



## Board of Director's Meeting Agenda

**Meeting Date/Time:** February 20, 2025 - 6:30pm – 9:00pm

**Location:** Ann Arbor District Library (4<sup>th</sup> Floor)

Virtual attendance available via [Zoom](#) Passcode: 983308

**Members:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Julie Grand, Susan Pollay, Kyra Sims

Agenda Item	Info Type	Details	Page #
<b>1. OPENING ITEMS</b>			
1.1 Approve Agenda	D	Mozak	
1.2 Public Comment	O		
1.3 General Announcements	O		
<b>2. CONSENT AGENDA</b>			
2.1 Board Meeting Minutes January 23, 2025	D		3
2.2 Committee Meeting Summaries	D		11
<b>3. EMERGENT ITEMS</b>			
3.1 Audit Presentation and Vote to Receive	D	Reed/Plante Moran	18
<b>4. OWNERSHIP LINKAGE</b>			
4.1 Ownership Linkage Task Force Updates	O	Chang	Verbal
<b>5. MONITORING</b>			
5.1 Board Management Delegation (4.0-4.4)	M	Mozak	20
<b>6. POLICY DEVELOPMENT</b>			
6.1 Policy Language Discussion (if needed)	O	Mozak	Verbal
6.2 Policy Language Recommendation (2.1.2 & 2.1.3.1)	D	Miller	33
6.3 Board Annual Plan of Work	D	Mozak	35
<b>7. BOARD EDUCATION / DISCUSSION</b>			
7.1 Innovation and Trends	O	Carpenter	39
<b>8. OPERATIONAL UPDATES</b>			
8.1 FY25 Q1 Financial Report	O	Reed	60
8.2 CEO Report	O	Carpenter	64
8.3 Legislative Updates	O	Carpenter/Pfeifer	Verbal
<b>9. CLOSING ITEMS</b>			
9.1 Action Item Recap	O	Holt	
9.2 Topics for Next Meeting FY25 Q1 Service Report Global Executive Limitations (2.0) Financial Conditions & Activities (2.5) Cash & Investments (2.6) Board Annual Plan of Work Future: Determining Reasonableness Ridership and Coverage		Thursday, March 20, 2025	
9.3 Public Comment	O		
9.4 Adjournment			

\* M = Monitoring, D = Decision Preparation, O = Other

***If additional policy development is desired:***

Discuss in Board Agenda Item 3.0 Policy Monitoring and Development. It may be appropriate to assign a committee or task force to develop policy language options for board to consider at a later date.

**Emergent Topics**

Policy 3.1.3 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.” Policy 3.1.3.1 specifies that that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

1. What is the nature of the issue? Is the issue within the scope of the agency?
2. What is the value [principle] that drives the concern?
3. Whose issue is this? Is it the Board’s [Policy, 3.0 and 4.0] or the CEO’s [running the organization, 1.0 and 2.0]?
4. Is there already a Board policy that adequately covers the issue? If so, what has the Board already said on this subject and how is this issue related?  
Does the Board wish to change what it has already said?

## Board of Director’s Meeting Minutes

**Meeting Date/Time:** January 23, 2025 - 6:30pm – 9:00pm

**Location:** Riverside Arts Center – 76 N. Huron Street, Ypsilanti, MI (4<sup>th</sup> Floor)

Virtual attendance available via Zoom

**Members Present:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Julie Grand, Susan Pollay, Kyra Sims

**Members Absent:** Mike Allemang (Excused)

Chairwoman Mozak called the meeting to order at 6:30pm

Agenda Item
<b>1. OPENING ITEMS</b>
<p><b>1.1 Approve Agenda</b></p> <p>No additions or changes noted to the agenda.</p> <p>Mr. Chang motioned to approve the agenda, seconded by Mr. Allen.</p> <p>No discussion on the motion.</p> <p>All in favor of approving the agenda:</p> <ul style="list-style-type: none"> <li>Mr. Chris Allen: Yes</li> <li>Mr. Simi Barr: Yes</li> <li>Mr. Rich Chang: Yes</li> <li>Ms. Julie Grand: Yes</li> <li>Mr. Jesse Miller: Yes</li> <li>Ms. Susan Pollay: Yes</li> <li>Ms. Kyra Sims: Yes</li> <li>Chairwoman Kathleen Mozak: Yes</li> </ul> <p>The motion to approve the agenda passed unanimously</p>
<p><b>1.2 Public Comment</b></p> <p>Robert Pawlowski commented on the SEMCOG data used within the Ends monitoring report and questioned if the data was skewed as not all parts of Washtenaw County are within the service area. He asked it to be clarified to shore more accurate data.</p>
<p><b>1.3 General Announcements</b></p> <p>Chairwoman Mozak shared that the Audit Task-Force would be meeting in early February. She also shared that Monica Ross-Williams – Ypsilanti Township representative – had resigned. Chairwoman Mozak thanked her for time served on the Board.</p>

## 2. CONSENT AGENDA

### 2.1 Board Meeting Minutes December 19, 2024

### 2.2 Committee Meeting Summaries

### 2.3 FY 2026 State Application Resolution (Required Approvals)

Mr. Miller motioned to accept the Consent Agenda, seconded by Ms. Pollay.

No discussion on the motion.

All in favor of accepting the Consent Agenda:

Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Ms. Julie Grand: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to accept the Consent Agenda passed unanimously.

## 3. OWNERSHIP LINKAGE

### 3.1 Ownership Linkage Task Force Updates

Mr. Chang provided the Board with an update on OLTF meetings. In January they had met with representatives from Ypsilanti Township. In February, they will be meeting with representatives from the City of Ypsilanti.

## 4. MONITORING

### 4.1 Ends Monitoring Report

The Ends Monitoring Report was introduced and discussed at the December Board meeting and committees were given the opportunity for additional review before a final vote on the report.

Mr. Miller shared that the Service Committee had a thorough discussion on policies 1.1 and 1.3 and the reasonableness of the CEO interpretations. The Ends policies will be discussed and reviewed in 2025 and specific questions about policy language can be deferred until the review has taken place.

Mr. Allen shared that the Finance Committee had reviewed the Ends Monitoring Report and found it to be satisfactory with no recommended changes or feedback.

No other Board member input was received.

Mr. Allen motioned to accept the Ends (Policy 1.0) monitoring report as *(A) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations* seconded by Ms. Sims

There was no discussion on the motion.

All in favor of accepting Ends (Policy 1.0) monitoring report as (A):

Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Ms. Julie Grand: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to accept the Ends (Policy 1.0) monitoring report as (A) *a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations*, passed unanimously.

## 5. POLICY DEVELOPMENT

### 5.1 Policy Language Discussion (if needed)

The Board will be reviewing the Ends Monitoring Report in detail in the upcoming year and Board members agreed that any policy language questions or concerns would be brought forth at the time of the review.

### 5.2 Policy Language Recommendation (2.1.3)

Mr. Miller shared that the Service Committee had been tasked with reviewing the language of policy 2.1.3 to determine if the policy should focus on safety outcomes rather than training inputs.

Original policy language:

*2.1.3 (CEO shall not)...Operate without established and enforceable standards for customer service and the safety of the public including pedestrians, cyclists and other road users.*

The committee recommended proposed revised language to change the policy to:

*2.1.3 CEO shall not operate in a manner that jeopardizes the safety of the traveling public.*

Ms. Grand motioned to accept the proposed revised language for policy 2.1.3, seconded by Mr. Chang.

There was no discussion on the motion.

All in favor of accepting the proposed revised language for policy 2.1.3:

Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Ms. Julie Grand: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to accept the proposed revised language for policy 2.1.3 passed unanimously.

The Board Policy Manual will be updated to reflect the revision.

### **5.3 Board Annual Plan of Work**

Board members reviewed the 2024 work plan and discussed potential additions for the creation of a 2025 work plan. Members emphasized the importance of understanding community trends and how they impact ridership and coverage.

After a robust discussion, the draft work plan is as follows:

#### Policy Topics / Decisions

Ends Review  
Sustainability  
Determining Reasonableness  
Ownership Value / Affordability & Property Taxes

#### Education Topics

Funding (Federal, State, Local / POSA's)  
Ridership / Coverage (Title VI, Equity)  
Post Pandemic Ridership Trends  
UM2050  
Land Use  
AI

Chairwoman Mozak concluded the discussion noting that Board members would have time to reflect on the draft work plan before it is brought forward for a vote at the February Board meeting.

### **5.4 Frequency of Monitoring Reports Proposal**

Mr. Carpenter shared a proposed amendment to Appendix A of the Policy Manual with changes to the frequency of some monitoring reports. Some monitoring reports will change from annual monitoring to every two years.

Mr. Chang motioned to accept the proposed updates to the frequency of monitoring reports, seconded by Ms. Sims.

There was discussion on the motion after which Mr. Chang revised his motion to accept the proposed updates with an adjustment to Policy 2.11 which will remain annually monitored, seconded by Ms. Grand.

There was no discussion on the revised motion.

All in favor of accepting the proposed updates to the frequency of monitoring reports with an adjustment to Policy 2.11 which will remain annually monitored:

Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Ms. Julie Grand: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to accept the proposed updates to the frequency of monitoring reports, with an adjustment to Policy 2.11 which will remain annually monitored, passed unanimously.

The Board Policy Manual will be updated.

## 6. BOARD EDUCATION / DISCUSSION

### 6.1 Low-No Update

Ms. Reed shared an update with the Board related to the Now-No Grant and recent Executive Orders affecting federal funding disbursements. Board members expressed concerns related to the impact on manufacturers, the supply chain and the ability to purchase buses. Ms. Reed noted that staff are continuing to work on obligating the funds and are monitoring the situation closely. She will be providing updates to keep the Board informed about any policy changes.

### 6.2 Procurement Manual Change Notification

Ms. Whitlow and Ms. Flagler presented an update on procurement manual changes ([January 23, 2025, Board of Director's meeting packet page 89](#)) as required within the Board policies manual. Updates included: an increase to purchase approval thresholds for managers went from \$15k to \$20k and an increase of \$25 to \$200 for petty cash. The changes are in alignment with other internal process improvements which will be reflected in the updated Procurement Manual.

## 7. OPERATIONAL UPDATES

### 7.1 CEO Report

Mr. Carpenter shared information on the arrival of new Gillig buses with 6 more waiting to be completed. The organization also recently donated several old buses to Jackson Transit Authority. He also shared a follow up to Board questions about the planning of a potential Senior millage at the county level and noted that he will continue to provide the Board updates on the status of that millage planning process.

## 8. EMERGENT ITEMS

No emergent items noted.

## 9. CLOSING ITEMS

### 9.1 Action Item Recap

- Staff will be purchasing copies of the book "Human Transit" for Board members
- Mr. Chang will be compiling data on polling locations within the service area for Board members
- Work plan topic suggestions will be compiled – further discussion at February Board meeting

## **9.2 Topics for Next Meeting**

FY25 Q1 Financial Report  
Global Executive Limitations (2.0)  
Financial Conditions & Activities (2.5)  
Board Annual Plan of Work  
Procurement Manual Update Notification  
Future:  
Determining Reasonableness

## **9.3 Public Comment**

Robert Pawlowski spoke of the concern about federal funding and the need for local funding strategies – such as tourism taxes or funding from local universities - that would support operations and projects. He also spoke of the importance of long-term planning and called for a proactive approach to future funding challenges to ensure the sustainability of transit operations.

## **9.4 Adjournment**

Mr. Miller motioned to adjourn the meeting seconded by Mr. Chang.

There was no discussion on the motion.

All in favor of adjourning the meeting:

Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Ms. Julie Grand: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to adjourn the meeting passed unanimously.

Chairwoman Mozak adjourned the meeting at 9:43pm

Respectfully Submitted by Deborah Hol



**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE  
ANN ARBOR AREA TRANSPORTATION AUTHORITY  
THE APPROVED RESOLUTION OF INTENT TO APPLY FOR STATE  
FORMULA OPERATING ASSISTANCE FOR FISCAL YEAR 2026 UNDER  
ACT 51 OF THE PUBLIC ACTS OF 1951, AS AMENDED**

WHEREAS, pursuant to Act 51 of the Public Acts of 1951, as amended (Act 51), it is necessary for the Ann Arbor Area Transportation Authority (AAATA) established under Act 55 of 1955 to provide a local transportation program for the state fiscal year of 2026 and, therefore, apply for state financial assistance under provisions of Act 51; and

WHEREAS, it is necessary for the AAATA, to name an official representative for all public transportation matters, who is authorized to provide such information as deemed necessary by the State Transportation Commission or department for its administration of Act 51; and

WHEREAS, it is necessary to certify that no changes in eligibility documentation have occurred during the past state fiscal year; and

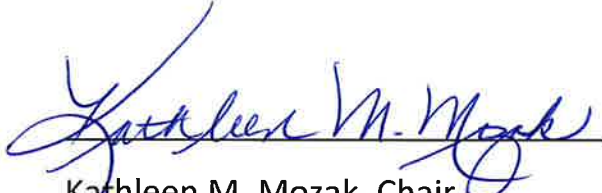
WHEREAS, the performance indicators for this agency have been reviewed and approved by the governing body; and

WHEREAS, the AAATA, has reviewed and approved the proposed balanced budget and funding sources of estimated federal funds \$35,466,213, estimated state funds \$26,945,433, estimated local funds \$49,350,872, with total estimated expenses of \$111,762,518.

NOW THEREFORE, be it resolved that the AAATA hereby makes its intentions known to provide public transportation services and to apply for state financial assistance with this annual plan, in accordance with Act 51; and

HEREBY, appoints Matthew Carpenter as the Transportation Coordinator, for all public transportation matters, who is authorized to provide such information as

deemed necessary by the State Transportation Commission or department for its administration of Act 51 for 2026.



Kathleen M. Mozak, Chair

January 23, 2025

I, Jesse Miller, Secretary of AAATA, having custody of the records of the proceedings of AAATA, do hereby certify that I have compared this resolution adopted by AAATA at the meeting of January 23, 2025, with the original minutes now on file and of record in the office and that this resolution is true and correct.

**IN TESTIMONY WHEREOF**, I have here unto set my hand and affixed seal of said AAATA this 23<sup>rd</sup> day of January 2025.



Jesse Miller, Secretary

## Governance Committee Meeting Notes

**Meeting Date/Time:** Thursday, January 30, 2025 – 3:00 – 5:00pm

**Members Present:** Kathleen Mozak (Chair), Mike Allemang, Jesse Miller, Rich Chang

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Jeff Pfeifer, Deb Holt

**Location:** REMOTE – Via Zoom

Chairwoman Mozak called the meeting to order at 3:00pm

Agenda Item
<b>1. OPENING ITEMS</b>
<p><b>1.1 Agenda (Additions, Approval)</b></p> <p>Mr. Allemang requested the addition of the discussion of developing federal government changes and impacts. Chairwoman Mozak noted the addition of DC Updates would be placed under Emergent Items. She also noted that 3.1 Determining Reasonableness would be deferred to a future meeting. Mr. Chang also requested the addition of Monitoring Report Worksheet Template be added after agenda item 3.3.</p> <p><b>1.2 Communications</b></p> <p>Mr. Pfeifer shared an update that local representative Jason Morgan was named to the state Appropriations Committee and Vice Chair of the Transportations Appropriations Committee. Another local representative, Jimmie Wilson was also named to the Transportation Appropriations Committee.</p> <p>Mr. Miller shared that he recently attended TRU’s Annual State of Transit in Detroit – Mr. Carpenter and Mr. Pfeifer were also in attendance.</p>
<b>2. BOARD DEVELOPMENT</b>
<p><b>2.1 Recruitment / Training / Attendance</b></p> <p>Chairwoman Mozak shared that Ypsilanti Township is currently actively recruiting to fill their vacant position on the Board.</p> <p>Policy Governance Bootcamp will be taking place in May in Ann Arbor – several Board members have been registered to attend.</p> <p>Chairwoman Mozak also noted that for the February Governance Committee meeting, an update on Board member attendance / participation would be shared.</p>

## **2.2 OLTF and Ypsi Township Debrief**

Mr. Chang briefly shared his insight on the meeting with Ypsilanti Township and the next steps as they seek to fill the Board vacancy. OLTF has a meeting scheduled in February to meet with the City of Ypsilanti and an update will follow once that meeting has taken place.

## **2.3 Board Annual Plan of Work (Intro)**

Committee members reviewed the Annual Plan of Work topics that were suggested and discussed at the January Board Meeting. Staff had updated / distributed the table of topics and the committee agreed it would be presented to the Board at the February Board meeting.

## **3. POLICY MONITORING & DEVELOPMENT**

### ~~3.1 Determining Reasonableness-Deferred to future meeting~~

### **3.2 Board Management Delegation (4.0-4.4)**

The committee reviewed and discussed the board self-assessment which gauges how well the Board complies with its policies. Comments within the survey reflected a positive self-assessment from Board members. One area of discussion was with policy 2.2.2 – Mr. Miller suggested the Board have a clearer policy on how to handle informal evaluations / congratulations. He also suggested an update to language within the survey.

### **3.3 Sustainability Policy Process**

Mr. Miller updated the committee on the Service Committee reviewing the sustainability policy and the importance of aligning sustainability goals with the annual plan of work. A conversation about whether the sustainability policy is an End or Executive Limitation was suggested and the committee determined the topic would be discussed with governance consultant, Sue Radwan.

### **3.4 Monitoring Report Worksheet Template**

Mr. Chang shared a suggestion for updating the monitoring report surveys – staff will look at the surveys and update, accordingly.

## **4. STRATEGY & OPERATIONAL UPDATES: CEO**

### **4.1 On-Demand Services Contracting Increases**

Mr. Carpenter shared recent changes with Flex Ride services transitioning to a new contractor, Via and potential budget issues due to increased ridership. Ms. Reed noted that the situation will be monitored closely.

## **5. EMERGENT ITEMS**

### **5.1 DC Updates**

The committee discussed recent changes within the federal government that may impact the agency.

## **6. CLOSING ITEMS**

### **6.1 Committee Agendas**

Service Committee agenda – add Sustainability Policy Discussion Launch to agenda, no other changes noted.

Finance Committee agenda – No changes noted.

Board of Director's meeting agenda – Add Recommended Policy Language: 2.1.2 & 2.1.3.1

### **6.2 Action Item Recap**

- Mr. Carpenter / Mr. Pfeifer – reach out to Ypsilanti Township re: Board member vacancy
- Mr. Chang – scheduling OLTF meeting
- Staff will gather attendance/participation data for the next meeting
- Updates will be made to Service and Board Meeting agendas
- Updates to survey response form

### **6.3 Topics for Next Meeting**

Board Annual Plan of Work  
Board Attendance / Participation

Future:

Election Fares, Equity, Parliamentary Procedure, Park & Ride Updates, Advocacy & Regionalism, UM 2050, Governance Training Options, Policy Manual Mock-up, Determining Reasonableness

### **6.4 Adjournment**

Chairwoman Mozak thanked the committee and staff and adjourned the meeting at 4:46pm.

Respectfully Submitted by Deborah Holt

## Service Committee Meeting Notes

**Meeting Date/Time:** February 4, 2025, 3:00pm – 5:00 pm

**Members:** Jesse Miller (Chair), Simi Barr, Rich Chang, Susan Pollay

**Staff:** Matt Carpenter, George Brooks, Jeff Pfeifer, Deb Holt

**Location:** REMOTE – Via Zoom

Mr. Miller called the meeting to order at 3:04pm

Agenda Item
<b>1. OPENING ITEMS</b>
<p><b>1.1 Agenda (Additions, Approval)</b></p> <p>No additions or changes noted to the agenda.</p> <p><b>1.2 Communications</b></p> <p>Mr. Miller shared that he will be stepping down as Service Committee Chair. Chairwoman Mozak will be in contact with committee members to gauge any interest in filling the position.</p>
<b>2. POLICY MONITORING &amp; DEVELOPMENT</b>
<p><b>2.1 Review 2.1.2 and 2.1.3.1</b></p> <p>During recent monitoring of Policy 2.1 – Treatment of the Traveling Public – the CEO had noted potential redundancy with language in two policies. Mr. Carpenter outlined the similarities and provided several suggested options for a revision. Governance consultant Sue Radwan also participated in the discussion by suggesting combining the two policies into one.</p> <p>After a robust conversation, the committee determined they will bring forth the following policy language revisions changes to the Board for consideration / vote:</p> <p>Revise:  <i>2.1.2 Operate without providing effective, comprehensible, accessible, and timely information with respect to services offered and safe, respectful conduct.</i></p> <p>Remove:  <del><i>2.1.3.1 Allow the public and riders to be without easily accessible, understandable information with respect to services offered and expected conduct</i></del></p> <p><b>2.2 Environmental Policy Launch Discussion</b></p> <p>Mr. Miller initiated a discussion on the topic of environmental policy, specifically focusing on the distinction between Policy ends and Executive Limitations and if the policy should be addressed as an End.</p> <p>Ms. Radwan shared that policy Ends should identify the change one wishes to see, while Executive Limitations should limit the CEO's unilateral authority in making program and service choices. She suggested revising the current policy to better reflect the desired environmental impact.</p>

After a thorough discussion, the committee determined they will seek guidance from the Governance Committee on how to move forward with the sustainability policy.

### **3. STRATEGY & OPERATIONAL UPDATES: CEO**

#### **4. CLOSING ITEMS**

##### **4.1 Action Item Recap**

- Suggested language revision to policy 2.1.2 and removal of policy 2.1.3.1 for February Board meeting

##### **4.2 Topics for the Next Meeting**

Q1 Service Report

Future: Environmental Policy, Determining Reasonableness

##### **4.3 Adjournment**

Mr. Miller thanked the committee and staff and adjourned the meeting at 5:00pm.

Respectfully Submitted by Deborah Holt

## Finance Committee Meeting Notes

**Meeting Date/Time:** Tuesday, February 11, 2025 - 3:00 – 5:00pm

**Members Present:** Mike Allemang (Chair/Treasurer), Chris Allen, Kyra Sims, Julie Grand, Kathleen Mozak

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, Andy Huber, Deb Holt

**Location:** REMOTE – Via Zoom

Mr. Allemang called the meeting to order at 3:03pm

Agenda Item
<b>1. OPENING ITEMS</b>
<p><b>1.1 Agenda (Additions, Approval)</b></p> <p>Mr. Carpenter requested the addition of Agenda item 3.3 Executive Orders. No other changes were noted to the agenda.</p> <p><b>1.2 Communications</b></p> <p>Mr. Allemang welcomed the auditors from Plante Moran.</p>
<b>2. POLICY MONITORING &amp; DEVELOPMENT</b>
<b>3. STRATEGY AND OPERATIONAL UPDATES</b>
<p><b>3.1 Audit Update</b></p> <p>Ms. Reed shared that the draft version of the audit that was provided to the committee has had minor changes, and the official version has been finalized and will be presented to the entire Board at the February 20<sup>th</sup> Board meeting.</p> <p>The auditors shared that the audit process went smoothly, and the financial statements audit resulted in an unmodified opinion which is the highest level of assurance. The federal awards audit also went well with no findings or exceptions. One recommendation was regarding administrative access over payroll software.</p> <p>Committee members expressed appreciation at the thoroughness and quality of the audit and satisfaction with the positive outcome.</p>



### **3.2 FY 25 Q1 Financial Report**

Ms. Reed provided the FY25 Q1 Financial Report which shows TheRide operated within the budget with a \$.8 million surplus of revenues over expenses at the end of the first quarter. She noted that unfilled staff positions contributed to lower expenses than budgeted and showed revenues were close to projected expectations.

Reserves are as follows: Operating \$12.9 million, Capital \$33.3 million and insurance \$.5 million.

Pandemic relief funds were fully obligated at the end of FY24 and no additional pandemic relief funds are budgeted or expected.

### **3.3 Executive Orders**

Mr. Carpenter provided an update on recent Executive Orders at the federal level.

## **4 CLOSING ITEMS**

### **4.1 Action Item Recap**

- Auditors from Plante Moran will be providing an overview of the audit to the Board at the February 20<sup>th</sup> Board meeting.

### **4.2 Topics for Next Meeting**

Financial Conditions & Activities (2.5)

Cash & Investments (2.6)

Future Meeting:

Determining Reasonableness

Gas Tax information / update

### **4.3 Adjournment**

Mr. Allemang thanked the committee and staff and adjourned the meeting at 4:37pm.

Respectfully submitted by Deborah Holt

## Audit Task Force / Audit Report

**Finance Committee Meeting Date: February 11, 2025**

**Board Meeting Date: February 20, 2025**

<b>INFORMATION TYPE</b>
By Motion, vote to receive as information the annual audit in support of policy 3.8.1.2.
<b>RECOMMENDED ACTION(S)</b>
By Motion, vote to receive as information the annual audit in support of policy 3.8.1.2.
<b>ISSUE SUMMARY</b>
Financial auditors have completed the audit for FY2024. In summary, financial statements present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of AAATA as of September 30, 2024, and 2023, 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.
<b>BACKGROUND</b>
<p>Attached to this Issue Brief are the finalized materials of the auditor’s report. They are comprised of:</p> <ul style="list-style-type: none"> <li>- Final End of Audit Letter (FY24 Final End of Audit Letter – AAATA)</li> <li>- Transmittal Letter (FY24 Single Audit Transmittal Letter – AAATA)</li> <li>- Summary Schedule of Prior Audit Findings (FY24 Audit - SSPAF CAP – AAATA)</li> <li>- Final Single Audit Report (FY24 Final Single Audit Report – AAATA)</li> <li>- Final Audited Financial Statements (FY24 Final Audited Financial Statements – AAATA)</li> </ul> <p>The file name for each document is provided above in parentheses and will be used in this issue brief along with page number from the footers for reference.</p> <p>AAATA ended the year with favorable financial results, as presented in the financial statements. Financial highlights for FY2024 compared to FY2023 are as follows (FY24 Final Audited Financial Statements - AAATA, p. 7):</p> <ul style="list-style-type: none"> <li>• Assets increased from the prior year by \$16.4 million (15.2%)</li> <li>• Total net position increased by \$15.2 million (15.0%)</li> <li>• Revenues increased by \$13 million (19.8%) due to the increase in local property taxes associated with the new millage</li> </ul>

- Operating expenses increased \$3.4 million (5.5%) year-over-year due to initial implementations of service expansions from the new millage, and are favorable compared to the FY2024 Approved Budget (under budget) by \$2.0 million (3.3%)

As indicated in the Schedule of Findings and Questioned Costs (FY24 Final Single Audit Report - AAATA, p. 10), the auditors issued an “Unmodified” report, with no findings in either the Financial Statement or Federal Program (Single) Audits.

