>	<b>16,234,688</b>
Noncurrent liabilities:				
Liabilities payable from designated assets:				
Public liability and property damage	793,302	-	-	793,302
Workers' compensation claims	1,751,082	-	-	1,751,082
Total OPEB liability	20,728,508	-	-	20,728,508
Net pension liability	19,066,845	-	-	19,066,845
Compensated absences	439,778	2,525	-	442,303
<b>Total noncurrent liabilities</b>	<b>42,779,515</b>	<b>2,525</b>	<b>-</b>	<b>42,782,040</b>
<b>Total liabilities</b>	<b>58,958,681</b>	<b>49,591</b>	<b>8,456</b>	<b>59,016,728</b>
Deferred inflows of resources:				
OPEB related amounts	508,723	-	-	508,723
Pension related amounts	6,118,425	-	-	6,118,425
<b>Total deferred inflows of resources</b>	<b>6,627,148</b>	<b>-</b>	<b>-</b>	<b>6,627,148</b>
<b>Net position</b>				
Investment in capital assets	141,955,280	-	461,050	142,416,330
Restricted, capital and operating purposes	33,240,650	-	-	33,240,650
Unrestricted (deficit)	(22,849,100)	350	(577,316)	(23,426,066)
<b>Total net position</b>	<b>\$ 152,346,830</b>	<b>\$ 350</b>	<b>\$ (116,266)</b>	<b>\$ 152,230,914</b>



**Kansas City Area Transportation Authority**

**Combining Schedule of Revenues, Expenses and Changes in Net Position  
Year Ended December 31, 2019**

	Fixed Transit	RideKC Freedom	RideKC Development	Total
<b>Operating revenues:</b>				
Passenger	\$ 7,756,198	\$ 1,273,700	\$ -	\$ 9,029,898
Charter and stadium express	86,295	-	-	86,295
Advertising	414,072	-	-	414,072
<b>Total operating revenues</b>	<b>8,256,565</b>	<b>1,273,700</b>	<b>-</b>	<b>9,530,265</b>
<b>Operating expenses:</b>				
Transportation	39,763,450	11,708,663	-	51,472,113
Maintenance	25,661,457	-	-	25,661,457
Public liability and property damage claims	980,269	-	-	980,269
General and administrative	21,085,629	1,321,447	117,852	22,524,928
Depreciation and amortization expense	13,409,524	-	-	13,409,524
<b>Total operating expenses</b>	<b>100,900,329</b>	<b>13,030,110</b>	<b>117,852</b>	<b>114,048,291</b>
<b>Operating loss</b>	<b>(92,643,764)</b>	<b>(11,756,410)</b>	<b>(117,852)</b>	<b>(104,518,026)</b>
<b>Nonoperating revenues (expenses):</b>				
<b>Operating funding:</b>				
Local governments	63,476,427	9,019,167	-	72,495,594
State government	329,504	82,236	-	411,740
Federal government	9,728,356	2,653,552	-	12,381,908
Federal grant revenue received for subrecipients	2,170,380	-	-	2,170,380
Federal funds passed through to subrecipients	(2,170,380)	-	-	(2,170,380)
Federal grant revenue, received on behalf of others	3,311,243	-	-	3,311,243
Federal funds spent on behalf of others	(3,311,243)	-	-	(3,311,243)
Federal grant revenue received for project	4,202,524	-	-	4,202,524
Federal funds passed through for project	(4,202,524)	-	-	(4,202,524)
Investment income	3,146,093	-	1,586	3,147,679
Debt service reimbursement to Jackson County	(1,401,722)	-	-	(1,401,722)
Gain on disposition of capital assets	164,510	-	-	164,510
Rental and other nonoperating income	1,686,973	1,455	-	1,688,428
<b>Total nonoperating revenues</b>	<b>77,130,141</b>	<b>11,756,410</b>	<b>1,586</b>	<b>88,888,137</b>
<b>Decrease in net position before capital funding</b>	<b>(15,513,623)</b>	<b>-</b>	<b>(116,266)</b>	<b>(15,629,889)</b>
Capital related grants and funding	26,630,317	-	-	26,630,317
<b>Change in net position</b>	<b>11,116,694</b>	<b>-</b>	<b>(116,266)</b>	<b>11,000,428</b>
Net position, beginning of year	141,230,136	350	-	141,230,486
Net position, end of year	<b>\$ 152,346,830</b>	<b>\$ 350</b>	<b>\$ (116,266)</b>	<b>\$ 152,230,914</b>

See note to other supplementary information.

