

Ann Arbor Area Transportation Authority

*Financial Statements as of and for the
Years Ended September 30, 2020 and 2019 and
Additional Information for the Year Ended
September 30, 2020, Independent Auditor's Reports
Required by the Office of Management and Budget
Uniform Grant Guidance at 2 CFR Part 200 and
Supplementary Schedule of Expenditures of Federal
Awards for the Year Ended September 30, 2020, and
Independent Auditor's Reports*

ANN ARBOR AREA TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	4-7
FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-30
REQUIRED GASB STATEMENT NO. 75 SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net OPEB Liability and Related Ratios	31
Schedule of Other Post-Employment Benefits (OPEB) Contributions	32
Schedule of OPEB Investment Returns	33
Notes to Required Supplementary Information	34
ADDITIONAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2020:	
Schedule of Revenues	35
Schedule of Operating Expenses	36
Schedule of Expenditures of Federal Awards	37
Schedule of Expenditures of State Awards	38
Schedule of Operating and Contract Expenses	39
Schedule of Urban Regular Service Revenues	40
Schedule of Urban Regular Service Expenses	41
Schedule of Nonurban Regular Service Revenues	42
Schedule of Nonurban Regular Service Expenses	43
Schedule of Urban and Nonurban Regular Service Nonfinancial Information	44
Schedule of Operating Assistance Calculation	45
Notes to Schedule of Operating Assistance Calculation	46
SINGLE AUDIT:	
INDEPENDENT AUDITOR'S 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>	47-48
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	49-50
Supplementary Schedule of Expenditures of Federal Awards	51
Notes to Schedule of Expenditures of Federal Awards	52
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	53-54

Independent Auditor's Report

To the Board of Directors of
Ann Arbor Area Transportation Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Ann Arbor Area Transportation Authority (the "Authority") as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Ann Arbor Area Transportation Authority as of September 30, 2020 and 2019 and the changes in financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the OPEB schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The additional information schedules (excluding the Schedule of Urban and Nonurban Regular Service Nonfinancial Information), as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The summary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The additional information schedule (excluding the Schedule of Urban and Nonurban Regular Service Nonfinancial Information) and the supplementary schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 additional information schedule (excluding the Schedule of Urban and Nonurban Regular Service Nonfinancial Information) and the supplementary schedule of

expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The additional information schedule of Urban and Nonurban Regular Service Nonfinancial Information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide an assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 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 to solely 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 Ann Arbor Area Transportation Authority’s internal control over financial reporting and compliance.

The logo for UHY LLP is written in a stylized, cursive font. The letters 'UHY' are larger and more prominent, with 'LLP' in a smaller, similar font to the right.

Ann Arbor, MI
January 29, 2021

ANN ARBOR AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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 year ended September 30, 2020. 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.

Five-Year Transit Improvement Plan

In January 2014, the Board of Directors adopted the Five-Year Transit Improvement Plan (5YTIP) for the Urban Core of Washtenaw County. Funding for this plan included a five-year property tax millage, which was approved by the voters of the Cities of Ann Arbor and Ypsilanti and Ypsilanti Township on May 6, 2014. The first 0.7 mill property tax was levied on July 1, 2014, which raised about \$4.5 million per year. These funds have been used to provide additional local transit service and buy 15 buses to provide the service. The rollout of all the additional services was completed in January 2019. On May 8, 2019, the 0.7 mill property tax was renewed for five years and will be levied on July 1, 2020 to 2023, inclusive.

Governance of the Authority

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. 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.

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, 2020 and 2019 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, 2019 have been audited and are included herein for comparative purposes.

Financial Highlights

The Authority's total assets increased from the prior year by \$1.3 million (1.7%), primarily due to a increase of \$2.2 million (10%) in total cash and investments, \$0.3 million (1%) increase in net capital assets offset by a decrease in other current assets of \$1.1 million (13%).

Total net position increased by \$0.9 million (1.2%) as the net investment in capital assets increased by \$0.3 million (1%) along with the unrestricted net position increase of \$0.6 million (2.4%).

Total operating revenues is comprised of passenger fares and special fares, where someone other than the passenger pays the fare. These decreased about \$3.1 million (46%) as the result of free fares for five months and significantly lower demand from the pandemic period.

Total operating expenses decreased \$3.7 million (7.1%) primarily due to the pandemic which lowered most operating expenses.

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, 2020, 2019 and 2018 follows (in thousands):

	2020	2019	2018
Assets:			
Current assets	\$31,401	\$30,295	\$29,251
Noncurrent assets	41	107	133
Capital assets, net	<u>46,999</u>	<u>46,748</u>	<u>51,459</u>
Total assets	\$78,441	\$77,150	\$80,843
Deferred Outflows	4	10	--
Liabilities:			
Current liabilities	\$4,778	\$4,348	\$5,776
Noncurrent liabilities, including OPEB	<u>2,045</u>	<u>2,421</u>	<u>3,044</u>
Total liabilities	6,823	6,769	8,820
Deferred Inflows	402	--	--
Net Position:			
Net investment in capital assets	46,999	46,749	51,459
Unrestricted	<u>24,221</u>	<u>23,642</u>	<u>20,564</u>
Total net position	<u>\$71,220</u>	<u>\$70,391</u>	<u>\$72,023</u>

At September 30, 2020, the Authority's net position was \$71.2 million, compared to \$70.4 million at September 30, 2019.

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 unfunded actuarial accrued liability for the Plan was \$0.5 million as of September 30, 2020, based on the most recent available valuation. See Note 16 for more information.