While they “do not express an opinion on the effectiveness of” internal controls (FY24 Final Single Audit Report - AAATA, p. 2), they do report upon any material weaknesses or deficiencies they find in accounting, financial reporting, and internal controls. There was one standard process improvement recommendation provided to staff for consideration, but no management response is required (FY24 Final End of Audit Letter - AAATA, p. 4). The finding from 2023 has been fully corrected with detail on it found in the Summary Schedule of Prior Audit Findings (FY24 Audit - SSPAF CAP – AAATA).

**PRIOR RELEVANT BOARD ACTIONS & POLICIES**

List of previous Board or Committee discussions or actions, to allow cross referencing and context.

**IMPACTS OF RECOMMENDED ACTION(S)**

- Budgetary/Fiscal: Demonstrates financial performance for FY2024.
- Governance: Supports Board in financial oversight/fiduciary responsibility.

**ALTERNATIVE OPTION(S)**

None

**ATTACHMENTS**

1. Audit Report which includes:
  - Final End of Audit Letter (FY24 Final End of Audit Letter – AAATA)
  - Transmittal Letter (FY24 Single Audit Transmittal Letter – AAATA)
  - Summary Schedule of Prior Audit Findings (FY24 Audit - SSPAF CAP – AAATA)
  - Final Single Audit Report (FY24 Final Single Audit Report – AAATA)
  - Final Audited Financial Statements (FY24 Final Audited Financial Statements – AAATA)

## Board Self-Monitoring: Board-Management Delegation

**Governance Committee Meeting Date: January 30, 2025**

**Board of Directors Meeting Date: February 20, 2025**

<b>INFORMATION TYPE</b>
Monitoring
<b>RECOMMENDED ACTION(S)</b>
Discuss
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
List of previous Board or Committee discussions or actions, to allow cross referencing and context.
<b>ISSUE SUMMARY</b>
<p>Every year the Board monitors its own behaviors and compliance with policies pertaining to Board-Management Delegation.</p> <p>The Board’s self-assessment is presented in the attachment.</p>
<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal: N/A</li> <li>• Social: N/A</li> <li>• Environmental: N/A</li> <li>• Governance: Board self-monitoring is an important practice.</li> </ul>
<b>ATTACHMENTS</b>
<ol style="list-style-type: none"> <li>1. Board-Management Delegation Policies 4.0-4.4</li> <li>2. Worksheet Results for policies 4.0-4.4</li> </ol>

## 4: BOARD-MANAGEMENT DELEGATION

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*These policies define how the Board will delegate to its CEO AAATA's accomplishment of Ends and operation within the Executive Limitations boundaries.*

### **4.0 GLOBAL BOARD-MANAGEMENT DELEGATION**

The Board's sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer (CEO).

#### **4.1 UNITY OF CONTROL**

Only officially passed motions of the Board are binding on the CEO.  
Accordingly:

- 4.1.1 Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically authorized such exercise of authority.
- 4.1.2 In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can defer or refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds or is disruptive.

## 4.2 ACCOUNTABILITY OF THE CEO

The CEO is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.

Accordingly:

- 4.2.1 The Board will never give instructions to persons who report directly or indirectly to the CEO.
- 4.2.2 The Board will not evaluate, either formally or informally, any staff other than the CEO. Board members are not restricted from expressing any level of satisfaction in a confidential conversation with the CEO.
- 4.2.3 The Board will view organizational performance as integral to CEO performance and shall consider Board stated Ends and avoidance of Board-proscribed executive limitations as a foundation of successful CEO performance.

## 4.3 DELEGATION TO THE CEO

The Board will instruct the CEO through officially passed motions of the Board or written policies which prescribe the organizational Ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies.

Accordingly:

- 4.3.1 The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.
- 4.3.2 The Board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, active, decisions, and circumstances that would be unacceptable to the Board even if they were effective. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.
- 4.3.3 As long as the CEO uses *any reasonable interpretation* of the Board's Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.
- 4.3.4 The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO's choices with the boundaries described herein.

#### **4.4 MONITORING CEO PERFORMANCE**

Organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations shall be evaluated rigorously by the Board and its appointed committees.

Accordingly:

- 4.4.1 Monitoring is simply to determine the degree to which Board policies are being met. Data which do not do this will not be considered to be monitoring data.
- 4.4.2 The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.
- 4.4.3 In every case, the Board will judge the reasonableness of the CEO's interpretation and whether data demonstrate accomplishment of the interpretation
- 4.4.4 The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness, but will always judge with a "reasonable person" test rather than with an interpretation favored by Board members or by the Board as a whole.
- 4.4.5 All policies which instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (Appendix A).

## WORKSHEET RESULTS:

### Board Management Delegation (Policies 4.0 - 4.4)

**Participants: 8 Board Members**

Mike Allemang, Chris Allen, Simi Barr, Rich Chang, Julie Grand,  
Jesse Miller, Kathleen Mozak, Kyra Sims

Performance on reasonable interpretation and verifiable evidence		
		Please provide specific examples to support your response
<p><b>Policy 4.0 Global Board-Management Delegation</b> The Board’s sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer (CEO).</p>	<p><b>ALWAYS – 6</b> <b>MOST OF THE TIME - 2</b></p>	<ul style="list-style-type: none"> <li>• No counterexample</li> <li>• We sometimes work directly with deputy CEOs or staff (after permission from the CEO).</li> </ul>
<p><b>Policy 4.1 Unity of Control</b> Only officially passed motions of the Board are binding on the CEO. Accordingly:</p>	<p><b>ALWAYS – 8</b></p>	<ul style="list-style-type: none"> <li>• I am aware of no attempts to enforce CEO action outside of binding motions</li> </ul>
<p><b>Policy 4.1.1</b> Decisions or instructions of individual Board members, officers, or committees are not binding on the</p>	<p><b>ALWAYS – 8</b></p>	<ul style="list-style-type: none"> <li>• I am aware of no attempts to enforce CEO action outside of binding motions</li> </ul>



<p>CEO except in rare instances when the Board has specifically authorized such exercise of authority.</p>		
<p><b>Policy 4.1.2</b> In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can defer or refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds or is disruptive.</p>	<p><b>ALWAYS – 6</b> <b>MOST OF THE TIME - 2</b></p>	<ul style="list-style-type: none"> <li>I am not aware of the CEO denying information to board members. There have been instances where the CEO has stated that information would take significant staff time to pull together (eg location of polling locations in relationship to transit routes). The CEO consistently qualifies such statements by saying the information can be pulled if the board requests it.</li> </ul>
<p><b>Policy 4.2</b> <b>Accountability of the CEO</b> The CEO is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.</p>	<p><b>ALWAYS – 7</b> <b>MOST OF THE TIME - 1</b></p>	<ul style="list-style-type: none"> <li>I am unaware of any counterexamples</li> </ul>

<p><b>Policy 4.2.1</b> The Board will never give instructions to persons who report directly or indirectly to the CEO.</p>	<p style="text-align: center;"><b>ALWAYS – 7</b> <b>MOST OF THE TIME - 1</b></p>	<ul style="list-style-type: none"> <li>• I am aware of no instances when this has happened</li> <li>• Sometimes we do, but after permission to do so from the CEO (the CEO doesn't always need to play middle-person... helps eliminate the game of telephone).</li> </ul>
<p><b>Policy 4.2.2</b> The Board will not evaluate, either formally or informally, any staff other than the CEO. Board members are not restricted from expressing any level of satisfaction in a confidential conversation with the CEO.</p>	<p style="text-align: center;"><b>ALWAYS - 8</b></p>	<ul style="list-style-type: none"> <li>• Board members may occasionally applaud members of staff on a job they perceive as well done. I believe this falls outside what is intended by "evaluation," however informal. However it may be prudent to clarify either the language used here or what conduct would be considered in violation of this policy.</li> <li>• The two sentences seem to conflict.</li> </ul>
<p><b>Policy 4.2.3</b> The Board will view organizational performance as integral to CEO performance and shall consider Board stated Ends and avoidance of Board-proscribed executive limitations as a foundation of successful CEO performance.</p>	<p style="text-align: center;"><b>ALWAYS – 7</b> <b>MOST OF THE TIME - 1</b></p>	<ul style="list-style-type: none"> <li>• The Board completed a successful CEO Assessment in late Spring of 2024 of this monitoring period.</li> </ul>

<p><b>Policy 4.3 Delegation to the CEO</b> The Board will instruct the CEO through officially passed motions of the Board or written policies which prescribe the organizational Ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies. Accordingly:</p>	<p><b>ALWAYS – 5</b> <b>MOST OF THE TIME - 3</b></p>	<ul style="list-style-type: none"> <li>• The Board is still struggling with "any reasonable interpretation" and are continuing to work with the Governance Consultant to rectify this issue.</li> <li>• I am aware of no counterexamples</li> <li>• Fairly often, 1 or 2 board members believe interpretation is not reasonable when majority of board thinks otherwise. Too much board time is taken up by minority board member(s) trying to sell their opinion.</li> </ul>
<p><b>Policy 4.3.1</b> The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.</p>	<p><b>ALWAYS – 4</b> <b>MOST OF THE TIME - 4</b></p>	<ul style="list-style-type: none"> <li>• The Board reviewed the ENDS at the start of 2024 and we look forward to a deeper review this year.</li> <li>• Ends policies were reported on by the CEO and language was reviewed by the board.</li> <li>• I view "always" as being perfect. This process, imo, can never be perfect because "broadest, most general level" can be difficult to achieve 100% and can also be subjective, just like interpretations. We strive for this <u>_always_</u> but don't achieve it <u>_always_</u>. That's a-okay.</li> <li>• Sometimes, cost is not specifically addressed in the policy.</li> </ul>

<p><b>Policy 4.3.2</b>          The Board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, active, decisions, and circumstances that would be unacceptable to the Board even if they were effective. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.</p>	<p style="text-align: center;"><b>ALWAYS – 5</b>   <b>MOST OF THE TIME - 3</b></p>	<ul style="list-style-type: none"> <li>• Over the last year the Board has been working diligently to craft new policies where appropriate and change existing policies as needed. All changes are documented in the Appendix E of the Board Policy Manual.</li> <li>• Certain legacy policies have been identified as prescriptive. The board continues to assess and revise these policies when identified</li> <li>• I view "always" as being perfect. This process, imo, can never be perfect because "broadest, most general level" can be difficult to achieve 100% and can also be subjective, just like interpretations. We strive for this <u>_always_</u> but don't achieve it <u>_always_</u>. We also strive to not be prescriptive, but sometimes we are but eventually we usually catch ourselves.</li> </ul>
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<p><b>Policy 4.3.3</b> As long as the CEO uses <i>any reasonable interpretation</i> of the Board's Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.</p>	<p style="text-align: center;"><b>ALWAYS – 4</b> <b>MOST OF THE TIME - 4</b></p>	<ul style="list-style-type: none"> <li>The Board has been struggling with the phrase "any reasonable interpretation" and have engaged the help of the Governance Consultant to guide and help us better define and understand it's meaning.</li> </ul> <p>Continued ...</p> <ul style="list-style-type: none"> <li>We, as a board, debate 'reasonable interpretation' but the CEO has always put his best foot forward (and even calls himself out when he thinks he may have missed the mark).</li> </ul>
<p><b>Policy 4.3.4</b> The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO's choices with the boundaries described herein.</p>	<p style="text-align: center;"><b>ALWAYS – 6</b> <b>MOST OF THE TIME - 2</b></p>	<ul style="list-style-type: none"> <li>Over the monitoring period there have been several changes to existing policies as well as development of new policies. These changes are recorded in Appendix E: History of Policy Changes.</li> <li>The board has reserved for itself select operational matters where desired or required by law</li> <li>I think the board does this most of the time and that is okay. We sometimes have our own interpretations of where/what the boundaries are.</li> </ul>

<p><b>Policy 4.4 Monitoring CEO Performance</b> Organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations shall be evaluated rigorously by the Board and its appointed committees. Accordingly:</p>	<p style="text-align: center;"><b>ALWAYS – 7</b> <b>MOST OF THE TIME - 1</b></p>	<ul style="list-style-type: none"> <li>All current Ends and Executive Limitation policies are assigned for review to the Governance Committee, Service Committee, and the Finance Committee before being sent to the BoD as out lined in Appendix A: Monitoring and Informational Report Schedules.</li> <li>Sometimes we can be over rigorous. ;-)</li> </ul>
<p><b>Policy 4.4.1</b> Monitoring is simply to determine the degree to which Board policies are being met. Data which do not do this will not be considered to be monitoring data.</p>	<p style="text-align: center;"><b>ALWAYS – 3</b> <b>MOST OF THE TIME – 4</b> <b>SOME OF THE TIME - 1</b></p>	<ul style="list-style-type: none"> <li>In my view, data is defined as something quantitative. However, there are times where the monitoring results are qualitative and not quantitative. That is okay.</li> </ul>
<p><b>Policy 4.4.2</b> The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by</p>	<p style="text-align: center;"><b>ALWAYS – 7</b> <b>MOST OF THE TIME - 1</b></p>	<ul style="list-style-type: none"> <li>The Board utilized (a) and (b) to acquire monitoring data during this monitoring period.</li> <li>Option (a) and (b) were the methods used during the monitoring period.</li> <li>Monitoring data is gathered primarily by (a). Some data provided by outside agencies, such as the FTA and financial audits, are gather by outside agencies and presented by the CEO.</li> </ul>

<p>the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.</p>		
<p><b>Policy 4.4.3</b> In every case, the Board will judge the reasonableness of the CEO's interpretation and whether data demonstrate accomplishment of the interpretation</p>	<p style="text-align: center;"><b>ALWAYS – 7</b> <b>MOST OF THE TIME - 1</b></p>	<ul style="list-style-type: none"> <li>• And do we! 2024 was the year of debating "reasonableness" and it continues into 2025. :-)</li> </ul>
<p><b>Policy 4.4.4</b> The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness, but will always judge with a “reasonable person” test rather than with an interpretation favored by Board members or by the Board as a whole.</p>	<p style="text-align: center;"><b>ALWAYS – 2</b> <b>MOST OF THE TIME – 5</b> <b>SOME OF THE TIME - 1</b></p>	<ul style="list-style-type: none"> <li>• The Board has been struggling with the phrase "any reasonable interpretation" and have engaged the help of the Governance Consultant to guide and help us better define and understand it's meaning.</li> <li>• Although "reasonable" is subjective and thus disagreements arise during board discussions, the results of the vote express a single accepted assessment</li> <li>• The board is still figuring out our line in the sand regarding 'reasonableness' and the 'reasonable person' test.</li> </ul>

		<p>Continued ...</p> <ul style="list-style-type: none"> <li>I'm confused by "board as a whole" language. Shouldn't the board as whole be the entity to decide on reasonableness? If not, who makes the final determination?</li> </ul>
<p><b>Policy 4.4.5</b> All policies which instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (Appendix A).</p>	<p><b>ALWAYS – 8</b></p>	<p>All policies are assigned to the various Board Committees. (Governance, Service and Finance) for review before being sent to the full Board. The assignments are found in Appendix A: Monitoring and Informational Report Schedules</p>

**Additional context questions**

**1. ADDITIONAL CONTEXT ON OVERAL POLICY (OPTIONAL)**

No additional comments provided.

**2. APPROXIMATELY HOW MANY MINUTES DID IT TAKE YOU TO FILL OUT THS FORM?**

30, 15, 15, 25, 13, 20, 45, N/A



## Policy Language: 2.1.2 & 2.1.3.1 (Redundant Requirements)

**Meeting: Board of Director's**

**Meeting Date: February 20, 2025**

<b>INFORMATION TYPE</b>
Decision Preparation
<b>RECOMMENDED ACTION(S)</b>
Approve policy revisions in Attachment 1.
<b>ISSUE SUMMARY</b>
After review and discussion, the Service Committee sees opportunities to revise policy 2.1.2 and delete policy 2.1.3.1.
<b>BACKGROUND</b>
<p>During routine monitoring the CEO noted that there appeared to be redundancy regarding public information in two policies. The Board agreed to consider the issue and delegated the investigation to the Service Committee.</p> <p>The policies in question read:</p> <p><i>2.1.2 Operate without providing effective, comprehensible, accessible, and timely information.</i></p> <p><i>2.1.3.1 Allow the public and riders to be without easily accessible, understandable information with respect to <del>services offered and</del> expected conduct.</i></p> <p>Both policies reference the need to provide quality information to the public about the agency's services. This created a circular reference in the monitoring report with the actual performance of public information only provided under one policy. The CEO recommended the strikethrough edit above.</p>
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
<p>Neither policy is part of the original Carver template, although there is a similar one for customer information. These policies appeared to emerge from Board deliberation during the initial manual approval in 2017.</p> <p>The original Carver policy is:  <i>"Fail to establish with consumers a clear understanding of what may be expected and what may not be expected from the service offered."</i></p>
<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal, Social, Environmental: N/A</li> <li>• Governance: Board refines policy text as needed to focus the organization.</li> </ul>
<b>ATTACHMENTS</b>
Attachment 1: 2.1.2 and 2.1.3.1 Revised Policy Language (draft)

**Attachment 1:**

Revise:

2.1.2 Operate without providing effective, comprehensible, accessible, and timely information *with respect to services offered and safe, respectful conduct.*

Remove:

~~2.1.3.1 Allow the public and riders to be without easily accessible, understandable information with respect to services offered and expected conduct~~

## Board's Annual Work Plan

**Meeting: Board of Director's**

**Meeting Date: February 20, 2025**

<b>INFORMATION TYPE:</b>
Decision Preparation
<b>RECOMMENDED ACTION(S):</b>
Begin discussion of a Board plan of work for FY 2025.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
Board policy 3.4 (Attachment 1). Agenda setting process.
<b>ISSUE SUMMARY:</b>
To keep a focus on the future, at the beginning of every fiscal year the Board decides what proactive issues it wants to spend time on, and which may lead to the development of new policy. Board members are encouraged to bring ideas to add to the tables in Attachment 2.
<b>BACKGROUND:</b>
The Board's annual work plan is an inherent part of Policy Governance. This is a key mechanism for ensuring that the Board is driving its own agenda and not merely reacting to staff or outside issues. Policy 3.4 outlines how the board sets its agenda. Excerpts of the relevant passages are provided in Attachment 1.
<b>IMPACTS OF RECOMMENDED ACTION(S):</b>
<ul style="list-style-type: none"> <li>• Governance: The annual work plan is how the Board sets the direction for the organization.</li> </ul>
<b>ATTACHMENTS:</b>
<ol style="list-style-type: none"> <li>1. Excerpt Policy 3.4 – Agenda Planning Policy</li> <li>2. Work Plan &amp; Education Template</li> <li>3. Previous Work Plan &amp; Education Ideas (FY2024)</li> </ol>

## Attachment 1: Board Policy 3.4: Agenda Planning (Excerpt v2.13)

(Emphasis added)

### 3.4 AGENDA PLANNING

*To accomplish its job products with a governance style consistent with Board policies, the Board will follow an annual agenda cycle which:*

- (a) completes a re-exploration of Ends Policies annually,*
- (b) continually improves Board performance through Board education and enriched input and deliberation, and*
- (c) re-examines for relevance the underlying values that support existing policy.*

*3.4.1 The cycle will conclude each year so that administrative planning, strategic planning, and budgeting can be based on accomplishing a one-year segment of the Board's most recent statement of long-term Ends.*

*3.4.2 The cycle will start with the Board's development of its agenda for the next year.*

*A. Consultations with selected groups in the ownership, or other methods of gaining ownership input will be determined and arranged in the first quarter, to be held during the balance of the year.*

*B. Governance education, and education related to Ends determination, (e.g., presentations by researchers, demographers, advocacy groups, staff, etc.) will be arranged in the first quarter, to be held during the balance of the year...*

**Attachment 2: Work Plan & Education Template FY2025**

**DRAFT 2025 Work Plan**

<b>Policy Topics or Decisions</b>	<b>Status</b>
1. <i>Ends review</i>	<i>Annual task</i>
2. <i>Sustainability</i>	
3. <i>Determining Reasonableness</i>	
4. <i>Ownership Value? Affordability &amp; Property Taxes</i>	

**General education topics suggested by Board:**

<b>Education Topics</b>
1. <i>Funding (Federal, State, Local / POSA's)</i>
2. <i>Ridership / Coverage (Title VI, Equity)</i>
3. <i>Post Pandemic Ridership Trends</i>
4. <i>UM2050</i>
5. <i>Land Use</i>
6. <i>AI</i>

**Attachment 3: Previous Board Work Plan & Education (FY2024)**

**2024 Work Plan – updated from 1/2/25 Governance Committee:**

<b>Policy Topics or Decisions</b>	<b>Status</b>
1. <i>Ends review</i>	<i>Annual task</i>
2. <del><i>Propulsion</i></del>	<del><i>Ongoing – in plan of work, can be removed</i></del>
3. <i>Equity</i>	<i>Never discussed last year</i>
4. <i>Sustainability</i>	<i>Ongoing in plan of work</i>

**General education topics suggested by Board:**

<b>Education Topics</b>
<del><i>Advocacy under policy governance</i></del>
<del><i>Post Pandemic Trends</i></del>
<del><i>Ridership</i></del>
<i>Multi-jurisdictional consideration (local and regional)</i>
<i>Differences between AAATA communities (POSAs)</i>
<i>Environmental Standards (policy development?)</i>
<i>RTA</i>
<i>Policy Development Education</i>

## CEO Innovation Presentation

**Meeting: Board of Directors**

**Meeting Date: February 20, 2025**

<b>INFORMATION TYPE</b>
Other
<b>RECOMMENDED ACTION(S)</b>
Receive for information. No action is being sought or required.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
Policy 2.9.1.5 (H) requires the CEO to make an annual presentation to the Board about “...relevant trends and technologies with applicability to the transit authority and its services, and innovations trialed or introduced to Authority operations over the past year.”
<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal: N/A</li> <li>• Social: N/A</li> <li>• Environmental: N/A</li> <li>• Governance: N/A</li> </ul>
<b>ATTACHMENTS</b>
1. CEO Presentation: Trends and Innovation

A large, faint, light gray graphic of a lightbulb is centered in the background. The bulb part is a circle with several short, rounded lines radiating from it, and the base is a series of horizontal lines of varying lengths, resembling a screw-in base.