**Kansas City Area Transportation Authority**

**Combining Schedule of Fiduciary Net Position—Pension Trust Funds  
December 31, 2019**

	Salaried	Union	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 100,443	\$ -	\$ 100,443
Investments:			
Common stock	8,140,362	-	8,140,362
Equity funds	7,208,271	-	7,208,271
U.S. agencies	123,934	-	123,934
Debt funds	384,461	-	384,461
Corporate bonds	2,161,191	-	2,161,191
U.S. treasury	1,624,665	-	1,624,665
Municipal bonds	50,244	-	50,244
Money market	713,256	-	713,256
Common collective trusts	-	52,870,098	52,870,098
<b>Total investments</b>	<u>20,406,384</u>	<u>52,870,098</u>	<u>73,276,482</u>
Other receivables	-	228,720	228,720
<b>Total assets</b>	<u>20,506,827</u>	<u>53,098,818</u>	<u>73,605,645</u>
<b>Liabilities</b>			
Accrued administrative expenses	43,657	183,700	227,357
<b>Fiduciary net position restricted for         pension benefits held in trust</b>	<u>\$ 20,463,170</u>	<u>\$ 52,915,118</u>	<u>\$ 73,378,288</u>

See note to other supplementary information.

**Kansas City Area Transportation Authority**

**Combining Schedule of Changes in Fiduciary Net Position—Pension Trust Funds  
Year Ended December 31, 2019**

	Salaried	Union	Total
<b>Additions:</b>			
Employer contributions	\$ 1,264,022	\$ 2,663,317	\$ 3,927,339
Participant contributions	-	1,233,911	1,233,911
	<u>1,264,022</u>	<u>3,897,228</u>	<u>5,161,250</u>
 Transfer from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan	 93,569	 -	 93,569
<b>Investment income:</b>			
Net appreciation of fair value of investments, net of investment expense	3,153,127	7,525,490	10,678,617
Interest and dividends	520,590	-	520,590
<b>Total investment earnings</b>	<u>3,673,717</u>	<u>7,525,490</u>	<u>11,199,207</u>
Less investment expense	33,690	117,047	150,737
<b>Net investment income</b>	<u>3,640,027</u>	<u>7,408,443</u>	<u>11,048,470</u>
 <b>Total additions</b>	 <u>4,997,618</u>	 <u>11,305,671</u>	 <u>16,303,289</u>
<b>Deductions:</b>			
Benefits paid to participants	1,651,901	5,525,218	7,177,119
Administrative expenses	89,887	277,411	367,298
<b>Total deductions</b>	<u>1,741,788</u>	<u>5,802,629</u>	<u>7,544,417</u>
 <b>Net increase</b>	 <u>3,255,830</u>	 <u>5,503,042</u>	 <u>8,758,872</u>
<b>Net position held in trust for pension benefits:</b>			
Beginning of year	<u>17,207,340</u>	<u>47,412,076</u>	<u>64,619,416</u>
 End of year	 <u>\$ 20,463,170</u>	 <u>\$ 52,915,118</u>	 <u>\$ 73,378,288</u>

See note to other supplementary information.

## Kansas City Area Transportation Authority

### Note to Other Supplementary Information

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

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

**RideKC Freedom:** This operating division accounts for the activities of the Authority's para-transit program, which is primarily devoted to the transport of elderly and disabled Americans.

**RideKC Development Corporation:** A not-for-profit corporation formed to promote and facilitate transit-oriented development in the Kansas City metropolitan area.