# Trends & Innovation

TheRide Board of Directors  
Matt Carpenter, CEO



# Agenda

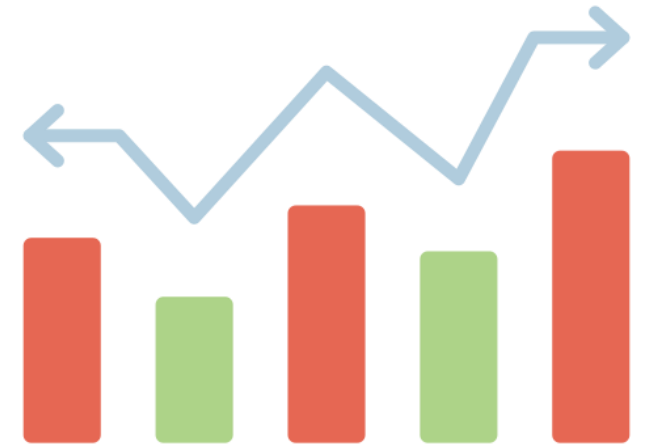
***Board requires incidental information including a presentation on trends and innovations (policy 2.1.9.5 H)...***

*“a presentation about relevant trends and applicable technologies ... and innovations trialed or introduced ... over the past year.”*

- *Trends*
- *Innovation & Examples*
- *Observations*

# Trends

- **Demographic:** *Modest* growth, or decline
- **Land Development:** Sprawl. Some infill,
- **Social/Economic:** housing affordability, inflation, inequality
  - Localized: UM/A2 doing well, gentrification pressure,
- **Technology:** AI & consolidations
- **Enviro:** More extreme events
- **Politics & Funding:** Uncertainty

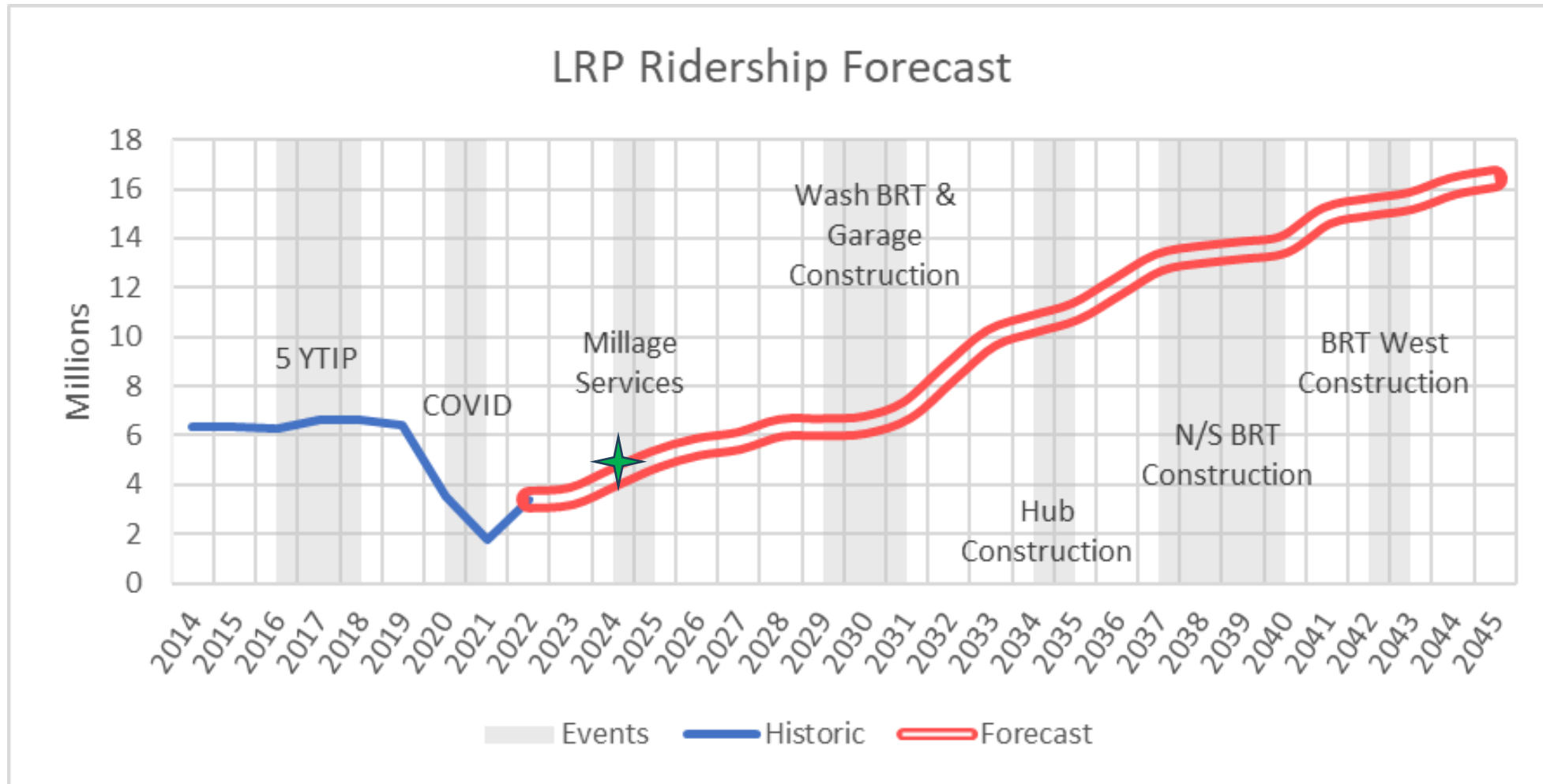


# Ridership

- Fixed-route: +10% (overall),
  - +12% (MRide), +2% (GoPass)
  - 75% pre-pandemic
- D2A2: Growing
- ARide & FlexRide: +3%
- Starting to have crowding/cost control concerns



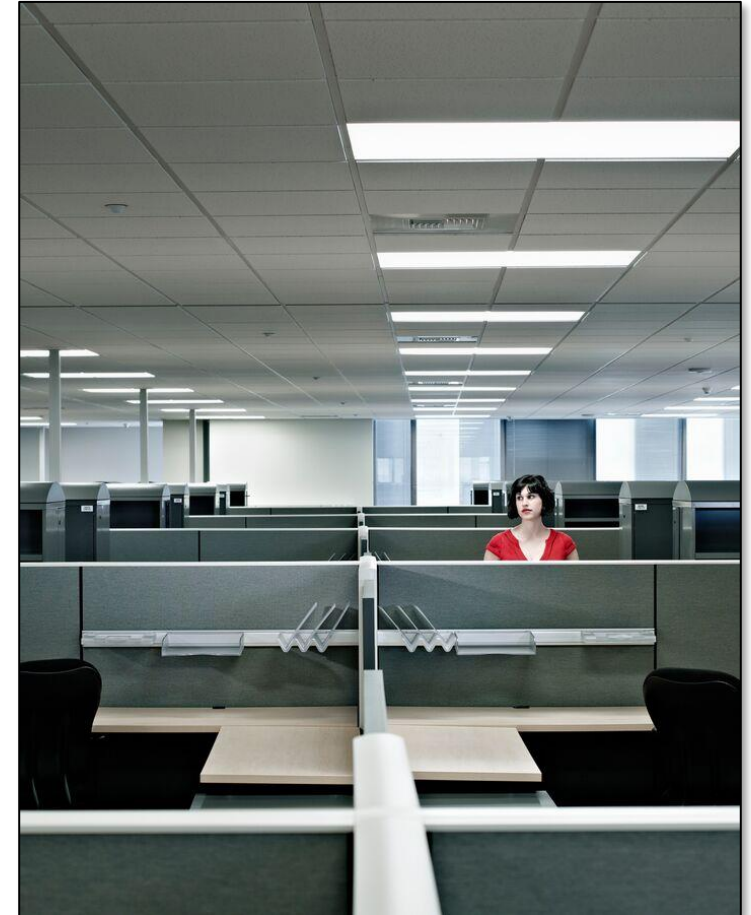
# Ridership Aspiration



# Trends

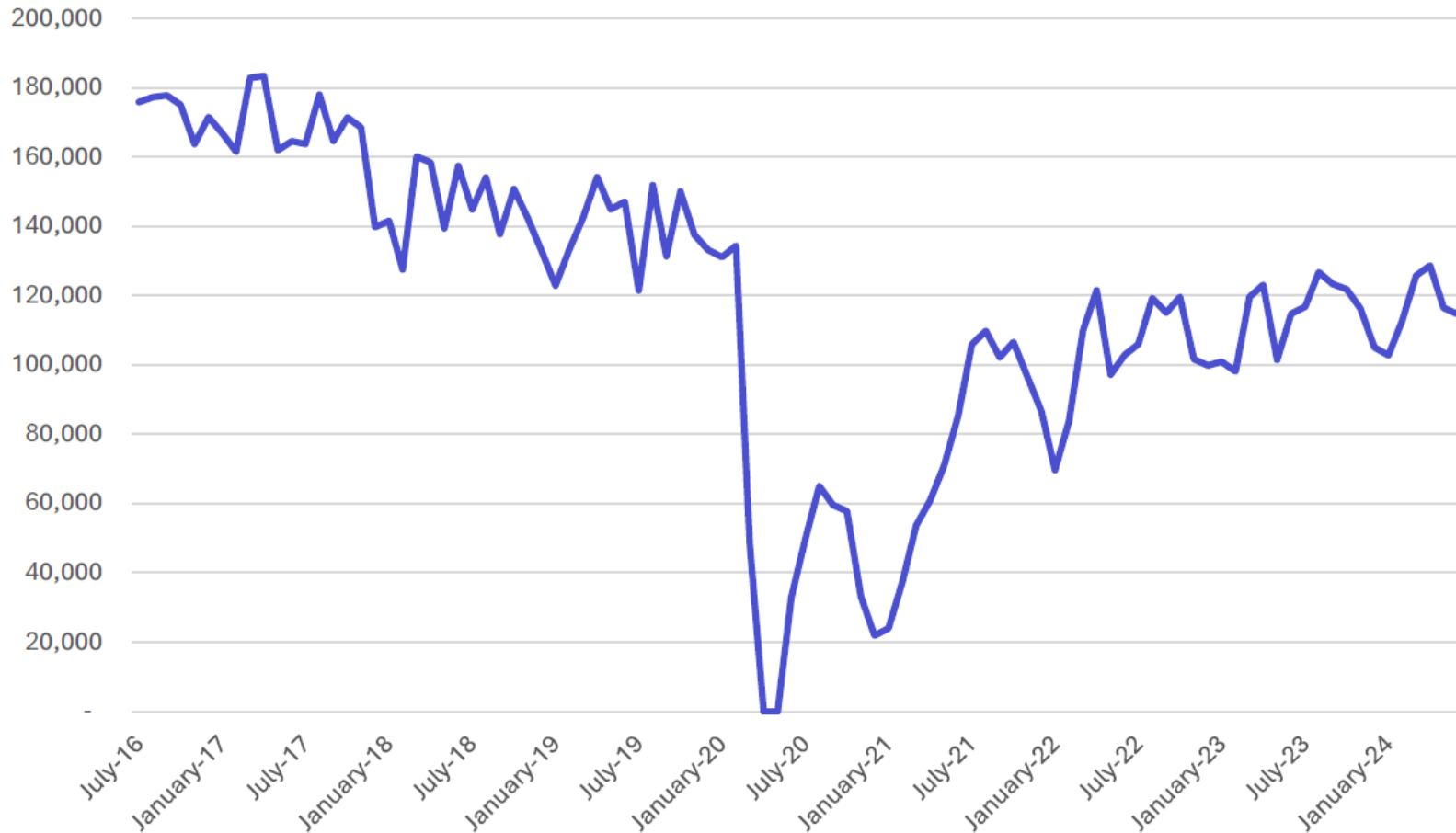
## Travel Market: Significant Changes

- Work from home = fewer 9/5 commuters
- Delivery Culture = Less shopping

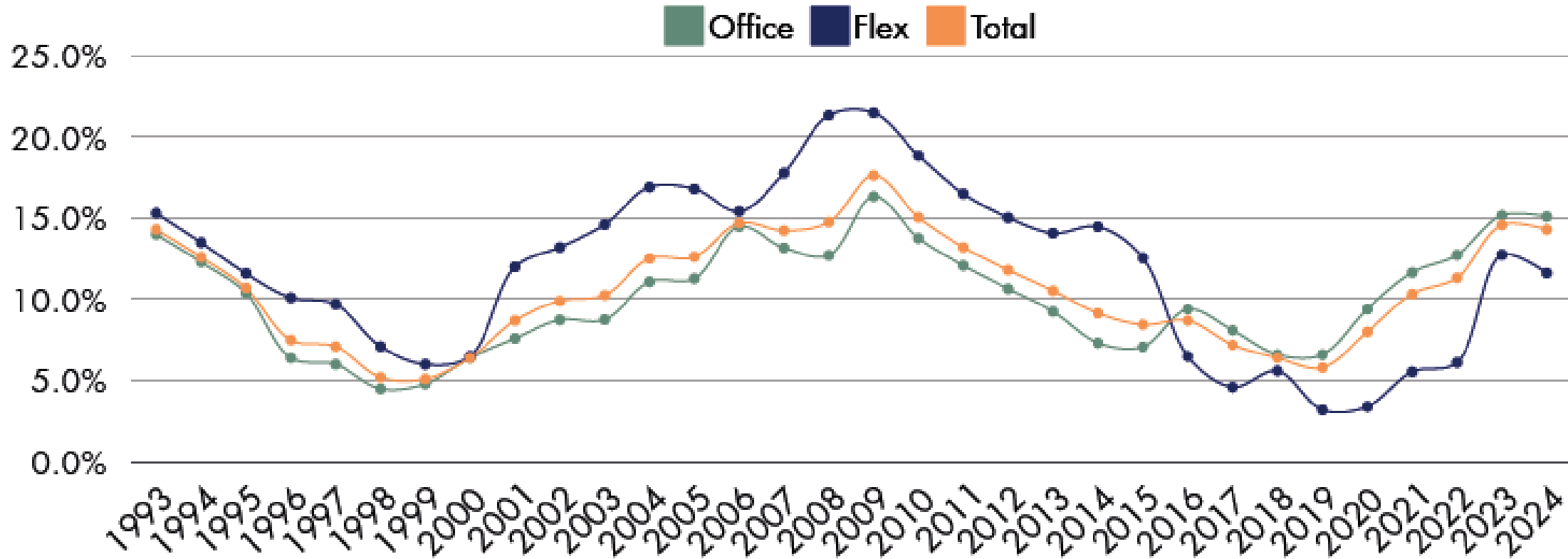


# Downtown A2 Visitors

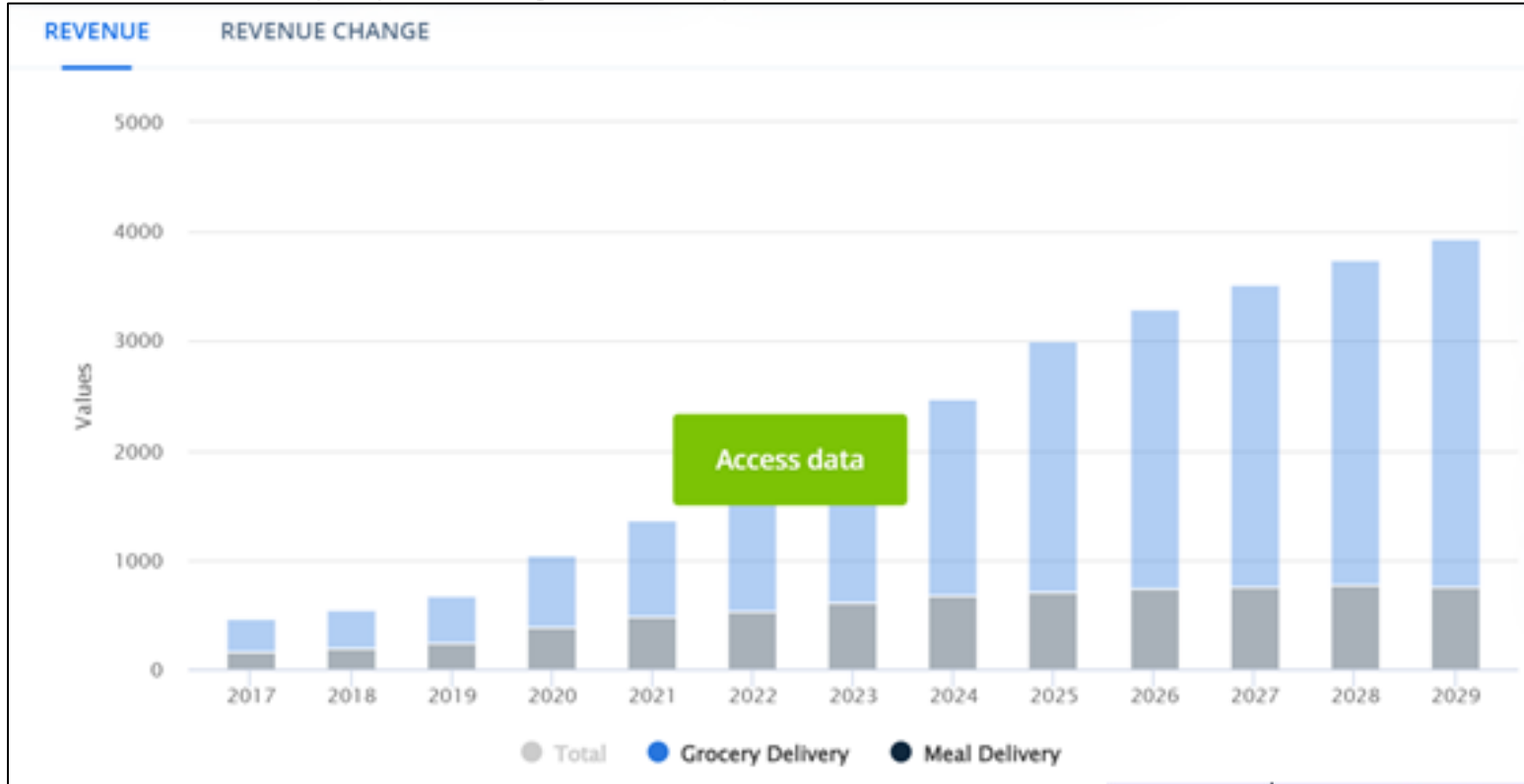
Hourly Parking Patrons (July '16 - June '24)  
*Includes patrons at structures and non-metered hourly lots*



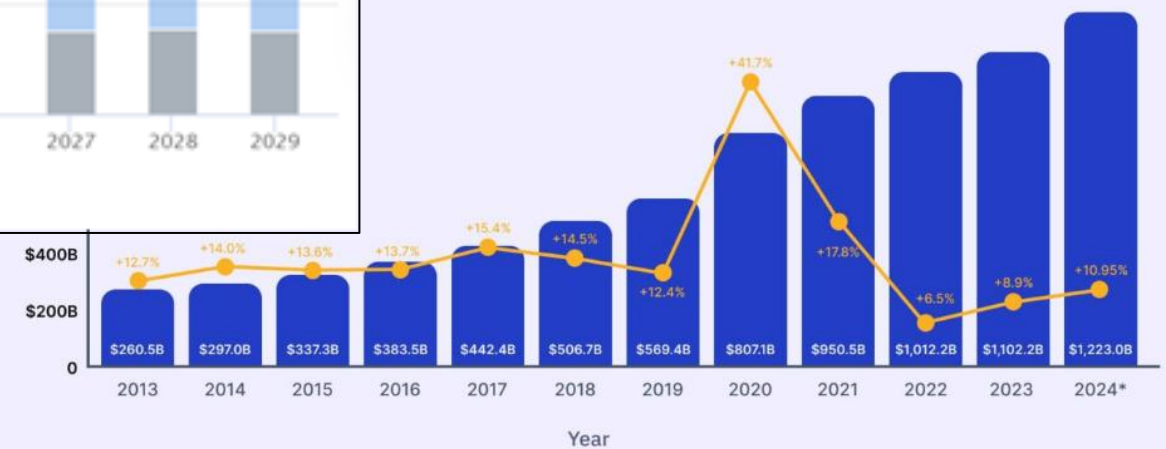
# Commercial Vacancy & Commuters



# Shopping Trips vs Deliveries



## Year-over-Year Growth of eCommerce sales in the US





# UM

- Mostly back to pre-pandemic level of activity
  - Remote work continues
  - Most have returned, most of the time
  - Staff has grown, offset remote work
- Parking is pretty full
  - Hospital full T, W, Th
  - New deck by hospital?
  - 300 stalls eliminated (Coliseum/Hill st)



# Response: Doing what we do best

1. Customer Satisfaction & Service Delivery
2. New services (longer hours, overnight, YTC staff, A2-Ypsi Express, Weekend frequency)
3. Major Projects Moving Forward
4. Innovations and new approaches...



# Innovation = Novelty That Works

- New, New-ish, or New-to-You
- Must be effective
- Technology, process, etc
- Change & Change Management



# Culture & Continuous Improvement

## Culture: empowered incremental change

- *Driver safety doors, FlexRide (ride hailing), new recruitment, Long-Range Plan & Millage, D2A2, YTC staff, Narcan, Computer system security, VOIP, door actuators, quality inspections, bus rodeo, youth intercept partners, numerous software upgrades, Policy Governance, Business Plan, Capital Plan, advocacy agenda,...*



# In Trial or Near Deployment

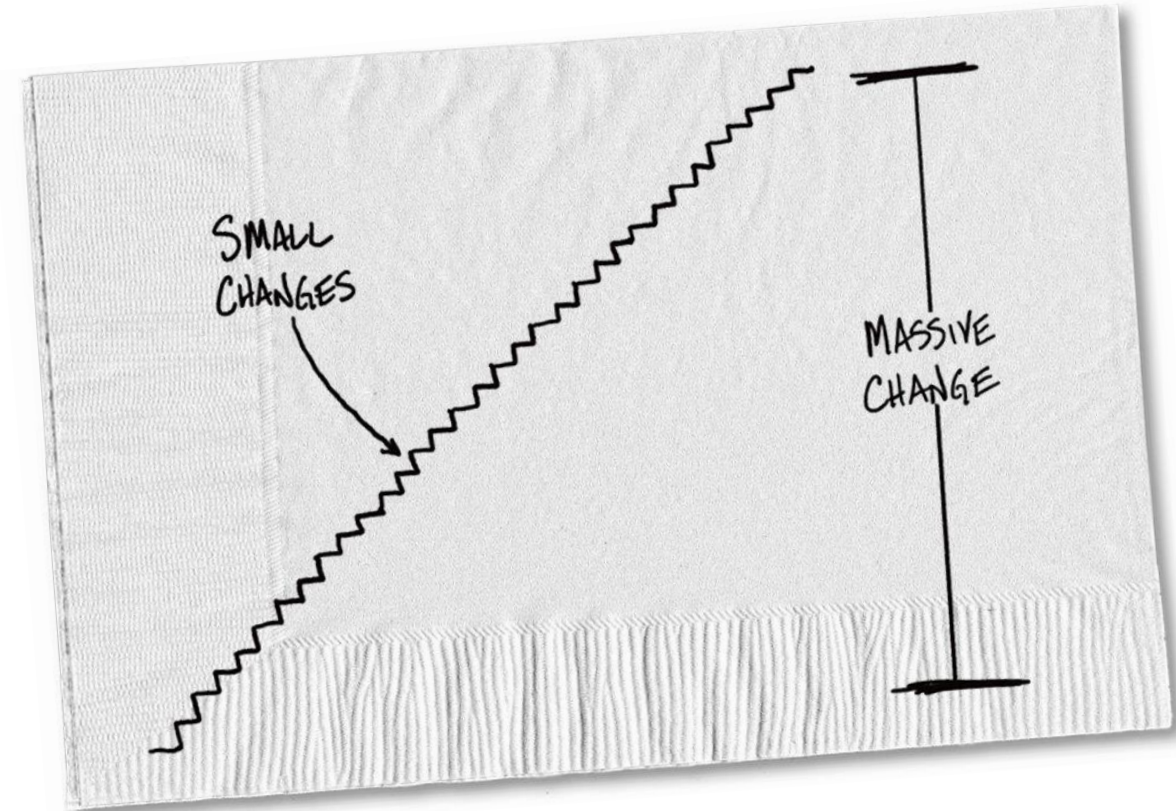
- Snow tires
- Throne (MCO rest room)
- New advertising
- Advocacy
- Bus Lane (State St)
- Dynamic scheduling for FlexRide (Via)
- MCO shift design & streamlining
- Mechanics equipment (reduces lifting)
- Staff Emergency Notification System
- IT Needs Assessment & Steering Committee
- Transit Signal Priority...



# Authorized or in Planning

## Incremental

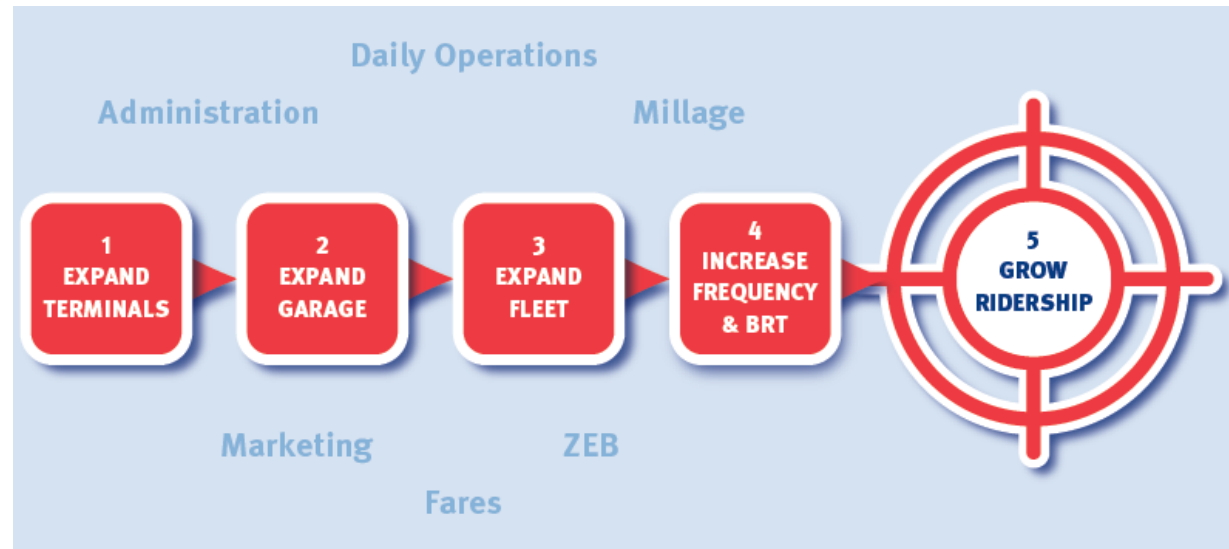
- ZingTrain for customer service
- Zero-emissions support vehicle study
- Zero-emission facilities study
- Driver uniforms
- Chat Bots for customer info
- Next-Gen real-time info



# Authorized or in Planning

## Moonshots

- LRP: Terminals, BRT, garage, etc...
- Zero-Emission Buses
- Regional park n ride Plan
- Bus Lane Plan
- Advanced Fare Collection
- Security



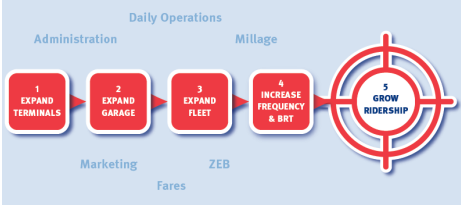
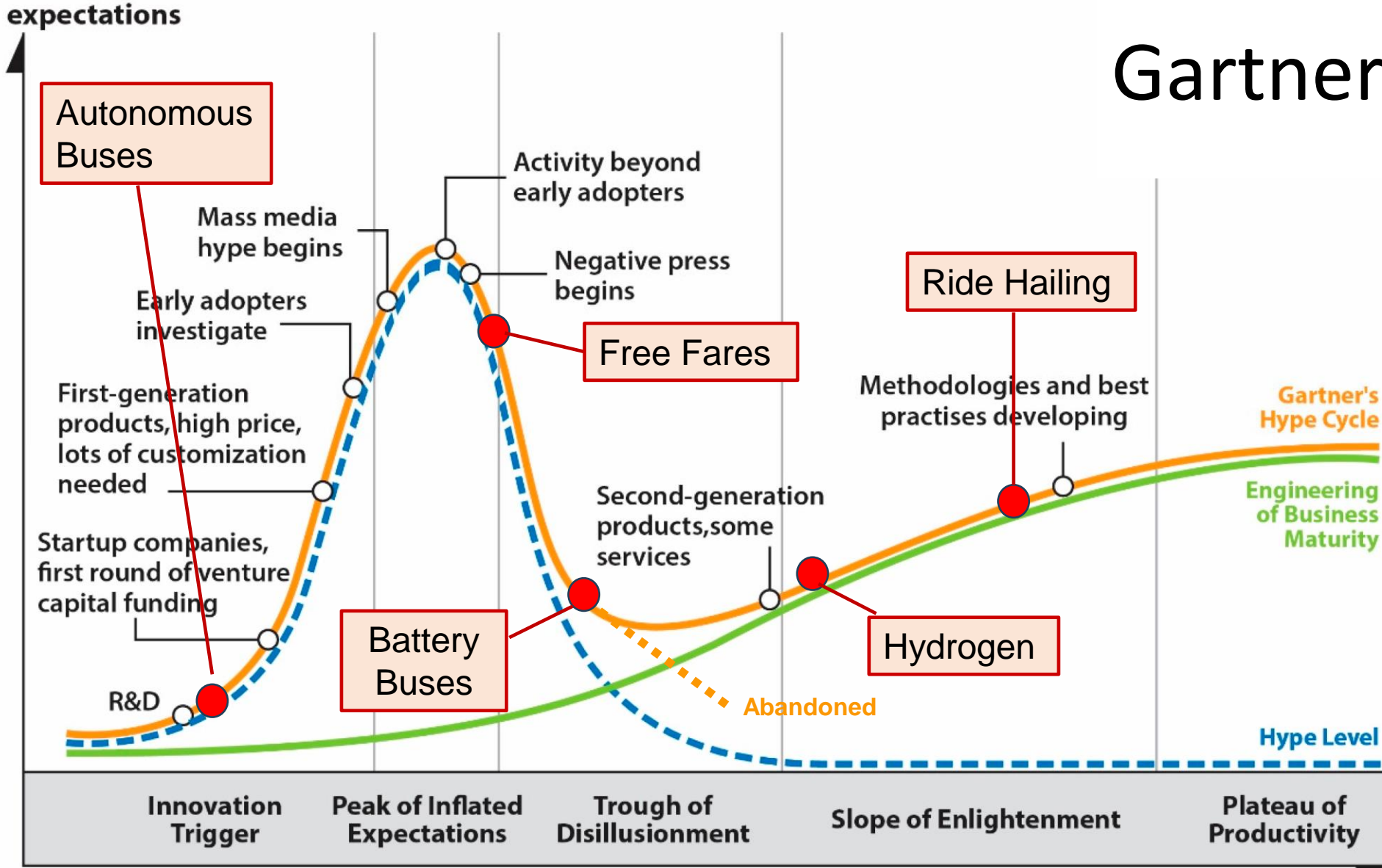
# Future/Under Consideration



- AI (productivity, customer experience...)
- Requests for Regional/Countywide services
- Non-emergency Medical Transportation



# Gartner Hype Cycle



# In Closing

- Leaning into headwinds
- Evolution (incremental)
- Revolution (moonshots)
- Finding limits of organization's capacity



A large, faint, light gray graphic of a lightbulb is centered in the background. The bulb part is a circle with several short, rounded lines radiating from it, and the base is a series of horizontal lines of varying lengths, resembling a screw-in base.

# Trends & Innovation

TheRide Board of Directors  
Matt Carpenter, CEO

## FY2025 Q1 Financial Statement

**Meeting: Board of Director's**

**Meeting Date: February 20, 2025**

<b>INFORMATION TYPE</b>
Receive as CEO operational update
<b>RECOMMENDED ACTION(S)</b>
Receive as CEO operational update
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
<ul style="list-style-type: none"> <li>• 2.10.1.5 CEO shall not...Let the Board be unaware of... incidental information (including) quarterly budget to actual financial reports.</li> <li>• Appendix A: Informational Reports schedule specifies quarterly Financial Statement reports in November, February, May, and August.</li> <li>• Policy 2.6 Investments and Appendix F Investment Policy.</li> </ul>
<b>ISSUE SUMMARY</b>
Staff presents the First Quarter Financial Statement with currently available and reportable financial information for the period ending December 31, 2024.
<b>BACKGROUND</b>
<p>Financial highlights from the first quarter year-to-date (October 2024 to December 2024) include:</p> <ul style="list-style-type: none"> <li>• TheRide operated within the budget through the first quarter of the year.</li> <li>• There is currently a \$792,000 surplus of revenues over expenses at the end of the first quarter.</li> <li>• Expenses were \$668,000 lower than budgeted through the first quarter due to unfilled staff positions and less expensive than predicted fuel costs due to lower rates. Pass-through expenses for subrecipients within purchased transportation were above budget at the end of Q1, but the associated revenue is expected to offset these costs by year-end.</li> <li>• Revenues were \$144,000 below budget. <ul style="list-style-type: none"> <li>➤ Local Property Tax revenues are flat compared to budget because they are recorded monthly as an accrual, based on the FY2025 budget, which are estimated collections for summer 2025. Based on property tax revenues in 2024, we have identified that the budget for property tax income for FY2025 was conservative. Beginning in Q2, monthly revenue accruals will be adjusted to more accurately reflect updated estimates of property tax revenues anticipated to be received between July and September 2025</li> <li>➤ While state operating assistance fell short of budget through the first quarter, higher-than-expected investment income and fare/contract revenue helped offset the variance. State operating assistance is a function of actual expenses and is expected to contour with costs by year end.</li> </ul> </li> </ul>

- The projected balances for the three board-approved reserves are as follows: operating reserve at \$12.9 million or 2.3 months, based on first quarter expenses, capital reserve of \$33.3 million, and insurance reserve at \$0.5 million.
- \$58.7 million in Federal pandemic relief revenue (CARES, ARP, CRRSAA) were used by the end of FY2024 by TheRide to support operations. No additional pandemic relief revenue is budgeted or expected.
- Cash flow was adequate to cover expenses; Q1 2025 ended with \$72.1 million in cash and investments.

**IMPACTS OF RECOMMENDED ACTION(S)**

- Budgetary/Fiscal: Demonstrates financial performance for the reporting period
- Governance: Supports Board in financial oversight/fiduciary responsibility

**ALTERNATIVE OPTION(S)**

N/A

**ATTACHMENTS**

1. FY2025 Q1 Financial Statements (Income Statement and Balance Sheet)



Ann Arbor Area Transportation Authority

# Q1 Financial Statement

## Income Statement

For the Period Ended December 31, 2024

### Revenue and Expense (Budget to Actual)

(\$ in thousands)

BLACK = FAVORABLE  
RED = UNFAVORABLE

REVENUES	Actual Quarter 1	Actual Quarter 2	Actual Quarter 3	Actual Quarter 4	Actual YTD	Budgeted YTD	Budget Variance	
							\$	%
Fares and Contracts	\$1,848	-	-	-	\$1,848	\$1,685	\$162	9.6%
Local Property Taxes*	9,374	-	-	-	9,374	9,374	0	0.0%
State Operating Assistance	4,894	-	-	-	4,894	5,550	(655)	-11.8%
Federal Operating Assistance	397	-	-	-	397	362	36	9.9%
Federal Pandemic Relief	0	-	-	-	0	0	0	0.0%
Other Revenues	791	-	-	-	791	477	313	65.7%
<b>Total Operating Revenues</b>	<b>\$17,304</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,304</b>	<b>\$17,447</b>	<b>(\$144)</b>	<b>-0.8%</b>
<b>EXPENSES</b>								
Salaries, Wages, Benefits	\$8,819	-	-	-	\$8,819	\$9,496	\$676	7.1%
Purchased Transportation	3,918	-	-	-	3,918	3,389	(530)	-15.6%
Fuel, Material, Supplies	1,671	-	-	-	1,671	1,919	248	12.9%
Purchased Services	1,079	-	-	-	1,079	1,239	160	12.9%
Other Expenses	1,024	-	-	-	1,024	1,136	112	9.9%
<b>Total Operating Expenses</b>	<b>\$16,511</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,511</b>	<b>\$17,179</b>	<b>\$668</b>	<b>3.9%</b>
<b>Surplus (Deficit)</b>	<b>\$792</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$792</b>	<b>\$269</b>	<b>\$524</b>	
<b>Capital Reserve Transfer</b>	-	-	-	-	-	-		
<b>Operating Reserve Transfer</b>	-	-	-	-	-	-		
<b>OPERATING BALANCE</b>	<b>\$792</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$792</b>	<b>\$269</b>		

TheRide had a \$792,000 surplus at the end of the first quarter.

**Revenues were \$144,000 below budget.** Although state operating assistance fell short, higher-than-expected investment income and fare/contract revenue helped offset the variance. State operating assistance is a function of actual expenses and is expected to contour with costs by year end.

Local Property Tax revenues are flat compared to budget because they are recorded monthly as an accrual, based on the FY2025 budget, which are estimated collections for summer 2025. Based on property tax revenues in 2024, we have identified that the budget for property tax income for FY2025 was conservative. Beginning in Q2, monthly revenue accruals will be adjusted to more accurately reflect updated estimates of property tax revenues anticipated to be received between July and September 2025

**Expenses were \$668,000 lower than budgeted** through the first quarter due to unfilled staff positions and less expensive than predicted fuel costs. Meanwhile, pass-through expenses for subrecipients within purchased transportation were above budget at the end of Q1, but the associated revenue is expected to offset these costs by year end.

**Federal Pandemic Relief Utilization**  
Expenditures from \$58.7 million in Federal Pandemic Relief funding as of December 31, 2024, for eligible COVID-19-related costs :

Operating Expenditures	\$ 58,744,987
Capital Expenditures	\$ -
<b>TOTAL EXPENDITURES</b>	<b>\$ 58,744,987</b>

Federal Pandemic Funds Remaining to Draw: \$ -

### YTD Revenue and Expense By Mode

(\$ in thousands)

	Fixed Route	Demand Response	Other Demand Response	Non-Urban	D2A2	VanRide	TOTAL
	<i>Fixed Route Bus</i>	<i>A-Ride</i>	<i>FlexRide, GoldRide, NightRide</i>	<i>WAVE, Peoples Express</i>	<i>Detroit Shuttle</i>	<i>VanRide, Ride Sharing</i>	
<b>DIRECT REVENUE</b>							
Fare Revenue	\$948	\$52	\$27	\$36	-	-	\$1,063
Contract Revenues	407	-	-	377	-	-	784
Advertising, Interest, Other	791	-	-	-	-	-	791
Federal Operating	52	238	-	107	-	-	397
State Operating	3,872	518	170	272	-	61	4,894
<b>Total Direct Revenue</b>	<b>\$6,071</b>	<b>\$808</b>	<b>\$197</b>	<b>\$793</b>	<b>-</b>	<b>\$61</b>	<b>\$7,930</b>
<b>TOTAL EXPENSE</b>							
Salaries, Wages, Benefits	\$8,352	\$360	\$32	\$51	-	\$24	\$8,819
Purchased Transportation	-	1,722	496	1,434	-	267	3,918
Fuel, Materials, Supplies	1,475	196	-	-	-	-	1,671
Contracted Services	1,024	39	-	16	-	-	1,079
Other Expenses	970	23	12	15	-	3	1,024
<b>Total Operating Expense</b>	<b>\$11,820</b>	<b>\$2,340</b>	<b>\$540</b>	<b>\$1,517</b>	<b>-</b>	<b>\$294</b>	<b>\$16,511</b>
<b>Surplus (Deficit) from OPS</b>	<b>(\$5,749)</b>	<b>(\$1,532)</b>	<b>(\$343)</b>	<b>(\$724)</b>	<b>-</b>	<b>(\$232)</b>	<b>(\$8,581)</b>
<b>ALLOCATED REVENUE</b>							
Local Property Taxes	\$6,542	\$1,532	\$343	\$724	-	\$232	\$9,374
Federal Pandemic Relief Funds	0	-	-	-	-	-	0
<b>SURPLUS (DEFICIT):</b>	<b>\$792</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$792</b>

## Balance Sheet

For the Period Ended December 31, 2024

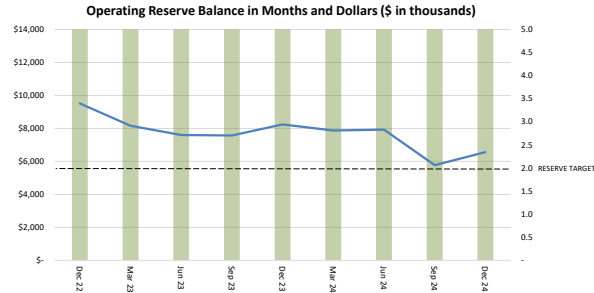
### Balance Sheet and Reserve

\$ in thousands, with Prior Year comparison.

ASSETS	Q4 2024	Q1 2024	Q1 2025
	9/30/2024	12/31/2023	12/31/2024
Cash	\$58,606	\$33,641	\$52,985
Investments	18,953	18,233	19,091
Other Current Assets	9,575	15,653	20,645
Capital Assets	36,932	39,688	39,748
<b>Total Assets</b>	<b>124,065</b>	<b>107,215</b>	<b>132,469</b>
<b>LIABILITIES</b>	<b>7,348</b>	<b>4,348</b>	<b>11,852</b>
<b>TOTAL NET POSITION</b>	<b>116,717</b>	<b>102,867</b>	<b>120,617</b>

RESERVES:	Balances		
	Q4 2024	Q1 2024	Q1 2025
Capital	\$33,260	\$33,184	\$33,260
Insurance	\$500	\$500	\$500
Operating	\$12,905	\$12,905	\$12,905
<b>Months in Operating Reserve</b>	<b>2.1</b>	<b>2.9</b>	<b>2.3</b>



### Statement of Cash Flows (\$ in thousands)

Historical Cash Flows	FY 2022		FY 2023				FY 2024				FY 2025
	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
<b>Beginning Balance:</b>	\$28,626	\$29,403	\$44,678	\$34,082	\$41,961	\$41,537	\$54,630	\$51,875	\$50,527	\$50,527	\$77,559
Cash Flow from Operations	573	25,604	(5,186)	3,153	(205)	12,832	(3,045)	(2,402)	(2,444)	24,474	(1,512)
Cash Flow from Capital	324	(3,163)	(5,510)	4,349	(166)	55	53	870	182	2,193	(4,109)
Cash Flow from Investments	(120)	(7,166)	100	377	(53)	206	237	184	171	364	138
<b>Cash Flow:</b>	<b>\$777</b>	<b>\$15,275</b>	<b>(\$10,596)</b>	<b>\$7,879</b>	<b>(\$424)</b>	<b>\$13,093</b>	<b>(\$2,755)</b>	<b>(\$1,348)</b>	<b>(\$2,090)</b>	<b>\$27,032</b>	<b>(\$5,483)</b>
<b>Ending Balance:</b>	<b>\$29,403</b>	<b>\$44,678</b>	<b>\$34,082</b>	<b>\$41,961</b>	<b>\$41,537</b>	<b>\$54,630</b>	<b>\$51,875</b>	<b>\$50,527</b>	<b>\$48,437</b>	<b>\$77,559</b>	<b>\$72,076</b>

### Q1 cash flow was negative at \$5.5 million

The Statement of Cash Flows summarizes the amount of cash and cash equivalents entering and leaving AAATA during the reporting period. It measures how AAATA generates cash to fund its operating, capital, and investing needs. Typically negative cash flow is normal for all quarters except the 4th quarter, when property tax receipts generate positive cash flow.

### Investments Summary

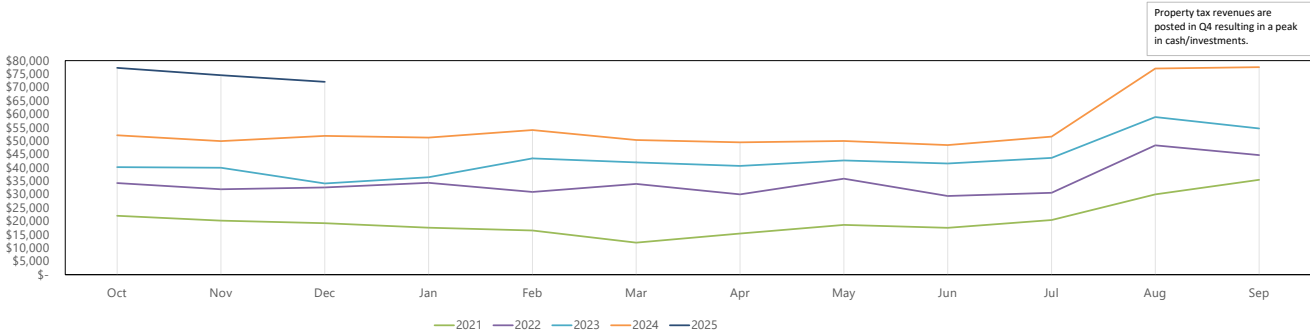
(\$ in thousands)

Investment Instrument	Date of Maturity	Interest Rate	Value on	
			09/30/2024	12/31/2024
U.S. Treasury Bills	10/31/2024	4.63%	2,000	0
U.S. Treasury Bills	11/12/2024	4.66%	2,500	0
U.S. Treasury Bills	11/29/2024	4.70%	2,000	0
U.S. Treasury Bills	12/26/2024	4.57%	2,000	0
U.S. Treasury Bills	2/20/2025	4.09%	1,300	1,300
U.S. Agency Bond	2/24/2025	3.75%	200	200
U.S. Agency Bond	3/28/2025	2.84%	2,500	2,500
U.S. Agency Bond	3/28/2025	3.11%	2,000	2,000
U.S. Agency Bond	6/27/2025	3.27%	2,000	2,000
U.S. Agency Bond	8/8/2025	4.10%	1,400	1,400
U.S. Agency Bond	1/22/2026	4.13%	750	750
U.S. Agency Bond	2/3/2027	4.23%	0	250
U.S. Treasury Notes	5/15/2027	4.14%	0	1,000
U.S. Treasury Notes	10/31/2027	4.11%	0	750
U.S. Agency Bond	11/1/2027	4.04%	0	2,500
U.S. Treasury Notes	11/15/2027	4.14%	0	2,200
U.S. Agency Bond	12/27/2027	4.25%	0	2,200
Money Market Funds	N/A	4.58%	428	230
Mark-to-Market Adjustment			(125)	(190)
<b>Total Investments:</b>			<b>\$18,953</b>	<b>\$19,091</b>

### FY2025 YTD Investment Gain (\$ in thousands): \$138

U.S. Treasury Bills, Notes, & Agency Bonds are short term bonds (several months to 10 years) backed by the Treasury Department of the U.S. Government. The rates shown for the current investments represent the gross yield-to-maturity rates (before the annual fee of .28%). An FDIC-insured cash sweep account or accounts that have balances above the FDIC insurance threshold are used for day-to-day working capital.

### Cash and Investments History



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## CEO Report

Meeting: Board of Directors

Meeting Date: February 20, 2025

### INFORMATION TYPE

Other

### LONG-RANGE PLAN STATUS UPDATES

#### YPSILANTI TRANSIT CENTER PLANNING

Schematic design of the YTC building is underway and will continue throughout the winter and early spring. The design team has been engaging employees throughout the organization - relying on them and a core team of users to help inform decisions. In parallel, the project team has made considerable progress on the environmental review process. Most technical work and written documentation are complete for the Categorical Exclusion with Documentation, but the project team faces uncertainty at the federal level with technical and legal reviews of the documents and coordination on the Section 106 process with the Michigan State Historic Preservation Office (SHPO), which must be completed by FTA. The timeline for finishing the environmental documentation is now in flux, but the project team is hoping to complete it by this spring. The project team will hold additional internal, public, and stakeholder engagements to inform the community on the facility design and function. The engagement's timing will be determined as the environmental review and schematic design processes continue.

#### BLAKE TRANSIT CENTER EXPANSION

TheRide continues to work with the Ann Arbor Housing Commission and City staff on the joint development of the old Y-Lot site adjacent to the BTC (350 S. Fifth). The Housing Commission and Related Midwest plan to build one tower along William St that will incorporate low- to moderate-income units and ground-level retail. TheRide is working closely with the co-developers and architects on the design of the transit platform expansion and other transit amenities around the site. Related Midwest hopes to submit an initial site plan for review to the City by March of this year. The team would ideally like to start construction early next year. A separate study led by the DDA to redesign 4th Avenue from Liberty St. to William St. is ongoing. This project aims to create a more pedestrian and transit friendly street. The project team is working closely with the 350 S. Fifth development team so that both the housing project and 4th Avenue timelines and final designs are well coordinated.

#### BUS LANES AND BUS RAPID TRANSIT

AAATA was chosen for technical assistance by USDOT's Transportation Planning Capacity Building Program (TPCB). The TPCB Program is supported by the Federal Transit Administration, the Federal Highway Administration, and the Volpe Institute and matches applicants with other communities through peer exchange. The subject of our application was bus rapid transit and the TPCB Program will bring two communities which have implemented



such projects to our region to share information on their experiences and best practices. The program will take about six months of planning culminating in a local workshop followed up with a report of findings. This effort is meant to build understanding of, confidence in, and excitement about the possibility of bus rapid transit in Washtenaw County.

### RTA'S REGIONAL TRANSIT MASTER PLAN

The Regional Transit Authority of Southeast Michigan adopted the Regional Transit Master Plan (RTMP) Update in January 2025. The RTMP is updated annually and summarizes transit trends, regional accomplishments, and regional opportunities for the growth and expansion of public transit in Southeast Michigan. AAATA staff provided comments on the draft. The graphic below is from the RTMP and shows the regional priorities. More information is available at: <https://rtamichigan.org/regional-transit-master-plan-2024>

### REGIONAL TRANSIT PRIORITIES

<p><b>Move People</b></p> 	<ul style="list-style-type: none"> <li>▪ Increase Frequency, Reliability, and Hours on Fixed-Route Services</li> <li>▪ Build On and Coordinate Demand-Response Services</li> <li>▪ Grow Mobility Access to Local Communities and Regional Destinations</li> </ul>
<p><b>Strengthen Access</b></p> 	<ul style="list-style-type: none"> <li>▪ Invest in and Implement a Rapid Transit Network</li> <li>▪ Advance Accessibility, Comfort, and Well-Being at Transit Stops</li> <li>▪ Upgrade Multimodal Connections To and Between Services</li> <li>▪ Regionalize Trip Planning and Fare Payment Systems</li> </ul>
<p><b>Enhance Experience</b></p> 	<ul style="list-style-type: none"> <li>▪ Enhance Ride Quality and Promote On-Board Safety</li> <li>▪ Modernize and Maintain Infrastructure in a State of Good Repair</li> <li>▪ Recruit, Develop, and Retain a Thriving Workforce</li> </ul>

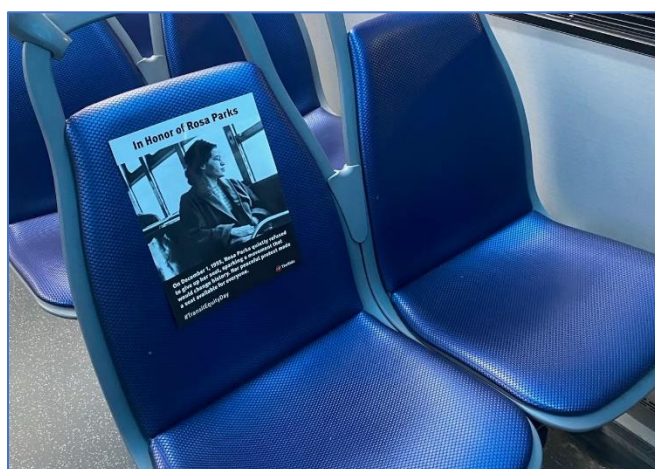
## OPERATIONAL UPDATES

### TRANSIT OPERATOR GRADUATION/RECRUITMENT

Two MCO classes are expected to start on February 11<sup>th</sup> and March 4<sup>th</sup>, with the hope of hiring 10-15 operators. Our current operator number is 192.

### COMMUNITY AND EMPLOYEE ENGAGEMENT

On February 4<sup>th</sup>, AAATA celebrated Transit Equity Day by honoring Rosa Parks. To celebrate, AAATA placed bus cards on each of its buses and a reserved sign on one seat per bus honoring Ms. Parks.



AAATA also held a table at the WCC Student Center for their Winter Welcome Day event in early February.



### **STOPGAP BUS REPLACEMENT**

New Gillig buses have started to arrive and are being put into service. Older buses are being replaced with some being donated to Jackson Transit.

### **LOCAL ADVISORY COMMITTEE (LAC)**

The LAC did not meet in January. At the February meeting the LAC discussed its workplan and Gantt chart for the coming year as well as requesting technical presentations from staff.

### **ANN ARBOR CITY COUNCIL**

Manager of Public Affairs and Community Engagement Jeff Pfeifer is set to present to the Ann Arbor City Council on February 18<sup>th</sup>.

### **TRANSPORTATION COMMISSION (ANN ARBOR)**

The commission met on January 15<sup>th</sup> and discussed AAPS and began reviewing the advocacy agenda it will recommend to City Council in a few months.

### **WATS POLICY COMMITTEE UPDATE**

The January WATS Policy Committee met, elected new officers, received safety target updates, and adopted the Unified Work Program, a to-do list for local transportation planning. The February meeting has been cancelled.

## **ADVOCACY UPDATES**

### **FEDERAL DEVELOPMENTS**

There have been numerous presidential Executive Orders since the inauguration. The CEO will provide a verbal update at the meeting.

### **STATE BUDGET BEGINNINGS**

The Governor has proposed a \$3 billion transportation proposal. These proposed funds would go through the Act 51 formula, automatically distributing about \$250 into the Comprehensive Transportation Fund. This is good for transit. However, this is an initial proposal and is a complex mix of revenue sources, and the budget process has several months to go. The GOP majority on the House is more focused on reducing spending. We expect early proposals to be changed during legislative deliberations. The budget should be finished in the summer.

## **ANN ARBOR LAND USE PLAN**

The City is developing an update to its comprehensive transportation land use plan, the master plan for the city's zoning. TheRide is reviewing initial concepts and will be providing feedback to the City. Overall the proposals envision a more built-up city with higher densities for housing.

### **EXECUTION OF CONTRACTS OVER \$250K (Policy 2.9.1.5.D)**

#### **FLEXRIDE UPDATES**

On January 14, 2025, the CEO authorized a change order to the contract between AAATA and River North Transit, LLC, a wholly owned subsidiary of Via Transportation. This change order increases the Annual Not-to-Exceed contract cost for FlexRide Services from \$1,300,000 to \$2,200,000.

#### **ADVERTISING**

As approved in the FY2025 budget, on February 6, 2025, the CEO authorized a contract with Q+M, A division of American Eagle to provide Communications and Marketing Services. The contract term is one-year plus 4 one-year options. The amount budgeted for these services in FY2025 is \$330,500. If all option years are exercised, the total contract value will be \$1,652,500.

#### **TIRES**

The purchase of New and Retread Tires were approved in the FY2025 budget. On February 6, 2025, contracts with Jam Best One Fleet Services and Pomp's Tire Service, Inc. were authorized by the CEO. The amount budgeted for these purchases in FY2025 is \$225,000. The contract term is one-year plus 4 one-year options. If all option years are exercised, the total contract value will be \$1,125,000.

February 5, 2025

To the Board of Directors  
Ann Arbor Area Transportation Authority

We have audited the financial statements of the Ann Arbor Area Transportation Authority (the "Authority" or AAATA) as of and for the year ended September 30, 2024 and have issued our report thereon dated February 5, 2025. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Other Recommendations and Related Information

Section III - Legislative and Informational Items

Section I includes information that we are required to communicate to those individuals charged with governance of the Authority. This section communicates significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the Authority in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

Section III contains legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the Authority's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



Pamela L. Hill  
Partner



Chris Gilbert  
Senior Manager

## **Section I - Required Communications with Those Charged with Governance**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 11, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the Authority's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Authority, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated February 5, 2025 regarding 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.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 20, 2024.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2024.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

**Section I - Required Communications with Those Charged with Governance  
(Continued)**

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in performing and completing our audit.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

***Significant Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated February 5, 2025.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Section II - Other Recommendations and Related Information**

### **User Access Reviews**

During our audit procedures, we noted that there are a number of individuals who have administrative access and/or the ability to make payroll changes in the payroll software (UKG), including some individuals who are also involved in key internal controls of the Authority. We noted that there are mitigating controls in place to address the potential of misappropriation of assets, some detective and some preventive. However, to further strengthen internal controls, we recommend the Authority review user access within the payroll system and limit user abilities to only those needed to perform job duties (as well as limiting administrators to those who are not part of the internal control system), if possible. We further recommend that a review of user access of each employee be done at least annually by the Authority for both the general ledger and payroll systems.

## Section III - Legislative and Informational Items

### **Inflation Reduction Act (IRA)**

Significant legislation was enacted in 2022 that has dramatically expanded the available tax credits, tax incentives, and other funding opportunities related to the green energy sector. Several of these are built on previously existing programs, but many are new and widely applicable. Additionally, new monetization options expand the benefits of tax credits for qualifying activities to public sector organizations like the Authority. The breadth of qualifying activities is significant, including, in most cases, the production of electricity; production of solar, wind, and energy equipment; installation of energy-efficient upgrades to businesses and homes; and the acquisition of electric vehicles (EVs) and charging equipment. We are happy to discuss any questions or potential tax credit opportunities with you, and please also feel free to visit our IRA tax credits articles and webinars at <https://www.plantemor.com/explore-our-thinking/areas-of-focus/inflation-reduction-act-tax-credits>.

### **Cybersecurity and Information Technology Controls**

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, municipalities stand to lose their reputation, the ability to operate efficiently, and proprietary information or assets. Communities potentially can also be subject to financial and legal liabilities. Managing this issue is especially challenging because even a municipality with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We understand that the technology department continues to monitor and evaluate this risk, which are critical best practices. Additionally, periodic assessment of the system in order to verify that the control environment is working as intended is a key part of measuring associated business risk. We encourage administration and those charged with governance to work with the technology team on this very important topic. If we can be of assistance in the process, we would be happy to do so.

### **OMB Revisions to the Uniform Guidance**

In April 2024, the Office of Management and Budget (OMB) released revisions for the Uniform Guidance for federal grants and agreements, which are effective for fiscal year ends beginning on October 1, 2024 and after. The guidance clarifies the applicability of requirements and terminology and includes some relaxation and clarification of certain requirements that required prior approval from federal regulators. A few key changes include the following:

- Increase the single audit threshold to \$1 million from \$750,000
- Require the schedule of expenditures of federal awards (SEFA) to identify recipient of federal award for audits that cover multiple recipients
- Increase the *de minimis* indirect cost rate from 10 percent to 15 percent, effective for grants received on October 1, 2024 and after

The changes are included in more detail within the federal register at <https://www.federalregister.gov/documents/2024/04/22/2024-07496/guidance-for-federal-financial-assistance>, and we are happy to discuss these changes with you.

### **Capitalization Thresholds**

The April 2024 Uniform Grants Guidance 2024 Revision described above resulted in the equipment threshold increasing from \$5,000 to \$10,000. This threshold applies to the value of equipment that at the end of the grant period may be retained, sold, or otherwise disposed of with no further responsibility to the federal agency. In addition to considering this Uniform Guidance threshold related to federal grants compliance, it may be a good time for the Authority to reevaluate the capitalization thresholds. We are happy to assist you in thinking through considerations in evaluating these thresholds.



### Section III - Legislative and Informational Items (Continued)

#### Other New Legislation

##### ***Upcoming Accounting Standards Requiring Preparation***

We actively monitor new Governmental Accounting Standards Board (GASB) standards and due process documents and provide periodic updates to help you understand how the latest financial reporting developments will impact the Authority. In addition to the summaries below and to stay up to date, Plante & Moran, PLLC issues a biannual GASB accounting standard update. The most recent update and a link to previous fall and spring updates are available [here](#).

##### ***GASB Statement No. 101 - Compensated Absences***

This new accounting pronouncement will be effective for the Authority's fiscal year ending September 30, 2025. The statement requires all compensated absences be reported under a new unified model that provides recognition and measurement guidance for all compensated absences that meet certain criteria. This is a major shift from the prior standards that provided different recognition and measurement guidance for vacation leave versus sick leave. Under the new standard, all compensated absences (with some exceptions like parental leave and military leave) that meet three criteria are to be recognized (accrued). The three criteria are (1) the absence accumulates, (2) the absence is attributed to services already performed, and (3) the absence is more likely than not to be either paid or settled through other means.

A few of the more significant changes from prior guidance include the elimination of specific recognition criteria for sick leave (GASB 16's termination payment method and vesting method) in lieu of standard recognition criteria for all types of compensated absences that meet the criteria. In addition, the prior standards used the "probable criteria" as a measurement stick for recognition; GASB 101 lowers that threshold to more likely than not. More likely than not means a likelihood of more than 50 percent. Because GASB 101 does not prescribe the manner in which these leave liabilities are estimated once the criteria are met, organizations will have significant latitude in how these estimates are determined. Because of this, there may be additional reporting and additional disaggregation of historical employee leave usage information that may be required in order to come up with an accurate estimate of these liabilities. We strongly suggest the Authority start thinking about these changes now, brainstorm estimation methodologies, and begin gathering the necessary information in order to successfully adopt this new standard.

##### ***GASB Statement No. 102 - Certain Risk Disclosures***

This new accounting pronouncement will be effective for the Authority's fiscal year ending September 30, 2025. This statement requires a government to assess whether a concentration or constraint makes the primary government or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements.

##### ***GASB Statement No. 103 - Financial Reporting Model Improvements***

This new accounting pronouncement will be effective for the Authority's fiscal year ending September 30, 2026. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section.

**Section III - Legislative and Informational Items  
(Continued)**

***GASB Statement No. 104 - Disclosure of Certain Capital Assets***

This new accounting pronouncement will be effective for the Authority's fiscal year ending September 30, 2026. This new accounting pronouncement requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale.

***Significant GASB Proposals Worth Watching***

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. The GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step categorization process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions. The exposure draft for this project is expected sometime in 2025.

Plante & Moran, PLLC has spent significant time digesting this new proposed standard and recently testified to the GASB about our feedback. We strongly encourage the Authority to monitor developments with this standard, as the potential impact is quite broad.

February 5, 2025

To Ms. Dina Reed  
Ann Arbor Area Transportation Authority  
2700 S. Industrial Highway  
Ann Arbor, MI 458104

Dear Ms. Dina Reed:

Enclosed are your annual financial reports and report to the board for the year ended September 30, 2024 as follows:

- Financial statements
- Single audit report
- Required communication, under AU 260, to the board

To assist you in determining the distribution requirements of your annual reports, the filing requirements for several agencies are summarized below. In general, please ensure that the financial statements are included with any distributions of the single audit report.

The single audit report package (as referred to below) includes the following:

- Financial statements
- Single audit report

#### **Single Audit Filing Requirements**

We are in the process of preparing the data collection form (DCF) on your behalf. As you are aware, in October 2023, the Federal Audit Clearinghouse (FAC) transitioned from the U.S. Census to the U.S. General Services Administration (GSA). The transition to a new platform has changed how the form is completed and processed.

- The first time you access the system, the certifying official for your organization needs to create a new account. Each user will be required to have a unique account that is linked to a cellphone for two-factor authentication.
- The DCF will be completed by us in the Excel workbooks provided by the FAC. Plante & Moran, PLLC will send the completed workbooks for your review via email. Your review of the workbooks is critical, as we are unable to edit the form once it is uploaded to the FAC. Once your review is complete, communicate the status of your review to Pamela Hill.
- The certifying official for your organization will need to electronically certify the single audit data collection form. You will receive an email from Plante & Moran, PLLC with certification instructions.
- We will upload the entire reporting package electronically to the FAC. You no longer need to send any hard copies of the reports to the clearinghouse.

To Ms. Dina Reed  
Ann Arbor Area Transportation Authority

February 5, 2025

- You will need to electronically certify the single audit data collection form. You will receive an automated email from the clearinghouse with certification instructions. In order to certify, you will need to ensure the certifying official at your organization has set up a personal account within the Internet Data Entry System (IDES) being used by the FAC for these data collection form filings.

Thank you for the opportunity to serve as your auditors. Please contact us if you have any questions regarding these filing requirements.

Very truly yours,

**Plante & Moran, PLLC**



Dawn Gabay Operations Center  
2700 S. Industrial Highway  
Ann Arbor, MI 48104

Phone: 734.973.6500  
Fax: 734.973.6338  
Online: TheRide.org

January 23, 2025

**Ann Arbor Area Transportation Authority  
September 30, 2024  
Summary Schedule of Prior Audit Findings**

**Prior Year Finding Number:**

2023-001

**Fiscal Year in Which the Finding Initially Occurred:**

2023

**Federal Program, Assistance Listing Number and Name:**

N/A

**Original Finding Description:**

It was noted that certain account balances were not reconciled or did not agree to the underlying documentation.

**Status/Partial Corrective Action (as applicable):**

Fully Corrected

**Planned Corrective Action:**

N/A

**Point of Contact:**

Dina Reed [dreed@theride.org](mailto:dreed@theride.org)

(also please Cc: my executive assistant, Mary Medley-Fields [mkmedleyfields@theride.org](mailto:mkmedleyfields@theride.org))

A handwritten signature in black ink, appearing to read 'Dina Reed', with a long horizontal flourish extending to the right.

Dina Reed  
Deputy CEO, Finance & Administration  
TheRide // Ann Arbor Area Transportation Authority

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# Ann Arbor Area Transportation Authority

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**Federal Awards Supplementary Information**  
**September 30, 2024**

### **Independent Auditor's Reports**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	4-6
<b>Schedule of Expenditures of Federal Awards</b>	7
<b>Notes to Schedule of Expenditures of Federal Awards</b>	8
<b>Schedule of Findings and Questioned Costs</b>	9-10



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

**Independent Auditor's Report**

To the Board of Directors  
Ann Arbor Area Transportation Authority

We have audited the financial statements of the enterprise fund and the aggregate remaining fund information of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated February 5, 2025, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 5, 2025.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

*Plante & Moran, PLLC*

February 5, 2025



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Board of Directors  
Ann Arbor Area Transportation Authority

We have audited, 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, the financial statements of the enterprise fund and the aggregate remaining fund information of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 5, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

**Report on Compliance and Other Matters**

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

To Management and the Board of Directors  
Ann Arbor Area Transportation Authority

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Morse, PLLC*

February 5, 2025

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance  
Required by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Directors  
Ann Arbor Area Transportation Authority

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Ann Arbor Area Transportation Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2024. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal program.

To the Board of Directors  
Ann Arbor Area Transportation Authority

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors  
Ann Arbor Area Transportation Authority

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

*Plante & Moran, PLLC*

February 5, 2025

## Schedule of Expenditures of Federal Awards

Year Ended September 30, 2024

through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Project Number	Total Amount Provided to Subrecipients	Federal Expenditures
<b>Is:</b>					
Urbanized Area Formula Program)	20.507	N/A	MI90-X822	\$ -	\$ 321,721
Urbanized Area Formula Program)	20.507	N/A	MI90-X840	-	421,295
nsit - Formula Grants (Urbanized Area Formula Program)	20.507	N/A	MI22-X050	-	158,137
istance	20.507	N/A	MI22-X009	-	6,799,897
Competitive, and Low or No Emissions Programs	20.526	N/A	MI34-0086	-	88,815
				-	7,789,865
<b>Authority of Southeast Michigan</b>					
(RTA CMAQ D2A2 Service)	20.507	M2024-01	M2024-01	-	2,192,216
				-	9,982,081
<b>Direct Awards:</b>					
ndividuals with Disabilities	20.513	N/A	MI16-0039	30,385	30,385
ndividuals with Disabilities	20.513	N/A	MI16-0038	99,246	99,246
ndividuals with Disabilities	20.513	N/A	MI16-4008	26,090	26,090
ndividuals with Disabilities	20.513	N/A	MI16-X045	219,254	219,254
ndividuals with Disabilities	20.513	N/A	MI16-4009	25,000	25,000
ndividuals with Disabilities	20.513	N/A	MI16-X019	78,000	78,000
s Cluster				477,975	477,975
<b>t of Transportation -</b>					
J Tribal Transit Program	20.509	1207-2024-1	1207-2024-1	429,694	429,694
<b>an Council of Governments (SEMCOG):</b>					
1 (Federal-Aid Highway Program)	20.205	24001	N/A	-	81,723
1 (Federal-Aid Highway Program)	20.205	24005	N/A	-	50,583
				-	132,306
<b>wards</b>				<b>\$ 907,669</b>	<b>\$ 11,022,056</b>

itures of federal awards.

# Ann Arbor Area Transportation Authority

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## Notes to Schedule of Expenditures of Federal Awards

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Year Ended September 30, 2024

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Ann Arbor Area Transportation Authority (the "Authority") under programs of the federal government for the year ended September 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The pass-through entity identifying numbers are presented where available.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

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## Schedule of Findings and Questioned Costs

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**Ann Arbor Area Transportation Authority**

**Schedule of Findings and Questioned Costs**

**Year Ended September 30, 2024**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

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

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
20.507, 20.526	Federal Transit Cluster	Unmodified

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

**Section II - Financial Statement Audit Findings**

Finding
None

**Section III - Federal Program Audit Findings**

Finding	Questioned Costs
None	

Ann Arbor Area  
Transportation  
Authority



Year Ended  
September 30,  
2024 and 2023

Financial  
Statements

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# ANN ARBOR AREA TRANSPORTATION AUTHORITY

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## **Independent Auditor's Report**

To the Board of Directors  
Ann Arbor Area Transportation Authority

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the enterprise fund and fiduciary fund of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise the Ann Arbor Area Transportation Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and fiduciary fund of the Ann Arbor Area Transportation Authority as of September 30, 2024 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Report on Prior Year Financial Statements***

The basic financial statements of the enterprise fund and fiduciary fund of the Ann Arbor Area Transportation Authority as of and for the year ended September 30, 2023 were audited by other auditors, who expressed an unmodified opinion on the enterprise fund and fiduciary fund on February 14, 2024.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors  
Ann Arbor Area Transportation Authority

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 responses 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.

To the Board of Directors  
Ann Arbor Area Transportation Authority

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ann Arbor Area Transportation Authority's basic financial statements. The supplementary information, as identified in the table of contents, except for the schedule of urban and nonurban regular service nonfinancial information and schedule of operating assistance calculation, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 supplementary information, except for the schedule of urban and nonurban regular service nonfinancial information and schedule of operating assistance calculation, is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Additional Information**

Management is responsible for the accompanying schedule of urban and nonurban regular service nonfinancial information and schedule of operating assistance calculation, which are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2025 on our consideration of the Ann Arbor Area Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Ann Arbor Area Transportation 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 Ann Arbor Area Transportation Authority's internal control over financial reporting and compliance.



February 5, 2025



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

As management of the Ann Arbor Area Transportation Authority (the "Authority") in Ann Arbor, Michigan, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended September 30, 2024 and 2023. We encourage readers to consider the information in conjunction with the financial statements, related note disclosures and the required supplementary and additional information as listed in the table of contents.

### Governance of the Authority

The Authority was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government under Public Act 55 of 1963. In 2013, the Authority and the City of Ann Arbor approved the City of Ypsilanti's and the Charter Township of Ypsilanti's requests to become members of the Authority, creating a three-member authority and what was originally known as the Ann Arbor Transportation Authority (AATA) was renamed to the Ann Arbor Area Transportation Authority (AAATA). Additionally, the Board of Directors expanded from seven directors to ten directors, by adding one director each from the City of Ann Arbor, the City of Ypsilanti and the Charter Township of Ypsilanti.

### Summary of The State of TheRide in 2024

In Fiscal Year 2024 TheRide experienced moderate but steady ridership recovery and continues to improve financial stability. While the acute phase of the pandemic has passed, its lasting effects continue to shape public transportation. Our communities have fully reopened, and economic and social activities have largely normalized, but with notable shifts in commuting habits due to increased remote and hybrid work. Like other agencies, TheRide is now focusing on service adjustments to meet these evolving needs, while also addressing challenges, such as inflation, and recruiting and retaining essential staff. TheRide is positioned for growth with adequate funding, an increased emphasis on sustainability, equity, accessibility, and the continued modernization of operational assets.

TheRide is focused on growing ridership by offering strategic expanded service enhancements and making investments in organizational efficiencies. In fiscal year 2024 TheRide began implementing its first phase of the long-range plan (TheRide 2045), approved by the Board of Directors in fiscal year 2022, replacing the former long-range plan known as the 5YTIP. Funding for this plan included a five-year property tax millage of 2.38 mills, and was approved by the voters of the Cities of Ann Arbor and Ypsilanti and Ypsilanti Township in August 2022. The new millage is a five-year millage spanning from 2024 through 2028 and supports public transportation services, including service expansions promised in the millage, while funding the growing costs of historical service levels. The service expansions align with state and national efforts to enhance public transportation availability and adapt to changing commuter patterns post-pandemic.

As demonstrated through the financial statements presented in this report, TheRide is financially stable. TheRide operated within the approved FY2024 budget, maintained more than adequate cash flow through the fiscal year, and ended the year with growth in net assets. The approved millage increased property tax revenues, eliminating reliance on federal pandemic relief funds to support ongoing operations and providing service expansions. TheRide's reserve balances are at or above target levels, has no debt or unfunded liabilities, and has dedicated property tax revenues through 2028.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Financial stability and prudence will be maintained by continuing to administer effective financial controls and disciplined stewardship of financial management, organizational resources and strategic decision making, consistent with Board policies. This commitment to financial management will bolster the organization against liquidity issues, budget cuts, and other risks that could jeopardize the organization's ability to carry out its mission.

### Overview of the Financial Statements and Financial Analysis

The discussion is intended to present an overview of the Authority's financial performance for the years ended September 30, 2024 and 2023 and does not purport to make any statement regarding the future operations of the Authority. While the Authority is an instrumentality of the State of Michigan, it is not a component of the State as defined by the Governmental Accounting Standards Board (GASB).

The annual report consists of the basic financial statements, which are the statement of net position (formerly called the balance sheet), statements of revenues, expenses and changes in net position (formerly net assets), and the statements of cash flows, prepared in accordance with GASB principles. This report also contains other additional information in addition to the basic financial statements, as required by the State of Michigan Departments of Treasury and Transportation.

The basic financial statements for the year ended September 30, 2023 have been audited and are included herein for comparative purposes.

### Financial Highlights

The Authority's total assets increased from the prior year by \$16.4 million (15.2%), primarily due to an increase of \$22.9 million (42.0%) in total cash and investments. The increase in cash and investments reflects the new property tax levy effective in fiscal year 2024.

Total net position increased by \$15.2 million (15.0%) as the unrestricted net position increased by \$19.2 million (31.9%) offset by a decrease net investment in capital assets of \$4.2 million (10.2%) and increase in restricted for OPEB of \$0.2 million.

Total operating revenues is comprised of passenger fares and special fares, where someone other than the passenger pays the fare. These decreased about \$0.5 million (11.4%) as the result of contract details between the Authority and UofM related to the Mride program.

Total non-operating revenues includes federal, state and local funding. These increased \$13.5 million (22.0%) mostly due increase in property tax levies of about \$17.8 million with the new tax levy, and investment income of \$1.5 million with improved market, as well as an increase in current funding of \$2.5 million from the State of Michigan. This is offset by a decrease in federal revenue of \$9.5 million primarily as a result of \$8.2 million less in ARP/CARES ACT funding as it was completed in fiscal year 2024.

Total operating expenses increased by \$3.4 million (5.5%), driven by higher costs for Operators' Salaries and Wages (\$2 million) and Purchased Transportation (\$1.4 million), reflecting the Authority's implementation of millage-funded service enhancements which began during the fiscal year.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

### Authority's Net Position

The statements of net position include all assets, deferred outflows, liabilities and deferred inflows. It is prepared under the "full accrual" basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when they occur, regardless of the timing of the related cash flows. Assets and liabilities are measured using the economic resources measurement focus. Capital assets are reported at historical cost less an allowance for depreciation.

A summary of the Authority's assets, liabilities and net position at September 30, 2024, 2023 and 2022 follows (in thousands):

	Net Position		
	2024	2023	2022
<b>Assets</b>			
Current assets	\$ 86,917	\$ 66,497	\$ 56,338
Noncurrent assets	216	56	21
Capital assets, net	36,932	41,125	41,319
	<u>124,065</u>	<u>107,678</u>	<u>97,678</u>
<b>Deferred outflows of resources</b>	<u>75</u>	<u>148</u>	<u>141</u>
<b>Liabilities</b>			
Other liabilities	5,267	4,260	4,063
Noncurrent liabilities, including OPEB	1,569	1,408	1,730
	<u>6,836</u>	<u>5,668</u>	<u>5,793</u>
<b>Deferred inflows of resources</b>	<u>587</u>	<u>649</u>	<u>683</u>
<b>Net position</b>			
Net investment in capital assets	36,932	41,125	41,319
Restricted	216	56	21
Unrestricted	79,569	60,328	50,003
	<u>116,717</u>	<u>101,509</u>	<u>91,343</u>
<b>Total net position</b>	<u>\$ 116,717</u>	<u>\$ 101,509</u>	<u>\$ 91,343</u>

At September 30, 2024, the Authority's net position was \$116.7 million, compared to \$101.5 million at September 30, 2023.

Beginning in 2021, the Authority established a capital projects reserve, an operating reserve requirement and a workers' compensation insurance reserve. The total net position includes an unrestricted net position of \$79.6 million of which \$46.7 million is committed to reserves, leaving \$32.9 million uncommitted. Of the committed unrestricted net position, the funds are reserved as follow (in thousands):

Capital Projects Reserve	\$ 33,260
Operating Reserve	12,905
Worker's Compensation Reserve	500
	<u>\$ 46,665</u>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

The majority of the Authority's current liabilities are accounts payable and other accrued expenses.

The Authority maintains a postretirement healthcare plan and life insurance plan (the "Plan") and adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This Standard requires the Authority to recognize the expense related to these healthcare and life insurance benefits on an actuarially determined basis to better match the expense of the benefits with the period in which employees earn the benefit instead of a "pay as you go" basis. The overfunded actuarial accrued asset for the Plan was \$215,938 as of September 30, 2024, based on the most recent measurement date. This asset increased about \$160 thousand or 286% from the prior year, which reflected an asset of \$56,322, primarily because of changes to the demographic experience and updates to the per-capita claims and contribution rates. See Note 15 for more information.

The total assets and deferred outflows of the Authority exceeded its total liabilities and deferred inflows by \$116.7 million (net position) as of September 30, 2024. Of this amount, \$79.8 million (unrestricted net position) may be used to fund future operations and meet future obligations of the Authority. The July 1, 2024 property tax levies of about \$38.4 million have been included in nonoperating revenues for the year ended September 30, 2024, even though three quarters of this funding will be needed to help support operations from October 1, 2024 to June 30, 2025.

### Statement of Revenues, Expenses and Changes in Net Position

A summary of the Authority's revenues, expenses and changes in net position for the years ended September 30, 2024, 2023 and 2022 is as follows (in thousands):

	Change in Net Position		
	2024	2023	2022
Operating revenues	\$ 3,823	\$ 4,315	\$ 2,994
Operating expenses	(65,200)	(61,821)	(57,356)
<b>Operating loss</b>	<b>(61,377)</b>	<b>(57,506)</b>	<b>(54,362)</b>
Nonoperating revenues	74,891	61,391	58,767
Change in net position before capital contributions	13,514	3,885	4,405
Net capital contributions	1,694	6,281	1,319
Change in net position	15,208	10,166	5,724
<b>Net position, beginning of year</b>	<b>101,509</b>	<b>91,343</b>	<b>85,619</b>
<b>Net position, end of year</b>	<b>\$ 116,717</b>	<b>\$ 101,509</b>	<b>\$ 91,343</b>

The Authority's primary sources of operating revenues are passenger fares collected in the farebox in each bus, sales of 30-day passes and tokens. Other operating revenues are special fares where someone else other than the rider pays the fare, such as the MRide program paid by the University of Michigan and the go!pass program paid by the Downtown Development Authority of the City of Ann Arbor.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Total operating expenses of \$65.2 million include operations (\$43.8 million), fleet and facility maintenance (\$9.3 million) and general administration (\$12.1 million). The largest portion of all expenses is employee wages and fringe benefits of about \$31.6 million, 48.5% of all expenses.

Non-operating revenues include Federal and State grants. Local operating assistance includes local property taxes, purchase of service agreements, other governmental agreements and bus advertising.

Capital contributions represent federal, state and local grants for the purchase of new capital assets. A portion of Federal formula dollars (Section 5307) can be used as operating assistance. In 2024 and 2023, the Authority used approximately \$2.2 million and \$2.9 million, respectively for Federal operating assistance, such as operating assistance, planning, preventive maintenance, and capital cost of contracting. In 2024, Federal formula dollars were only used for the RTA D2A2 program.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

### Capital Assets

The Authority continues to invest in facilities and equipment. In 2024, the Authority continued building rehabilitation for the operations facility. The Authority's largest capital investments include vehicles and related equipment, net of depreciation, of \$18.2 million in 2024 and \$22.0 million in 2023 and the land and buildings, net of depreciation, of \$15.0 million in 2024 and \$15.6 million in 2023.

### Economic Factors and Next Year's Budget (Fiscal Year 2025)

For fiscal year 2025, the Board of Directors adopted a \$68.7 million operating budget and a \$38.9 million capital budget. The operating budget is balanced with no surplus.

The most significant initiatives impacting the FY2025 operating budget is the first full year of enhanced and expanded services promised in the 2022 millage proposal (the millage). In August 2022 the communities we serve supported a new millage that addressed funding challenges faced by the agency for years, which were exacerbated by impacts of the pandemic. The millage also included funding for the first phase of the Long-Range Plan approved in 2022, which includes enhancements and expansion of services that began in fiscal year 2024. The approved millage was approved for 2024 through 2028. The funding provides for the maintenance of current services and numerous enhancements to better serve the riding public.

The Authority receives significant operating assistance each year from the State of Michigan Comprehensive Transportation Fund. The source of these funds includes a portion of state gasoline taxes, vehicle-related sales taxes, license fees and other taxes and fees. These funds are subject to legislative appropriation each year and the percentage of eligible expenses funded is subject to change during the year and subject to reconciliation and audit after the year has concluded.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Local funding is provided through municipal property tax levies and purchase of service agreements from the following communities: the Cities of Ann Arbor, Ypsilanti, Chelsea and the Charter Townships of Pittsfield, Scio, Superior and Ypsilanti.

The 2.38 mill property tax levy, which funds existing activities and the TheRide 2045 phase 1 service enhancements, was levied starting on July 1, 2024, and will continue to be annually through July 1, 2028.

### Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the transit provider's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, Ann Arbor Area Transportation Authority, 2700 South Industrial Highway, Ann Arbor, Michigan 48104. The Authority's website at [www.theride.org](http://www.theride.org) contains copies of the annual operating budgets, annual audits and financial operating reports.

This year and prior year audited financial statements are also available on the State of Michigan's website at <https://treas-secure.state.mi.us/LAFDocSearch/>. Once there, select "Washtenaw County" for County, select the year "2024" (or a previous year as far back as 2004) for the Year and "Authority, Drain District" for the municipality Type. Then you can select the "Ann Arbor Area Transportation Authority" for the municipality.



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## **BASIC FINANCIAL STATEMENTS**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Net Position

	September 30	
	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 58,605,934	\$ 34,771,313
Investments	18,952,633	19,858,794
Accounts receivable, net	623,783	1,611,047
Grants receivable	2,821,265	5,529,395
Other receivables, net	1,939,332	1,241,097
Inventory	1,513,775	1,380,675
Prepaid expenses	2,460,533	2,104,445
<b>Total current assets</b>	<b>86,917,255</b>	<b>66,496,766</b>
Noncurrent assets:		
Net OPEB asset	215,938	56,322
Capital assets		
Land and improvements	2,270,821	2,270,821
Park and Ride lot construction	5,775,005	5,759,849
Buildings and improvements	30,625,815	30,488,353
Equipment and other	74,840,323	77,606,225
Construction in progress	1,292,461	356,753
<b>Total capital assets</b>	<b>114,804,425</b>	<b>116,482,001</b>
Less accumulated depreciation	77,872,790	75,356,626
<b>Net capital assets</b>	<b>36,931,635</b>	<b>41,125,375</b>
<b>Total noncurrent assets</b>	<b>37,147,573</b>	<b>41,181,697</b>
<b>Total assets</b>	<b>124,064,828</b>	<b>107,678,463</b>
<b>Deferred outflow of resources</b>		
Deferred OPEB amounts	75,511	148,237
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	4,030,563	3,502,966
Accrued payroll	893,569	442,422
Accrued compensated absences, current portion	193,958	174,009
Other accrued expenses	30,757	33,182
Unearned revenue	117,867	107,689
<b>Total current liabilities</b>	<b>5,266,714</b>	<b>4,260,268</b>
Noncurrent liabilities:		
Accrued compensated absences	1,569,295	1,407,886
<b>Total liabilities</b>	<b>6,836,009</b>	<b>5,668,154</b>
<b>Deferred inflows of resources</b>		
Deferred OPEB amounts	587,333	649,075
<b>Net position</b>		
Investment in capital assets	36,931,635	41,125,375
Unrestricted	79,569,424	60,327,774
Restricted for OPEB	215,938	56,322
<b>Total net position</b>	<b>\$ 116,716,997</b>	<b>\$ 101,509,471</b>

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Revenues, Expenses and Changes in Net Position

	Years Ended September 30,	
	2024	2023
<b>Operating revenues</b>	\$ 3,822,673	\$ 4,315,606
<b>Operating expenses</b>		
Operations	43,836,258	42,231,006
Maintenance	9,333,404	8,229,355
General administration	12,030,506	11,360,713
Total operating expenses	65,200,168	61,821,074
<b>Operating loss</b>	(61,377,495)	(57,505,468)
<b>Nonoperating revenues</b>		
Local	44,865,088	24,287,587
State	20,342,774	17,989,845
Federal	9,682,743	19,113,527
Total nonoperating revenues	74,890,605	61,390,959
<b>Change in net position before capital contributions</b>	13,513,110	3,885,491
<b>Capital contributions - federal, state and local</b>	1,694,416	6,281,184
Change in net position	15,207,526	10,166,675
Net position, beginning of year	101,509,471	91,342,796
<b>Net position, end of year</b>	<u>\$ 116,716,997</u>	<u>\$ 101,509,471</u>

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Cash Flows

	For the Year Ended September 30	
	2024	2023
<b>Cash flows from operating activities</b>		
Receipts from transit operations	\$ 3,065,376	\$ 2,717,819
Payments for salaries and wages and fringe benefits	(31,162,058)	(30,062,832)
Payments to suppliers	(11,744,286)	(10,774,201)
Payments for claims and insurance	(1,792,163)	(2,481,051)
Payments for purchased transportation	(12,345,843)	(11,674,129)
<b>Net cash used in operating activities</b>	<u>(53,978,974)</u>	<u>(52,274,394)</u>
<b>Cash flows from noncapital financing activities</b>		
Nonoperating revenues:		
Local	44,639,407	24,146,354
State	21,405,324	16,531,929
Federal	11,328,323	21,866,068
<b>Net cash provided by noncapital financing activities</b>	<u>77,373,054</u>	<u>62,544,351</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(1,697,660)	(6,366,075)
Capital contributed by state and federal grants	1,694,416	6,281,184
<b>Net cash used in capital and related financing activities</b>	<u>(3,244)</u>	<u>(84,891)</u>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(14,734,873)	(3,284,615)
Proceeds from sale and maturities of investment securities	14,547,196	1,500,000
Interest income	631,462	921,736
<b>Net cash provided by (used in) investing activities</b>	<u>443,785</u>	<u>(862,879)</u>
<b>Net change in cash and cash equivalents</b>	23,834,621	9,322,187
Cash and cash equivalents, beginning of year	<u>34,771,313</u>	<u>25,449,126</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 58,605,934</u>	<u>\$ 34,771,313</u>

continued...

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Cash Flows

	For the Year Ended September 30	
	2024	2023
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (61,377,495)	\$ (57,505,468)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	5,891,400	6,560,033
Changes in assets and liabilities which provided by (used in) cash:		
Accounts receivable	987,264	(576,086)
Inventory	(133,100)	(178,972)
Deferred outflows	72,726	(7,146)
Prepaid expenses	(356,088)	(369,673)
Payables	527,597	428,754
Accrued payroll	451,147	(74,216)
Other accrued expenses	(42,425)	(551,620)
<b>Net cash used in operating activities</b>	<u>\$ (53,978,974)</u>	<u>\$ (52,274,394)</u>
<b>Supplemental cash flows disclosures:</b>		
Noncash transactions:		
Subcontracted revenue - urban demand response (Note 13)	178,906	186,625
Nonurban - passenger fares and other governmental sources	1,565,655	835,076
	<u>\$ 1,744,561</u>	<u>\$ 1,021,701</u>
Noncash investing and capital and related financing activities:		
Increase in fair value of investments	<u>\$ 462,376</u>	<u>\$ 232,953</u>
		concluded

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Fiduciary Net Position

### Other Postemployment Trust Fund - Fiduciary Fund

	For the Year Ended September 30	
	2024	2023
<b>Assets:</b>		
Cash	\$ -	\$ -
Investments	997,940	850,370
Total assets	<u>997,940</u>	<u>850,370</u>
<b>Liabilities</b>	<u>-</u>	<u>-</u>
<b>Net position</b>		
Restricted for postemployment benefits other than pension	<u>\$ 997,940</u>	<u>\$ 850,370</u>

See notes to financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Changes in Fiduciary Net Position

### Other Postemployment Trust Fund - Fiduciary Fund

	For the Year Ended September 30	
	2024	2023
<b>Additions:</b>		
Employer contributions	\$ 31,450	\$ 31,526
Investment income	149,512	90,047
Total additions	<u>180,962</u>	<u>121,573</u>
<b>Deductions:</b>		
Benefit payments	31,450	31,526
Administrative expenses	1,942	1,604
Total deductions	<u>33,392</u>	<u>33,130</u>
<b>Net increase in net position</b>	147,570	88,443
Net position, beginning of year	<u>850,370</u>	<u>761,927</u>
<b>Net position, end of year</b>	<u><u>\$ 997,940</u></u>	<u><u>\$ 850,370</u></u>

See notes to financial statements.



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## **NOTES TO FINANCIAL STATEMENTS**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of the Organization

The Ann Arbor Area Transportation Authority (the “Authority”) is a governmental unit established under Act 55 of 1963 of the State of Michigan to provide a mass transportation system within and beyond the corporate limits of the City of Ann Arbor. In 2013, the City of Ypsilanti and the Charter Township of Ypsilanti became members of the Authority.

The Authority is not included in the financial reporting entities of the cities of Ann Arbor or Ypsilanti or the Charter Township of Ypsilanti because the municipalities do not have the ability to exercise significant oversight over the Authority. The Authority can independently generate revenue, adopt budgets and borrow funds.

Eight members of the governing Board of Directors are appointed by the mayor of the City of Ann Arbor and confirmed by the City of Ann Arbor Council. One member of the governing Board of Directors is appointed by the mayor of the City of Ypsilanti and confirmed by the City of Ypsilanti Council. One member of the Board of Directors is appointed by the township supervisor of the Charter Township of Ypsilanti and confirmed by the township’s Board of Trustees.

In December 2012, the passage of Michigan Public Act (PA) 387 created the Regional Transit Authority of Southeast Michigan (RTA) and added Washtenaw County to the formerly tri-county transit region comprised of Macomb, Oakland and Wayne counties. The Authority, the Suburban Mobility Authority for Regional Transportation (SMART), the Detroit Department of Transportation (DDOT) and the Detroit Transportation Corporation (the Detroit People Mover) are subrecipients of the RTA for Federal and state operating assistance and capital grants. The State of Michigan and the Federal Transit Administration (FTA) pay such funds directly to the Authority at the direction of the RTA.

#### Significant Accounting Policies

**Government-wide and Fund Financial Statements** – This report includes the fund-based statements of the Authority. In accordance with generally accepted accounting principles for governmental entities, a government-wide presentation with program and general revenues is not applicable to special purpose governments engaged only business-type activities. The activities of the Authority are accounted for in a single proprietary fund type enterprise fund and a fiduciary (retiree health and life benefit) fund.

**Basis of Accounting** – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of less than 28 days when acquired.

**Investments** are held primarily in certificates of deposit and in pooled municipal investment trust funds. These trust funds consist of certificates of deposit, United States Treasury securities, repurchase agreements and commercial paper. Investments are stated at fair value.

**Classification of Revenue** – Revenues are classified as operating revenues, nonoperating revenues and capital contributions according to the following criteria:

**Operating revenues** – Operating revenues, such as passenger fares and special transit fares, include activities that have the characteristics of exchange transactions, in which each party receives and gives up essentially equal values.

**Nonoperating revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, in which the Authority receives value without directly giving equal value in return, such as federal and state operating grants, property tax levies, fees paid by other municipalities under purchase of service agreements, and interest income. On an accrual basis, revenue from these grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Capital contributions** – Capital contributions are federal, state and local grants designated for the purchase and/or construction of land, buildings and equipment and are recognized as revenue and are included in the statement of revenues, expenses and changes in net position. On an accrual basis, revenue from these contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include expenditure requirements in which the resources are provided to the Authority on a reimbursement basis.

**Property Taxes** – Property taxes are levied as an enforceable lien on property on July 1 by the cities of Ann Arbor and Ypsilanti and Ypsilanti Township. Property taxes are recognized as revenue when levied, with proper allowances made for estimated adjustments and Michigan Tax Tribunal refunds. Property tax revenue is reported on the local revenue line in the statements of revenues, expenses and changes in net position.

**Compensated Absences** - The Authority records the expense for vacation and sick pay benefits when earned by the employees. The portion of the accrual for unused vacation and sick leave that is reported as a current liability is based on an estimate of the amount employees are expected to use in the upcoming year. The remainder of the accrual is reported as a noncurrent liability. The accrual for compensated absences amounts to \$1,763,253 and \$1,581,895 for the years ended September 30, 2024 and 2023, respectively.

**Inventory and Prepaid Items** - Inventory is stated at the average weighted cost or market. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items.

**Cash Flows - Cash and Investment Classification** - For the purpose of the statements of cash flows, the Authority considers all cash investments with an original maturity of twenty-eight days or more when purchased to be investments, which is consistent with how investments have been classified on the statement of net position.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**Capital Assets** - Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 or as deemed necessary and an estimated useful life in excess of one year. Capital assets include land, buildings, vehicles and other equipment, which are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Improvements which are expected to extend the useful lives of existing assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Park and ride lot construction	10 to 40
Buildings and improvements	3 to 40
Vehicles and related equipment	3 to 12
Radio and telephone systems	5 to 10
Fare collection equipment	5 to 10
Maintenance equipment	3 to 10
Office equipment and furniture	3 to 10
Passenger shelters	5 to 10
Advanced operating system	3 to 6

Eligible depreciation expense includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the State of Michigan Department of Transportation Bureau of Passenger Transportation.

**Deferred Outflows of Resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as expense until that time. The Authority reports deferred outflows of resources related to OPEB, as detailed in Note 15.

**Deferred Inflows of Resources** – In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as revenue until that time. The Authority reports deferred inflows of resources related to OPEB, as detailed in Note 15.

**Grant Activities** - The federal government, through the Federal Transit Administration (FTA) and the Michigan Department of Transportation (MDOT), provides financial assistance and grants directly to the Authority for operations and acquisition of property and equipment. Operating grants are recorded as grant receivables and revenues when the qualified expenditures are recorded. Federal and state capital acquisition grants fund the purchase of capital items, including buses and related transportation equipment used by Authority. Capital grants for the acquisition of capital assets are recorded as grants receivable in the statement of net position and capital contributions in the statements of revenues, expenses, and changes in net position when the related qualified expenditures are incurred.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

When assets acquired with capital grant funds are disposed, the Authority is required to notify the granting federal agency. A proportional amount of the sale proceeds or fair market value, if any, of such property may be used to acquire like-kind replacement assets or can be remitted to the granting federal agency at its discretion.

**Other Postemployment Benefit (OPEB) Costs** – Until December 31, 2007, the Authority offered retiree healthcare benefits to employees upon retirement. At that time, existing retirees and certain eligible active employees elected to stay in the plan. The Authority offers life insurance benefits to active employees upon retirement. The Authority records a net OPEB asset (liability) for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset (liability), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position** is displayed in three components as follows:

**Net Investment in Capital Assets** – This consists of capital assets, net of accumulated depreciation.

**Unrestricted** – This consists of the net position that does not meet the definition of "net investment in capital assets" or restricted net position.

**Restricted** - This consists of resources the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties related to the Other Postemployment Benefits (OPEB).

**Use of Estimates** - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** - In 2024, to more clearly demonstrate the impact of GASB 75, the Authority reclassified from unrestricted net position to restricted net position for the OPEB asset for fiscal years 2024 and 2023.

## 2. STATE OF MICHIGAN OPERATING ASSISTANCE FUNDS

Under Act 51 of the Public Acts of 1951, as amended, the State of Michigan makes distributions of funds that have been appropriated for mass transit operating assistance. As indicated in Note 1, the RTA is the designated recipient of such funds and the Authority is a subrecipient of the RTA. The Authority has recorded operating grant revenue under Act 51 based on a formula that takes into account the eligible costs incurred by the Authority and preliminary information made available by the Michigan Department of Transportation (MDOT) as to the eligible expenses reimbursement percentage for the fiscal year ended September 30, 2024.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

The latest “final” determination of State of Michigan operating assistance allocable to the Authority in accordance with the Act 51 funding formula was for the fiscal year ended September 30, 2020. The resulting increase in revenue has been finalized with the State and has been received by the Authority. Furthermore, the Authority awaits the “final” determination for the years ended September 30, 2021, 2022 and 2023. The Authority has not recorded any estimated aggregate receivable or liability as of September 30, 2024 based on management’s anticipation of the results of the State’s final determination of the Act 51 funding formula for the open years, other than the receivable or liability already recorded based on the MDOT’s preliminary eligible expenses reimbursement percentage for the open year.

### 3. CASH AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2024 and 2023:

	2024	2023
<b>Statements of Position:</b>		
Cash	\$ 58,605,934	\$ 34,771,313
Investments	18,952,633	19,858,794
	<u>\$ 77,558,567</u>	<u>\$ 54,630,107</u>
<b>Deposits and Investments:</b>		
Bank deposits (checking, savings and certificates of deposit)	\$ 58,601,231	\$ 34,767,267
U.S. government investments	18,952,633	19,858,794
Cash on hand	4,703	4,046
	<u>\$ 77,558,567</u>	<u>\$ 54,630,107</u>

**Investments** – In addition to the state restrictions noted above, the Authority’s policy is to limit investments to the following:

- Certificates of deposit with funds initially invested through a Federal Deposit Insurance Corporation (FDIC) financial institution that maintains a principal office or branch office located in the State of Michigan. This financial institution, acting as custodian, may arrange the investment of funds in certificates of deposit in one or more FDIC insured depository institutions throughout the United States if the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States. The total investment (exclusive of checking accounts) in any one financial institution shall not exceed the lesser of 20% of that financial institution’s capital and surplus or \$4,000,000. The Authority had no certificates of deposits as of September 30, 2024 and 2023.
- Bonds and other direct obligations of the United States or any agency thereof with a maturity of three years or less.
- Governmental (Govt.) Mutual Funds operated by any of the banks listed above which invest only in authorized investments for local units of Government under State Law and which offer daily liquidity.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

As of September 30, 2024, the Authority had the following investments.

Investment	Maturity	Fair Value	Rating
U.S. Govt. Agency	2/24/2025 - 1/22/2026	\$ 8,805,743	Moody's AAA
U.S. Treasury	10/31/2024- 2/20/2025	9,719,358	Moody's AAA
U.S. Govt. Money Market	N/A	<u>427,532</u>	Moody's AAA
	<b>Total</b>	<u>\$ 18,952,633</u>	

### Investment and Deposit Risk

**Interest Rate Risk.** State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, except as noted in the Authority's investment policy above.

At September 30, 2024, the Authority had the following investments and maturities:

	Carrying Value	0-1 Year	1-3 Years
U.S. Govt. Agency	\$ 8,805,743	\$ 8,053,195	\$ 752,548
U.S. Treasury	\$ 9,719,358	\$ 9,719,358	\$ -

**Credit Risk.** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at September 30, 2024.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of September 30, 2024, \$12,205,777 of the Authority's bank balance of \$59,407,292 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk as these investments are uncategorized as to risk.



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

*Concentration of Credit Risk*. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Authority's investment policy limits investments as described above.

### 4. FAIR VALUE MEASUREMENTS

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Authority has the following recurring fair value measurements as of September 30, 2024 and 2023:

- U.S. Treasuries are valued using quoted market prices (Level 1 inputs);
- U.S. Government agency bonds and U.S Government money market funds are valued using quoted market prices (Level 1 inputs).

In addition, the Other Postemployment Trust (Fiduciary) Fund holds shares or interest in an investment pool (MERS Total Market Portfolio), whereby the value of the investments is measured in a recurring basis using net asset value (NAV) per share (or its equivalent). As of September 30, 2024 and 2023, the fair value of the assets was \$997,940 and \$850,370, respectively. The Michigan Municipal Employees' Retirement Systems (MERS), as a governmental plan, is exempt by state and federal law from registration with the Securities Exchange Commission (SEC).

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio. There are no unfunded commitments or rules regarding redemption frequency or notice period.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 5. GRANTS RECEIVABLES

The Authority recognizes a receivable under approved grants as related project expenditures are incurred and the grant revenue earned. Grant refunds payable represent amounts to be returned to the grantor. The amount remaining on each current grant is listed on the additional information – schedule of expenditures of federal and state awards - on pages 41 and 42. The following grant amounts were outstanding at September 30:

	2024	2023
<b>Michigan Department of Transportation:</b>		
Operating assistance	\$ 1,006,311	\$ 805,336
Capital cost of contracting	28,290	298,143
Planning	33,151	16,778
Preventive maintenance	7,895	10,000
Buses and related equipment	74,215	1,058,995
Computer hardware and software	11,613	51,844
Passenger shelters	-	500
Facilities	22,581	5,010
<b>Federal Transit Administration:</b>		
Operating assistance	1,116,047	2,396,373
Capital cost of contracting	111,440	621,280
Preventive maintenance	15,580	-
Vehicles	158,900	-
Facilities	10,126	44,532
Enhanced Mobility (Section 5310)	83,335	19,375
Planning	108,516	168,037
Computer hardware and software	33,265	33,192
<b>Grants Receivable</b>	<b><u>\$ 2,821,265</u></b>	<b><u>\$ 5,529,395</u></b>

### 6. OTHER RECEIVABLES

Other receivables consist of the following amounts at September 30:

	2024	2023
City of Ann Arbor - property tax levy	\$ 930,325	\$ 828,132
City of Ypsilanti - property tax levy	1,080,700	491,960
Charter Township of Ypsilanti - property tax levy	321,211	131,878
	<u>2,332,236</u>	<u>1,451,970</u>
Less allowance for doubtful accounts	(392,904)	(210,873)
Total	<b><u>\$ 1,939,332</u></b>	<b><u>\$ 1,241,097</u></b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2024 is as follows:

	Balance September 30, 2023	Additions/ Reclassifica- tions	Deletions/ Reclassifica- tions	Balance September 30, 2024
Capital assets, not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	356,753	970,947	35,239	1,292,461
Total capital assets not being depreciated	<u>2,627,574</u>	<u>970,947</u>	<u>35,239</u>	<u>3,563,282</u>
Capital assets, being depreciated:				
Park and ride lot construction	5,759,849	15,156	-	5,775,005
Buildings	30,488,353	137,462	-	30,625,815
Vehicles and related equipment	64,330,358	331,057	3,375,236	61,286,179
Radio and telephone equipment	290,848	-	-	290,848
Fare collection equipment	1,041,909	-	-	1,041,909
Maintenance equipment	860,936	45,876	-	906,812
Office equipment and furniture	5,255,439	199,953	-	5,455,392
Passenger shelters	1,719,763	32,448	-	1,752,211
Other	783,812	-	-	783,812
Advanced operating system	3,323,160	-	-	3,323,160
Total capital assets being depreciated	<u>113,854,427</u>	<u>761,952</u>	<u>3,375,236</u>	<u>111,241,143</u>
Less accumulated depreciation for:				
Park and ride lot construction	2,866,327	109,924	-	2,976,251
Buildings	20,007,537	711,086	-	20,718,623
Vehicles and related equipment	42,313,367	4,133,616	3,375,236	43,071,747
Radio and telephone equipment	270,414	12,252	-	282,666
Fare collection equipment	1,023,101	5,588	-	1,028,689
Maintenance equipment	674,672	44,338	-	719,010
Office equipment and furniture	2,741,260	716,614	-	3,457,874
Passenger shelters	1,508,264	55,407	-	1,563,671
Other	714,132	45,088	-	759,220
Advanced operating system	3,237,552	57,487	-	3,295,039
Total accumulated depreciation	<u>75,356,626</u>	<u>5,891,400</u>	<u>3,375,236</u>	<u>77,872,790</u>
Total capital assets being depreciated, net	<u>38,497,801</u>	<u>(5,129,448)</u>	<u>-</u>	<u>33,368,353</u>
<b>Total capital assets, net</b>	<u>\$ 41,125,375</u>	<u>\$ (4,158,501)</u>	<u>\$ 35,239</u>	<u>\$ 36,931,635</u>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

Capital asset activity for the fiscal year ended September 30, 2023 is as follows:

	September 30, 2022	Additions/ Reclassifica- tions	Deletions/ Reclassifica- tions	September 30, 2023
Capital assets, not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	189,206	262,782	95,235	356,753
Total capital assets not being depreciated	<u>2,460,027</u>	<u>262,782</u>	<u>95,235</u>	<u>2,627,574</u>
Capital assets, being depreciated:				
Park and ride lot construction	5,759,849	-	-	5,759,849
Buildings	30,410,185	78,168	-	30,488,353
Vehicles and related equipment	59,762,069	5,661,721	1,093,432	64,330,358
Radio and telephone equipment	290,848	-	-	290,848
Fare collection equipment	1,041,909	-	-	1,041,909
Maintenance equipment	860,936	-	-	860,936
Office equipment and furniture	4,894,382	458,639	97,582	5,255,439
Passenger shelters	1,719,763	-	-	1,719,763
Other	783,812	-	-	783,812
Advanced operating system	3,323,160	-	-	3,323,160
Total capital assets being depreciated	<u>108,846,913</u>	<u>6,198,528</u>	<u>1,191,014</u>	<u>113,854,427</u>
Less accumulated depreciation for:				
Park and ride lot construction	2,741,693	124,634	-	2,866,327
Buildings	19,268,498	739,039	-	20,007,537
Vehicles and related equipment	38,748,272	4,658,527	1,093,432	42,313,367
Radio and telephone equipment	250,216	20,198	-	270,414
Fare collection equipment	1,017,513	5,588	-	1,023,101
Maintenance equipment	632,526	42,146	-	674,672
Office equipment and furniture	2,103,955	734,887	97,582	2,741,260
Passenger shelters	1,440,143	68,121	-	1,508,264
Other	649,806	64,326	-	714,132
Advanced operating system	3,134,985	102,567	-	3,237,552
Total accumulated depreciation	<u>69,987,607</u>	<u>6,560,033</u>	<u>1,191,014</u>	<u>75,356,626</u>
Total capital assets being depreciated, net	<u>38,859,306</u>	<u>(361,505)</u>	<u>-</u>	<u>38,497,801</u>
<b>Total capital assets, net</b>	<u>\$ 41,319,333</u>	<u>\$ (98,723)</u>	<u>\$ 95,235</u>	<u>\$ 41,125,375</u>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 8. UNEARNED REVENUE

Unearned revenue represents amounts not earned, and consists of the following amounts at September 30:

	2024	2023
Federal capital	\$ 95,294	\$ 68,451
State capital	22,573	15,863
Ypsilanti DDA - Ypsilanti Transit Center Renovations	-	20,000
Corporate Partnerships	-	3,375
	<hr/>	<hr/>
Total	<u>\$ 117,867</u>	<u>\$ 107,689</u>

### 9. EMPLOYEES' PENSION PLAN

The Authority provides pension benefits for substantially all of its full-time employees through a defined contribution plan called the Ann Arbor Area Transportation Authority Employees' Pension Plan ("Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Non-bargaining unit employees are eligible to participate the first of the month following the date of hire as of January 1, 2021. Bargaining unit employees are eligible to participate after one year of employment. The Authority's contributions for each employee and investment earnings allocated to the employee's account are fully vested after five years of employment. Authority contributions for, and investment earnings forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current year contribution requirement. Employees contribute 5% of their gross earnings to the plan. Employee contributions amounted to \$974,973 and \$898,944 for the years ended September 30, 2024 and 2023. The Authority's contribution to the plan is 9% of the employees' gross earnings, less forfeitures. Authority contributions amounted to \$1,755,420 and \$1,625,400 for the years ended September 30, 2024 and 2023, respectively. Total payroll and covered payroll was \$22,336,882 and \$19,504,666 for 2024 and \$21,242,580 and \$18,060,000 for 2023.

The Authority's Board of Directors administers the Plan and also establishes contribution requirements and approves any plan amendments.

### 10. PROPERTY TAXES

In 1974, voters in the City of Ann Arbor approved a 2.5 mills property tax dedicated to public transportation. Through the Headlee Amendment (1978) to the State of Michigan Constitution, the property tax millage has been reduced and is currently 1.9299 mills. In 2010, voters in the City of Ypsilanti approved a 0.9789 mill property tax dedicated to public transportation and is currently 0.8768 mills (Headlee).

In August 2022, voters in the three member communities (cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti) approved a 2.38 mill property tax dedicated to public transportation (reduced to 2.3740 due to the Headlee Amendment).

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

Property tax revenues received by the Authority for the years ended September 30, 2024 and 2023 totaled \$38,453,212 and \$20,621,601, respectively.

In November 2015, voters in Scio Township approved a 0.3468 mill property tax dedicated to public transportation, where Scio Township will levy the property tax and purchase public transportation services from the Authority under a Purchase of Service Agreement (POSA).

### 11. PROPERTY TAX ABATEMENTS

The Authority receives reduced property tax revenue because of Industrial Facilities Tax Exemptions and Brownfield Redevelopment Agreements granted by the cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti. Industrial facilities exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. Properties qualifying for these tax exemptions, as approved by the applicable governing bodies, are taxed at 50% of the millage rate applicable to the specified property. The amounts of such abatements related to the Cities of Ann Arbor and Ypsilanti, and the Charter Township of Ypsilanti are less than \$500,000 and are not significant to the current property tax revenues of the Authority. The Authority is ineligible to give a tax abatement directly.

### 12. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to vehicle liability, property loss, torts, errors and omissions, underground storage tanks and employee injuries (workers' compensation). The Authority has purchased commercial insurance for cybersecurity, personal injury, vehicle liability, property loss, general commercial liability, public officials, employee practices liability, premises pollution liability and workers' compensation insurance. In the opinion of management, the outcome of this litigation and other matters will not significantly affect the Authority's financial position or results of its operations.

### 13. SUBCONTRACT SERVICE

The Authority subcontracts with other transportation companies to provide certain services. The Authority pays the companies fees based on the level of service provided, and the companies collect and retain the passenger fares as an advance against the monthly billings. Operating revenues and operating expenses include approximately \$178,906 and \$186,625 of fares for these services in the years ended September 30, 2024 and 2023, respectively. These amounts are disclosed as noncash transactions on the Statements of Cash Flows.

### 14. COST ALLOCATION PLANS

The Bus Transit Division of the Michigan Department of Transportation has approved the Authority's cost allocation plans for all material allocated expenses. The Nonurban Service Cost Allocation Plan and the Specialized Service Cost Allocation Plan have been used in the preparation of the financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 15. POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

**Plan Description.** The Authority provides other postemployment benefits (OPEB) for eligible retirees and their spouses. These OPEB benefits for bargaining employees are specified by union contract while the Chief Executive Officer establishes those for non-bargaining employees. These OPEB benefits are provided by the Authority directly to the retiree and beneficiary monthly. The Authority also maintains a retiree health funding vehicle (RHFV) account with MERS of Michigan. Effective January 1, 2008, the medical benefits portion of this plan was significantly modified. This Plan was closed and active bargaining and non-bargaining employees who were eligible to retire based upon attaining age 62 with at least 15 years of service were eligible to elect to stay in this plan when they retire. Also, active employees who had over 30 years of service, regardless of their age, were also eligible to elect to stay covered by this plan when they retire. The plan does not issue a stand-alone financial report.

**Benefits Provided.** The Authority provides contributory and noncontributory defined benefit postemployment health care insurance, prescription, and life insurance benefits to eligible employees and beneficiaries. For health insurance and prescription coverage, eligible employees include those, as of January 1, 2008, who elected to stay in the plan instead of electing to participate in the Health Care Savings Plan (HCSP). Eligible retirees have the option to select an alternate medical insurance carrier and be reimbursed for such coverage at a rate of up to 130% of that year’s Care Choice HMO single-person premium. For retirees who retired between July 1, 2002 and December 31, 2007, their spouses are eligible to receive 50% of the monthly premium for the core HMO single person premium toward medical coverage.

For life insurance benefits, eligible bargaining and non-bargaining employees who retire at or after age 59-1/2 with at least 15 years of service are eligible for life insurance coverage in the amount of \$30,000 until age 65, \$20,000 from age 65 to 69, and \$10,000 age 70 and over.

**Employees Covered by Benefit Terms.** The health care insurance and prescription coverage plan is closed to new employees. Substantially all Authority employees are eligible for retiree life insurance except those that were hired less than 90 days prior to September 30th of the valuation and measurement year. At the OPEB liability valuation date of September 30, 2024, the following employees were covered by the plan:

	Health	Life
Current retirees and spouses	7	59
Current Active members	0	310
Total plan members	<u>7</u>	<u>369</u>

**Contributions.** The Authority contributes 100 percent of the actual monthly costs for current benefits and administrative expenses to the plan (pay-as-you-go funding). For the fiscal year ended September 30, 2024, the Authority paid postemployment health care benefit premiums and life insurance premiums of \$31,450.

**Net OPEB Liability (Asset).** The net OPEB asset was measured as of September 30, 2024. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2024. See ‘Assumption Changes’ below.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

Changes in the net OPEB liability (asset) during the measurement year were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB (Asset)
<b>Changes in Net OPEB (Asset) Liability:</b>			
Balance at October 1, 2023	\$ 794,048	\$ 850,370	\$ (56,322)
Changes for the year:			
Service Cost	8,508	-	8,508
Interest	51,144	-	51,144
Contributions - Employer	-	31,450	(31,450)
Difference between expected and actual experience	(39,765)	-	(39,765)
Changes in assumptions	(483)	-	(483)
Net investment earnings	-	149,512	(149,512)
Benefit payments, including refunds	(31,450)	(31,450)	-
Administrative expenses	-	(1,942)	1,942
Net Changes	<u>(12,046)</u>	<u>147,570</u>	<u>(159,616)</u>
<b>Balance at September 30, 2024</b>	<b><u>\$ 782,002</u></b>	<b><u>\$ 997,940</u></b>	<b><u>\$(215,938)</u></b>

The plan's fiduciary net position represents 127% of the total OPEB liability.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.** For the year ended September 30, 2024, the Authority recognized an OPEB income of \$117,182.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,419	\$ 237,389
Changes in assumption	61,292	312,651
Net difference between projected and actual earnings	-	37,293
Total	<u>\$ 75,711</u>	<u>\$ 587,333</u>



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	
2025	\$ (122,960)
2026	(115,218)
2027	(150,334)
2028	(98,548)
2029	(16,972)
2030 and years after	(7,590)
Total	<u>\$ (511,622)</u>

**Actuarial Assumptions.** The total OPEB liability (asset) was determined by an actuarial valuation as of September 30, 2024 using the following actuarial assumptions:

Actuarial valuation date	September 30, 2024
Actuarial cost method	Individual Entry Age Normal as a Level % of Payroll
Asset valuation method	Market value of assets
Discount rate - measurement period ending September 30, 2024	6.50%
Annual wage increases	3.00%
Price inflation	2.50%
Investment rate of return	6.50%
Health care cost trend rate	5.5% for 2024, declining .25% from 2025 to 2028, then 4.5% thereafter
Mortality	Pub-2010 General Mortality Table with rates multiplied by 106% and using Scale MP-2021 Based on an experience study conducted from 2014-2018

**Discount Rate.** The discount rate is the single rate that reflects 1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and 2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

Single Equivalent Interest Rate (SEIR):	
Long-term expected rate of return	6.50%
Municipal bond index rate*	4.06%
Administrative Expenses Paid from the Trust	0.21%
Fiscal year in which fiduciary net position is projected to be depleted	N/A
Single Equivalent interest rate	6.50%
*(S&P Municipal Bond 20-year high grade rate index)	

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Investment Rate of Return.** The investment policy of the Authority is determined based on goals and objectives of the Plan and the Authority’s risk tolerance. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance, however, the targeted OPEB asset allocation is as described below. The Authority’s objective in selecting the expected long-term rate of return on investments is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the mix of the plan assets. The Authority is 100% invested in the Total Market Portfolio administered by the Municipal Employee Retirement System (MERS) of Michigan, as shown below.

	Target Allocation	Inflation	Real Rate of Return
Global Equity	60%	2.50%	4.00%
Global Fixed Income	20%	2.50%	1.78%
Private Investments	20%	2.50%	6.22%

The portfolio allocation and assumptions stated above was at the time of plan measurement date (September 30, 2024).

**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate.** The following presents the net OPEB asset of the Authority, calculated using the discount rate of 6.5%, as well as what the Authority’s net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current 6.5%	1% Increase
Net OPEB Asset	\$ (120,978)	\$ (215,938)	\$ (294,949)

**Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend.** The following presents the net OPEB asset of the Authority, calculated using the health care cost trend rate of 5.5%, as well as what the Authority’s net OPEB asset would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current 5.5%	1% Increase
Net OPEB Asset	\$ (238,155)	\$ (215,938)	\$ (190,855)

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

The annual money-weighted rate of return on OPEB plan investments are calculated at the internal rate of return on OPEB plan investments, net of OPEB plan investment expense. The money-weighted rate of return expresses investment performance, net of OPEB investment expense, adjusted for the changing amounts actually invested. The money-weighted rate of return on investments was 17.6% through September 30, 2024.

**Assumption Changes.** Changes in assumptions for the OPEB Plan as of September 30, 2024 (measurement date) from the valuation date of September 30, 2024, are as below:

- Municipal bond index rate decreased from 4.87% to 4.06%.
- Mortality improvement scale was changed from Scale MP-2019 to MP-2021.

### 16. HEALTH CARE SAVINGS PLAN

Effective January 1, 2008, the Authority established a defined contribution Health Care Savings Plan (HCSP) under Internal Revenue Code. The HCSP is a public employer-sponsored program administered by the Municipal Employees Retirement System of Michigan (MERS) that allows employees to save pretax money to pay postemployment medical expenses and/or health insurance premiums. Virtually all full-time active employees participate and vested funds that accumulate in the plan shall become accessible to the employee upon employee's separation from employment, due to retirement, resignation, termination or any other reason. Employees are vested in employer contributions after five years of service.

For each employee who was actively employed as of January 1, 2008, the Authority made a one-time lump-sum contribution on a graduated scale between \$100 and \$150 per month into each employee's HCSP account based upon their accumulated months of service. The total of this one-time contribution was approximately \$3,442,000. Of this total, approximately \$1,714,000 was funded from the accrued postretirement benefit obligation as of September 30, 2007 and the remaining amount of approximately \$1,728,000 was expensed as a fringe benefit in the year ended September 30, 2008.

Effective April 1, 2022, the Authority made pretax contributions of \$175 each month into each eligible employee's HCSP account. From January 1, 2021 to March 31, 2022, the Authority made pretax contributions of \$155 each month into each eligible employee's HCSP account. The employees shall make a mandatory monthly pretax contribution of \$10 per pay period. Employees may make voluntary pre-tax contributions to the HCSP to the extent allowable by the HCSP or by law. Employer contributions for the year ended September 30, 2024 amounted to \$599,550, of which \$397,075 was covered by forfeitures and the remaining \$202,475 was paid directly by the Authority. Employer contributions was \$574,525 for the year ended September 30, 2023.

### 17. NEW ACCOUNTING STANDARD

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. This Statement prescribes the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The provisions of this statement were effective for the Authority's financial statements for the year ending September 30, 2024 and had no impact on the financial statements as a whole.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 18. UPCOMING ACCOUNTING AND REPORTING CHANGES

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*. This Statement updates the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for 1) leave that has not been used and 2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also established guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending September 30, 2025.

In December 2023, the Government Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2025.

In April 2024, the Government Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2026.

In September 2024, the Government Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement no. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. The provisions of this statements are effective for the Authority's financial statements for the year ending September 30, 2026.

### 19. SUBSEQUENT EVENTS

The Authority has performed a review of events subsequent to the statements of net position date through February 5, 2025, the date the financial statements were available to be issued.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

	For Fiscal Year Ending						
	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
<b>Total OPEB Liability</b>							
Service cost	\$ 8,508	\$ 8,260	\$ 7,699	\$ 14,567	\$ 19,247	\$ 18,778	\$ 4,640
Interest	51,144	50,334	61,403	51,532	68,575	68,282	27,287
Benefit payments, including refunds	(31,450)	(31,526)	(64,403)	(90,136)	(61,831)	(98,450)	(117,666)
Differences between expected and actual experience	(39,765)	(99,448)	(113,364)	31,587	(152,039)	0	0
Changes in assumptions	(483)	84,554	(78,633)	(303,122)	(303,061)	0	0
Net Change in Total OPEB Liability	(12,046)	12,174	(187,298)	(295,572)	(429,109)	(11,390)	(85,739)
Total OPEB Liability - Beginning of year	794,048	781,874	969,172	1,264,744	1,693,853	1,705,243	1,790,982
<b>Total OPEB Liability - End of Year</b>	<b>\$ 782,002</b>	<b>\$ 794,048</b>	<b>\$ 781,874</b>	<b>\$ 969,172</b>	<b>\$ 1,264,744</b>	<b>\$ 1,693,853</b>	<b>\$ 1,705,243</b>
<b>Plan Fiduciary Net Position</b>							
Net investment income	\$ 149,512	\$ 90,047	\$ (118,319)	\$ 72,716	\$ 37,321	\$ 6,555	\$ 2,757
Employer contributions	31,450	31,526	64,403	90,136	61,831	758,450	117,666
Benefit payments	(31,450)	(31,526)	(64,403)	(90,136)	(61,831)	(98,450)	(117,666)
Administrative expenses	(1,942)	(1,604)	(1,540)	(1,545)	(1,424)	(231)	(258)
Net Change in Plan Fiduciary Net Position	147,570	88,443	(119,859)	71,171	35,897	666,324	2,499
Plan Fiduciary Net Position - Beginning of year	850,370	761,927	881,786	810,615	774,718	108,394	105,895
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 997,940</b>	<b>\$ 850,370</b>	<b>\$ 761,927</b>	<b>\$ 881,786</b>	<b>\$ 810,615</b>	<b>\$ 774,718</b>	<b>\$ 108,394</b>
<b>Net OPEB (Asset) Liability - End of Year</b>	<b>\$ (215,938)</b>	<b>\$ (56,322)</b>	<b>\$ 19,947</b>	<b>\$ 87,386</b>	<b>\$ 454,129</b>	<b>\$ 919,135</b>	<b>\$ 1,596,849</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	127.61%	107.09%	97.45%	90.98%	64.09%	45.74%	6.36%
Covered Employee	\$ 22,336,882	\$ 21,242,580	\$ 16,075,956	\$ 16,579,071	\$ 15,718,897	\$ 16,826,037	\$ 16,567,739
Net OPEB (Asset) Liability as a Percentage of Covered Payroll	-0.97%	-0.27%	0.12%	0.53%	2.89%	5.46%	9.64%

Schedule is built prospectively upon implementation of GASB 75.

The required supplementary information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

See notes to required supplementary information.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS - LAST TEN FISCAL YEARS**

<b>Fiscal Year Ending</b>	<b>Actuarially Determined Contribution</b>	<b>Historical Contribution</b>	<b>Contribution Excess (Deficiency)</b>	<b>Covered Employee</b>	<b>Contributions as a Percentage of Covered Employee</b>
9/30/2015	\$ 76,321	\$ 86,459	\$ 10,138	\$ 67,196	128.67%
9/30/2016	98,233	67,975	(30,258)	107,142	63.44%
9/30/2017	85,212	84,949	(263)	43,556	195.03%
9/30/2018	85,204	117,666	32,462	16,567,739	0.71%
9/30/2019	127,617	758,450	630,833	16,826,037	4.51%
9/30/2020	130,808	61,831	(68,977)	15,718,897	0.39%
9/30/2021	49,040	90,136	41,096	16,579,071	0.54%
9/30/2022	50,512	64,403	13,891	16,075,956	0.40%
9/30/2023	10,778	31,526	20,748	21,242,580	0.15%
9/30/2024	11,102	31,450	20,348	22,336,882	0.14%

**Notes to Schedule of Contributions**

Actuarial valuation information relative to the determination of contributions:

Valuation Date September 30, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization period	Level percent of payroll
Asset valuation method	Market
Inflation	2.5 percent
Healthcare cost trend rates	5.50 percent for 2024, declining by .25 percent from 2025 to 2028, then 4.5 percent thereafter
Salary increase	3.0 percent
Investment rate of return	6.5 percent
Discount rate	6.5 percent
Retirement age	59.5 years of age
Mortality	Pub-2010 General Mortality Tables with rates multiplied by 106 percent and using Scale MP-2021

See notes to required supplemental information.



**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB INVESTMENT RETURNS - LAST TEN FISCAL YEARS**

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	<b>For Fiscal Year Ending</b>						
	<b>9/30/2024</b>	<b>9/30/2023</b>	<b>9/30/2022</b>	<b>9/30/2021</b>	<b>9/30/2020</b>	<b>9/30/2019</b>	<b>9/30/2018</b>
<b>Annual money-weighted rate of return- Net of investment expense</b>	17.60%	11.83%	-13.43%	8.98%	4.82%	4.30%	2.61%

Schedule is built prospectively upon implementation of GASB 75.

The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

See notes to required supplemental information.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

YEAR ENDED SEPTEMBER 30, 2024

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### A. CHANGES IN PLAN PROVISIONS SINCE PRIOR VALUATION

No changes to the plan provisions since the prior valuation date of September 30, 2024

### B. CHANGES IN ASSUMPTIONS

#### FY 2024

- Municipal bond index rate decreased from 4.87% to 4.06%.
- Mortality improvement scale was changed from Scale MP-2019 to MP-2021.

#### FY 2023

- Municipal bond index rate increased from 4.77% to 4.87%.
- Mortality improvement scale was changed from Scale MP-2021 to MP-2019.

#### FY 2022

- Municipal bond index rate increased from 2.43% to 4.77%.
- Mortality improvement scale was changed from Scale MP-2020 to MP-2021.
- Immediate medical trend rate decreased from 5.75% to 5.5%
- Per capita costs were updated to reflect experience since the previous valuation.

#### FY 2021

- The discount rate was increased from 4.20% to 6.50%.
- Mortality improvement scale was changed from Scale MP-2019 to MP-2020.
- Immediate medical trend rate decreased from 6.25% to 5.75%
- Long-term expected investment rate of return was increased from 4.20% to 6.50%.

#### FY 2020

- The discount rate was increased from 4.10% to 4.20%.
- Annual wage increase rate was increased from 2.50% to 3.00%.
- Updated healthcare cost trend rates to match the 2020 Uniform Assumption released by the Michigan Department of Treasury.
- Mortality, withdrawal, and retirement rates were updated to match the current MERS of Michigan assumptions developed in the experience analysis published in February 2020.
- Long-term expected investment rate of return was decreased from 4.30% to 4.20%.
- Per capita costs were updated to reflect experience since the previous valuation.

#### FY 2019

- No change in assumptions.



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**SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED  
SEPTEMBER 30, 2024**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

	Years Ended September 30,	
	2024	2023
<b>LOCAL OPERATING REVENUES:</b>		
<b>Passenger fares:</b>		
Urban fixed route	\$ 1,922,810	\$ 1,676,750
Urban demand response	263,255	276,532
Nonurban demand response	143,419	143,419
<b>Special fares:</b>		
City of Ann Arbor - DDA (go!pass)	346,386	350,546
City of Ann Arbor - DDA (NightRide)	1,298	1,902
Ann Arbor Public Schools	62,796	56,784
Eastern Michigan University	30,600	16,110
University of Michigan (Mride)	1,052,109	1,793,563
<b>Total Local Operating Revenues</b>	<u>\$ 3,822,673</u>	<u>\$ 4,315,606</u>
<b>LOCAL NONOPERATING REVENUES:</b>		
<b>Purchase of service agreements:</b>		
Pittsfield Township	\$ 740,316	\$ 686,734
Scio Township	497,071	468,875
Superior Township	105,835	100,038
D2A2	143,058	140,119
<b>Total purchase of service agreements</b>	1,486,280	1,395,766
City of Ann Arbor - property tax levy	32,818,086	18,859,391
City of Ypsilanti - property tax levy	1,385,902	620,347
Ypsilanti Township - property tax levy	4,249,224	1,141,863
City of Ann Arbor - Downtown Development Authority (GetDowntown)	71,778	53,939
Non-urban - Other governmental and local sources	1,493,740	809,361
Interest Income	2,605,810	1,154,689
Advertising income	315,844	129,140
Other revenue	189,642	32,761
Mobility management pass-through	120,000	
Post-Retirement actuary adjustment	117,182	90,330
Gain on sale of equipment	11,600	-
<b>Total local nonoperating revenues</b>	44,865,088	24,287,587
<b>Total local operating and nonoperating revenues</b>	<u>48,687,761</u>	<u>28,603,193</u>
<b>STATE OF MICHIGAN NONOPERATING REVENUES:</b>		
Formula operating assistance - urban (Act 51)	17,783,065	14,323,324
Formula operating assistance - nonurban (Act 51)	1,630,417	1,137,362
Prior years formula adjustments - urban and nonurban	703,995	2,127,794
Capital cost of contracting/Planning	-	152,000
Planning	-	99,284
Preventive maintenance	-	10,000
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310 - State Match)	-	29,501
Specialized services	225,297	110,580
<b>Total state nonoperating revenues</b>	20,342,774	17,989,845
<b>FEDERAL NONOPERATING REVENUES:</b>		
Unified planning program passed through SEMCOG (Section 5303/PL112)	132,306	97,935
Capital cost of contracting (Section 5307)	-	608,000
Preventive maintenance (Section 5307)	-	40,000
RTA D2A2 program	2,192,216	2,291,503
Federal operating assistance - nonurban (Section 5311) - passed through the State	429,694	890,737
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310)	128,630	144,352
ARP/CARES ACT	6,799,897	15,041,000
<b>Total federal nonoperating revenues</b>	9,682,743	19,113,527
<b>TOTAL NONOPERATING REVENUES</b>	<u>\$ 74,890,605</u>	<u>\$ 61,390,959</u>

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES YEAR ENDED SEPTEMBER 30, 2024 WITH COMPARATIVE TOTALS FOR 2023

	2024	2023
LABOR:		
Operators' salaries and wages	\$ 11,451,551	\$ 9,491,285
Other salaries and wages	8,236,180	8,520,301
FRINGE BENEFITS		
Fringe wages	3,460,238	3,282,235
Social security payroll taxes	1,665,658	1,542,495
Medical insurance	3,833,600	3,626,838
Pension	1,752,781	1,527,631
Health care savings plan	155,603	442,090
Other fringe benefits	1,087,895	996,975
SERVICES:		
Advertising fees/promotion media	359,723	113,624
Other services	4,028,308	4,247,071
Auditing fees	64,658	82,900
MATERIALS AND SUPPLIES CONSUMED:		
Fuel and lubricants	2,675,565	2,835,476
Tires and tubes	156,687	201,111
Materials and supplies	2,775,972	2,740,012
UTILITIES	856,223	770,427
CASUALTY AND LIABILITY COSTS:		
Premiums for public liability and property damage insurance	1,294,421	1,214,926
Other casualty and liability costs	695,712	527,456
PURCHASED TRANSPORTATION	13,904,905	12,520,026
MISCELLANEOUS EXPENSES:		
Association dues & subscriptions	62,482	98,970
Travel and meetings	146,607	96,277
Other	509,713	274,742
LEASES AND RENTALS	134,286	108,173
DEPRECIATION	<u>5,891,400</u>	<u>6,560,033</u>
TOTAL OPERATING EXPENSES	<u>\$ 65,200,168</u>	<u>\$ 61,821,074</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)**  
**YEAR ENDED SEPTEMBER 30, 2024**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Grant or Number	Program or Award Amount	Current Year's Expenditures			Prior Years' Expenditures	Amount Remaining	
				Total	Federal	State			Local
<b>Michigan Department of Transportation (State):</b>									
<b>Direct assistance - Capital grants:</b>									
Capital (FY 2019)	N/A	2017-0008/P13	\$1,527,141	\$80,430	\$0	\$80,430	\$0	\$1,154,813	\$291,898
Capital (Section 5310 Match) (FY 2019)	N/A	2017-0008/P14	46,000	7,596	0	7,596	0	24,000	14,404
Capital (Section 5307-STP) (FY 2019)	N/A	2017-0008/P15	15,046	0	0	0	0	0	15,046
Capital (FY 2020)	N/A	2017-0008/P17	1,735,040	128,005	0	128,005	0	1,147,083	459,952
Capital (Section 5310 Match) (FY 2020)	N/A	2017-0008/P18	43,345	0	0	0	0	10,145	33,200
Capital (Section 5310 Match) (FY 2021)	N/A	2017-0008/P24	37,000	14,894	0	14,894	0	17,950	4,156
Capital (Section 5310 Match) (FY 2021)	N/A	2012-0033/P25	12,000	12,000	0	12,000	0	0	0
Capital (Section 5310 Match) (FY 2022)	N/A	2022-0006/P4	157,909	45,344	0	45,344	0	0	112,565
Capital (FY 19 and 20 State Service Initiatives)	N/A	2017-0008/P12	1,020,000	27,775	0	27,775	0	99,284	892,941
Capital (Section 5307)(FY 2022) (80/20)	N/A	2021-2022/P3	3,606,834	39,058	0	39,058	0	954,662	2,613,114
Subtotal - Direct State Capital			<u>\$8,200,315</u>	<u>\$355,102</u>	<u>\$0</u>	<u>\$355,102</u>	<u>\$0</u>	<u>\$3,407,937</u>	<u>\$4,437,276</u>
<b>Direct assistance - Operating grants:</b>									
Operating assistance - Act 51 Urban	N/A	N/A	\$17,783,065	\$17,783,065	\$0	\$17,783,065	\$0	\$0	\$0
Operating assistance - Act 51 Nonurban	N/A	N/A	1,630,417	1,630,417	0	1,630,417	0	0	0
Prior year formula adjustments	N/A	N/A	703,995	703,995	0	703,995	0	0	0
Specialized Services (FY 2024)	N/A	2022-0006/P6	225,297	225,297	0	225,297	0	0	0
Subtotal - Direct State Operating			<u>\$20,342,774</u>	<u>\$20,342,774</u>	<u>\$0</u>	<u>\$20,342,774</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL DIRECT STATE EXPENDITURES</b>			<u>\$28,543,089</u>	<u>\$20,697,876</u>	<u>\$0</u>	<u>\$20,697,876</u>	<u>\$0</u>	<u>\$3,407,937</u>	<u>\$4,437,276</u>
STATE FUNDS PASSED BY AAATA TO SUBRECIPIENTS:									
Specialized Services (FY 2020 & 2021)	N/A	2022-0006/P1	153,701	153,701	0	153,701	0	0	0
Total - State Pass-through Specialized Services			<u>\$153,701</u>	<u>\$153,701</u>	<u>\$0</u>	<u>\$153,701</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2024**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Authorization Number	Purchase Order Number	Program or Award Amount	Current Year's Expenditures				Prior Years' Federal Expenditures	Federal Amount Remaining
					Total	Federal	State	Local		
<b>U. S. Department of Transportation (Federal):</b>										
<b>Direct Assistance - Capital Grants:</b>										
Capital (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	\$3,608,298	\$321,721	\$321,721	\$0	\$0	\$2,096,641	\$1,189,936
Capital (Section 5307-STP) (FY 2019) (80/20)	20.507	MI-2019-X35-00	MI95-4001	60,184	0	0	0	0	0	60,184
Capital (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	4,689,148	421,295	421,295	0	0	3,171,674	1,096,179
Capital (Section 5307-CMAQ) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI95-0018	1,137,205	0	0	0	0	1,137,205	0
Capital (Section 5339) (FY 2020) (80/20)	20.526	MI-2020-X38-00	MI34-0086	1,113,809	88,815	88,815	0	0	281,372	743,622
Capital (Section 5310) (FY 2016 & 2017) (80/20)	20.513	MI-2016-X40-01	MI16-X019	393,606	78,000	78,000	0	0	239,787	75,819
Capital (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	132,000	30,385	30,385	0	0	72,000	29,615
Capital (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	132,800	0	0	0	0	0	132,800
Capital (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	148,000	59,576	59,576	0	0	71,798	16,626
Capital (Section 5310) (FY 2022) (80/20)	20.513	MI-2022-X59-00	MI16-X045	631,639	181,384	181,384	0	0	0	450,255
COVID-19 CRRSAA (Section 5339)(FY 2022) (80/20)	20.526	MI-2022-050-00	MI22-X050	1,865,339	0	0	0	0	0	1,865,339
COVID-19 CRRSAA (Section 5307)(FY 2022) (80/20)	20.507	MI-2022-050-00	MI22-X050	15,561,997	158,137	158,137	0	0	3,832,197	11,571,663
Subtotal - Federal Capital				<u>\$29,474,025</u>	<u>\$1,339,313</u>	<u>\$1,339,313</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,902,674</u>	<u>\$17,232,038</u>
<b>Direct Assistance - Operating Grants:</b>										
Capital Cost of Contracting (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	608,000	0	0	0	0	608,000	0
Preventive Maintenance (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	40,000	0	0	0	0	40,000	0
Operating Assistance (Section 5307) (FY 2020) (50/50)	20.507	MI-2020-X38-00	MI90-X840	4,406,790	0	0	0	0	520,000	3,886,790
Enhanced Mobility (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	100,000	0	0	0	0	72,000	28,000
Enhanced Mobility (Section 5310) (FY 2016 & 2017) (80/20 or 50/50)	20.513	MI-2016-X40-01	MI16-X019	180,447	0	0	0	0	79,382	101,065
Enhanced Mobility (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	128,800	0	0	0	0	98,074	30,726
Enhanced Mobility (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	106,050	39,670	39,670	0	0	26,350	40,030
Enhanced Mobility (Section 5310) (FY 2022) (80/20)	20.513	MI-2022-X55-00	MI16-4008	39,730	26,090	26,090	0	0	0	13,640
Enhanced Mobility (Section 5310) (FY 2022) (80/20)	20.513	MI-2022-X59-01	MI16-X045	328,323	37,870	37,870	0	0	0	290,453
COVID-19 CRRSAA Operating Assistance (5310)(FY 2021) (100/0)	20.513	MI-2022-X56-00	MI16-4009	39,730	25,000	25,000	0	0	0	14,730
COVID-19 CRRSAA Operating Assistance (5307) (FY 2022) (100/0)	20.507	MI-2022-009-01	MI22-X009	15,771,805	6,799,897	6,799,897	0	0	8,971,908	0
<b>Passed Through Regional Transit Authority of Southeast Michigan:</b>										
RTA CMAQ D2A2 Service 2024 - Highway Planning and Construction	20.507	M2024-01	M2024-01	2,000,000	2,192,216	2,192,216	0	0	0	-192,216
<b>Passed Through Michigan Department of Transportation:</b>										
Nonurban Operating Assistance (Section 5311-CRRSAA) (FY 2024)	20.509			429,694	429,694	429,694	0	0	0	0
<b>Passed Through Southeast Michigan Council of Governments:</b>										
Unified Planning (Section 5303) (81.85/18.15)	20.205	23001	23001	81,723	99,845	81,723	0	18,122	0	0
Unified Planning (Section 5303) (81.85/18.15)	20.205	24005	24005	50,583	61,800	50,583	0	11,217	0	0
Subtotal - Federal Operating				<u>\$24,311,675</u>	<u>\$9,712,082</u>	<u>\$9,682,743</u>	<u>\$0</u>	<u>\$29,339</u>	<u>\$10,415,714</u>	<u>\$4,213,218</u>
<b>TOTAL FEDERAL EXPENDITURES</b>				<u>\$53,785,700</u>	<u>\$11,051,395</u>	<u>\$11,022,056</u>	<u>\$0</u>	<u>\$29,339</u>	<u>\$21,318,388</u>	<u>\$21,445,256</u>
<b>TOTAL FEDERAL EXPENDITURES</b>				<u>\$53,785,700</u>	<u>\$11,051,395</u>	<u>\$11,022,056</u>	<u>\$0</u>	<u>\$29,339</u>	<u>\$21,318,388</u>	<u>\$21,445,256</u>



**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING AND CONTRACT EXPENSES  
YEAR ENDED SEPTEMBER 30, 2024, WITH COMPARATIVE TOTALS FOR 2023**

	Specialized Services	Mobility Management Pass-Through	Nonurban Operations	Urban Operations		2024 Total	2023 Total
	2022-0006/P1		Sec. 5311: 2022-0006 P3	Demand-response	Fixed-route		
OPERATING EXPENSES:							
Labor	\$ -	\$ -	\$ 69,051	\$ 3,410,762	\$ 16,207,919	\$ 19,687,732	\$ 18,011,587
Fringe benefits	-	-	43,251	2,125,754	9,786,770	11,955,775	11,418,265
Services	-	-	58,132	745,211	3,649,346	4,452,689	4,443,595
Materials and supplies	-	-	19,993	783,532	4,804,699	5,608,224	5,776,599
Utilities	-	-	-	159,942	696,281	856,223	770,427
Casualty and liability costs	-	-	16,231	369,017	1,604,885	1,990,133	1,742,382
Purchased transportation	225,297	120,000	3,828,376	6,236,417	3,494,815	13,904,905	12,520,023
Other	-	-	10,736	131,442	576,623	718,801	469,989
Leases and rentals	-	-	-	28,644	105,642	134,286	108,173
Depreciation	-	-	-	1,019,957	4,871,443	5,891,400	6,560,034
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 225,297</b>	<b>\$ 120,000</b>	<b>\$ 4,045,770</b>	<b>\$ 15,010,678</b>	<b>\$ 45,798,423</b>	<b>\$ 65,200,168</b>	<b>\$ 61,821,074</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE REVENUES  
YEAR ENDED SEPTEMBER 30, 2024**

Code	Description	Fixed-route	Demand-response	Total Urban
<b>401 :</b>	<b>Farebox Revenue</b>			
40100	Passenger Fares	\$ 1,922,810	\$ 263,255	\$ 2,186,065
40200	Contract Fares	1,493,189		1,493,189
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>			
40615	Advertising Revenue	315,844	-	315,844
<b>407 :</b>	<b>NonTransit Revenue</b>			
40799	Gain on Sale/Disposal of Equipment	11,600	-	11,600
40799	Other NonTransportation Revenue	306,824	-	306,824
<b>408 :</b>	<b>Local Revenue</b>			
40800	Taxes Levied Directly for Transit Agency	29,801,239	8,651,973	38,453,212
<b>409 :</b>	<b>Local Revenue</b>			
40910	Local Operating Assistance	1,151,867	334,413	1,486,280
40999	Other Local - Local Match	71,778	-	71,778
<b>411 :</b>	<b>State Formula and Contracts</b>			
41101	State Operating Assistance	13,052,955	4,730,110	17,783,065
<b>413 :</b>	<b>Federal Contracts</b>			
41312	Unified Planning/Capital Cost of Contracting (Sec 5303)	132,306	-	132,306
41361	ARP Act	5,295,797	1,504,100	6,799,897
41399	Enhanced Mobility (Section 5310)	-	128,630	128,630
41399	Other - RTA	2,192,216	-	2,192,216
<b>414 :</b>	<b>Other Revenue</b>			
41400	Interest Income	2,605,810	-	2,605,810
<b>550:</b>	<b>Ineligible Revenue:</b>			
55005	Net unrealized and realized investment gains	(462,376)	-	(462,376)
<b>Total</b>		<b>\$ 57,891,859</b>	<b>\$ 15,612,481</b>	<b>\$ 73,504,340</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE EXPENSES  
YEAR ENDED SEPTEMBER 30, 2024**

Code	Description	Fixed-route	Demand-response	Total
<b>501:</b>	<b>Labor</b>			
50101	Operators Salaries & Wages	\$ 9,480,044	\$ 1,971,508	\$ 11,451,552
50102	Other Salaries & Wages	6,727,875	1,439,254	8,167,129
<b>502:</b>	<b>Fringe Benefits</b>			
50200	Other Fringe Benefits	8,049,530	1,961,724	10,011,254
50210	Defined Contribution Pension	1,595,313	150,656	1,745,969
50240	Defined Contribution OPEB	141,927	13,374	155,301
<b>503:</b>	<b>Services</b>			
50302	Advertising Fees	59,092	11,878	70,970
50305	Audit Costs	53,837	10,821	64,658
50399	Other Services	3,536,417	722,512	4,258,929
<b>504:</b>	<b>Materials and Supplies</b>			
50401	Fuel & Lubricants	2,398,067	277,498	2,675,565
50402	Tires & Tubes	131,247	25,440	156,687
50499	Other Materials & Supplies	2,275,385	480,594	2,755,979
<b>505:</b>	<b>Utilities</b>			
50500	Utilities	696,281	159,942	856,223
<b>506:</b>	<b>Insurance</b>			
50603	Liability Insurance	1,052,623	241,798	1,294,421
50699	Other Insurance	552,262	127,219	679,481
<b>508:</b>	<b>Purchased Transportation</b>			
50800	Purchased Transportation	3,494,815	6,236,417	9,731,232
<b>509:</b>	<b>Miscellaneous Expenses</b>			
50902	Travel, Meeting & Training	119,798	26,809	146,607
50903	Association Dues & Subscriptions	51,056	11,426	62,482
50999	Other Misc. Expenses	405,769	93,207	498,976
<b>512:</b>	<b>Operating Leases &amp; Rentals</b>			
51200	Operating Leases & Rentals	105,642	28,644	134,286
<b>513:</b>	<b>Depreciation</b>			
51300	Depreciation	4,871,443	1,019,957	5,891,400
	<b>Total Urban Expenses</b>	<b>\$ 45,798,423</b>	<b>\$ 15,010,678</b>	<b>\$ 60,809,101</b>
<b>550:</b>	<b>Ineligible Expenses</b>			
55007	Ineligible Depreciation	4,349,457	910,498	5,259,955
55008	Ineligible other (bad debt/employee events)	256,209	-	256,209
55009	Ineligible Association Dues	8,397	-	8,397
55010	Ineligible Non-transportation Revenue	189,642	-	189,642
<b>570:</b>	<b>Ineligible Expenses</b>			
57099	Ineligible - Federal RTA D2A2	2,192,216	-	2,192,216
57602	Ineligible - Unified Planning (Sec 5303)	161,644	-	161,644
57604	Ineligible - Enhanced Mobility (Sec 5310)	-	128,630	128,630
<b>580:</b>	<b>Ineligible Expenses</b>			
58050	Ineligible - Postretirement Benefit Revenue	117,182	-	117,182
58050	Ineligible - Postretirement Benefits Paid	(31,450)	-	(31,450)
	<b>Total Ineligible Expenses</b>	<b>\$ 7,243,297</b>	<b>\$ 1,039,128</b>	<b>\$ 8,282,425</b>
		<b>Fixed-route</b>	<b>Demand-response</b>	<b>Total</b>
Total Expenses	\$ 45,798,423	\$ 15,010,678	\$ 60,809,101	
Total Ineligible Expenses	(7,243,297)	(1,039,128)	(8,282,425)	
Total Eligible Expenses	\$ 38,555,126	\$ 13,971,550	\$ 52,526,676	

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2024

Code	Description	Total Nonurban
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 143,419
40200	Contract Fares	-
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>	
40615	Advertising	-
<b>407 :</b>	<b>Non-Transit Revenue</b>	
40799	Gain (Loss) on Sale of Equipment	-
40799	Other Revenue	-
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for Transit Agency	-
<b>409 :</b>	<b>Local Revenue</b>	
40910	Local Operating Assistance	1,493,740
40999	Other Local	
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	1,630,417
411	Prior Year Formula Adjustments	
<b>413 :</b>	<b>Federal Contracts</b>	
41301	5311	429,694
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Revenue	-
	Other	-
<b>Total</b>		<b>\$ 3,697,270</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES YEAR ENDED SEPTEMBER 30, 2024

Code	Description	Demand Response Total
<b>501:</b>	<b>Labor</b>	
50102	Other Salaries & Wages	\$ 69,051
<b>502:</b>	<b>Fringe Benefits</b>	
50200	Other Fringe Benefits	36,137
50210	Defined Contribution Pension	6,812
50240	Defined Contribution OPEB	302
<b>503:</b>	<b>Services</b>	
50305	Other Services	58,132
<b>504:</b>	<b>Materials and Supplies</b>	
50499	Other Materials & Supplies	19,993
<b>506:</b>	<b>Insurance</b>	
50699	Other Insurance	16,231
<b>508:</b>	<b>Purchased Transportation</b>	
50800	Purchased Transportation	3,828,376
<b>509:</b>	<b>Miscellaneous Expenses</b>	
50999	Other Misc. Expenses	10,736
<b>550:</b>	<b>Ineligible Expenses</b>	-
<b>570:</b>	<b>Ineligible Expenses</b>	-
Total Expenses \$		4,045,770
Total Ineligible Expenses		<u>-</u>
Total Eligible Expenses \$		<u><u>4,045,770</u></u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - URBAN AND NONURBAN SERVICE NONFINANCIAL INFORMATION  
YEAR ENDED SEPTEMBER 30, 2024**

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**PUBLIC SERVICE - URBAN FIXED-ROUTE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	345,334
611	Vehicle Miles	6,177,800

**PUBLIC SERVICE - URBAN DEMAND RESPONSE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	61,559
611	Vehicle Miles	857,656

**PUBLIC SERVICE - NONURBAN DEMAND RESPONSE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	68,278
611	Vehicle Miles	833,486

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION  
YEAR ENDED SEPTEMBER 30, 2024**

	Urban		Nonurban
	Fixed-Route	Demand Response	
Total Expenses	\$ 45,798,423	\$ 15,010,678	\$ 4,045,770
Less Ineligible Expenses:			
Federal Planning (Section 5303, w/Local Match)	161,644	-	
Federal and State Depreciation Expense	4,349,457	910,498	
Federal Enhanced Mobility (Section 5310)	-	128,630	
State Enhanced Mobility (Section 5310)	-	-	
Federal and State Preventive Maintenance	-	-	
Federal and State Capital Cost of Contracting	-	-	
Federal RTA D2A2	2,192,216	-	
Post-Retirement Medical Benefits Accrual	117,182	-	
Post-Retirement Medical Benefits Paid	(31,450)	-	
Other revenue	189,642	-	
Other expenses (bad debts, ineligible interest)	256,209	-	
Association Dues (Ineligible Portion)	8,397	-	
Total Ineligible Expenses	\$ 7,243,297	\$ 1,039,128	\$ -
<b>Total State Eligible Expenses</b>	<b>\$ 38,555,126</b>	<b>\$ 13,971,550</b>	<b>\$ 4,045,770</b>

Eligible Expenses for State Reimbursement	\$ 38,555,126	\$ 13,971,550	\$ 4,045,770
x Reimbursement Percentage	33.8553%	33.8553%	40.2993%
State Operating Assistance	\$ 13,052,955	\$ 4,730,110	\$ 1,630,417
Total Operating Assistance - Urban		<u>\$ 17,783,065</u>	

**Total Federal Eligible Expenses**

Total Eligible Expenses for State Reimbursement	\$ 4,045,770
Less: Ineligible Auditing Expenses	16,000
Eligible Expenses for Federal Reimbursement	\$ 4,029,770
x Reimbursement Percentage	18%
Eligible expenses	725,359
Less expenses over the capped funding	(295,665)
Federal Operating Assistance (Section 5311)	<u>\$ 429,694</u>

## **ANN ARBOR AREA TRANSPORTATION AUTHORITY**

### **ADDITIONAL INFORMATION - NOTES TO SCHEDULE OF OPERATING ASSISTANCE CALCULATION AND NONFINANCIAL INFORMATION YEAR ENDED SEPTEMBER 30, 2024**

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#### **A. ITEMS REIMBURSED BY FEDERAL GRANTS**

Items reimbursed directly by federal operating and capital grants, including Sections 5303 and 5310, are deducted from total expenses in arriving at the net eligible expense total.

#### **B. FEDERAL AND STATE DEPRECIATION AND AMORTIZATION EXPENSE**

Depreciation and amortization incurred on assets funded with state and federal grants is an ineligible expense pursuant to State of Michigan regulations. The depreciation expense included to be reimbursed with State Formula Assistance Funds only includes assets purchased with local funds where the useful life of the asset has been approved by the Michigan Department of Transportation, Bureau of Passenger Transportation.

#### **C. POSTRETIREMENT MEDICAL BENEFITS PLAN EXPENSE**

The amount of postretirement medical benefits accrued under the provisions of GASB No. 75 are ineligible expenses. The amount paid for postretirement medical benefits during the current year are eligible and are therefore subtracted out from the ineligible expenses.

#### **D. OTHER REVENUES**

Other income includes other miscellaneous income such as lost ID fees or Freedom of Information Act (FOIA) fees paid. These items are subtracted out as ineligible expenses.

#### **E. ADVERTISING**

Advertising revenues are earned from displaying advertising materials on Authority vehicles and are recorded net of expenses associated with equipping the vehicles with advertising media by a third party. Therefore, advertising revenues are not subtracted as ineligible expenses.

#### **F. OTHER EXPENSE**

Other expenses includes bad debt expense, property tax write-offs, and any other miscellaneous expense that is ineligible for state operating assistance. These costs are subtracted as ineligible expenses.

#### **G. ASSOCIATION DUES**

The amounts disallowed represent a percentage of the annual dues paid to the American Public Transit Association and the Michigan Public Transit Association. It was determined that these organizations devote a portion of their efforts, 11.0% and 13.60%, respectively, to influencing legislation which is not eligible for reimbursement according to the Uniform Guidance issued by the Office of Management and Budget.

#### **H. MILEAGE INFORMATION**

The methodology used for compiling mileage and other nonfinancial information used to allocate costs has been reviewed and found to be an adequate and reliable method.