The total assets and deferred outflows of the Authority exceeded its total liabilities and deferred inflows by \$71.2 million (net position) as of September 30, 2020. Of this amount, \$24.2 million (unrestricted net position) may be used to fund future operations and meet future obligations of the Authority. The July 1, 2020 property tax levies of \$17.8 million have been included in nonoperating revenues for the year ended September 30, 2020, even though three quarters of them will be needed to help fund operations from October 1, 2020 to June 30, 2021.

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, 2020, 2019 and 2018 is as follows (in \$1,000s):

	2020	2019	2018
Operating revenues	\$3,628	\$6,751	\$6,926
Operating expenses	<u>(47,927)</u>	<u>(51,582)</u>	<u>(48,849)</u>
Operating loss	(44,299)	(44,831)	(41,923)
Nonoperating revenues	<u>38,379</u>	<u>40,750</u>	<u>37,826</u>
Change in net position before capital contributions	(5,920)	(4,081)	(4,097)
Net capital contributions	<u>6,749</u>	<u>2,449</u>	<u>3,655</u>
Change in net position	829	(1,632)	(442)
Net position, beginning of year	<u>70,391</u>	<u>72,023</u>	<u>72,465</u>
Net position, end of year	<u>\$71,220</u>	<u>\$70,391</u>	<u>\$72,023</u>

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.

Total operating expenses of \$47.9 million include operations (\$33.3 million), fleet and facility maintenance (\$5.6 million) and general administration (\$9.0 million). The largest portion of all expenses is employee wages and fringe benefits of about \$25 million, 52% 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 2020 and 2019, the Authority used \$2,802,000 and \$4,686,509, respectively for Federal operating assistance, such as operating assistance, planning, preventive maintenance, and capital cost of contracting.

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 vehicles, facilities and equipment. In 2020, the Authority purchased 20 vehicles: eight buses for fixed route and 12 vans/cutaways for demand response service. In addition, there was continued building rehabilitation for the operations facility. In 2019, the Authority purchased two nonrevenue vehicles for operational support, various bus components for the existing fleet, and began building rehabilitation for the operations facility. The Authority's largest capital investments include vehicles and related equipment, net of depreciation, of \$24.7 million in 2020 and \$24.8 million in 2019 and the land and buildings, net of depreciation, of \$18 million in 2020 and \$17 million in 2019.

Economic Factors and Next Year's Budget (Fiscal Year 2021)

For fiscal year 2021, the Board of Directors adopted a \$43.2 million operating budget with a zero operating surplus and a \$6.4 million capital budget. 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.

Since the World Health Organization's identification of COVID-19 in March 2020 as a global health emergency and the subsequent implementation of national, state, and local emergency declarations, significant dislocations in normal economic activity have occurred at all levels. The Authority has made significant operational adjustments to ensure safety of services and maintain financial stability. The financial impact can be seen in the financial highlights above and significant federal grant funding has been allocated to the Authority as a result of the global health emergency. See Note 18 and 20 for further discussion of the impact of COVID-19 and grant funding details.

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 0.7 mill property tax levy, which funds the additional 5YTIP service, was originally levied from July 1, 2014 to July 1, 2018, inclusive. In May 2018, the 0.7 mill property tax was renewed by voters of the Cities of Ann Arbor, Ypsilanti, and Ypsilanti Township. The property tax is scheduled to be levied from July 1, 2019 to 2023 to continue to fund the additional services.

Request 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 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 "2020" (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.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

STATEMENTS OF NET POSITION SEPTEMBER 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS:		
Cash (Note 3)	\$ 17,199,345	\$ 10,120,697
Investments (Note 3 and 4)	6,791,216	11,641,704
Accounts receivable, less allowance of \$0 in 2020 and 2019	669,227	1,170,398
Grants receivable (Notes 2 and 5)	3,828,491	4,494,328
Other receivables (Note 6)	920,736	730,186
Inventory	910,175	1,000,841
Prepaid expenses	1,081,554	1,136,536
Total current assets	<u>31,400,744</u>	<u>30,294,690</u>
NONCURRENT ASSETS:		
Restricted cash (Note 3)	<u>40,943</u>	<u>107,155</u>
CAPITAL ASSETS: (Note 7)		
Land and improvements	2,270,821	2,270,821
Park and Ride lot construction	5,759,849	5,759,849
Buildings and improvements	30,020,545	28,165,485
Equipment and other	73,978,447	69,626,789
Construction in progress	1,168,755	1,018,582
Total capital assets	113,198,417	106,841,526
Less accumulated depreciation	66,199,226	60,092,908
Net capital assets	<u>46,999,191</u>	<u>46,748,618</u>
TOTAL ASSETS	\$ 78,440,878	\$ 77,150,464
DEFERRED OUTFLOW OF RESOURCES:		
Deferred OPEB cost outflows (Note 15)	\$ 3,887	\$ 9,832
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,956,900	\$ 1,977,509
Grant refunds payable (Notes 2 and 5)	1,413,828	956,383
Accrued payroll	907,593	790,373
Accrued compensated absences, current portion	196,551	187,523
Other accrued expenses	157,896	121,451
Unearned revenue (Note 8)	145,257	314,586
Total current liabilities	<u>4,778,025</u>	<u>4,347,825</u>
NONCURRENT LIABILITIES:		
Accrued compensated absences	1,590,276	1,501,875
Net postretirement benefit (OPEB) liability (Note 15)	454,129	919,135
Total noncurrent liabilities	<u>2,044,405</u>	<u>2,421,010</u>
Total liabilities	6,822,430	6,768,835
DEFERRED INFLOW OF RESOURCES:		
Deferred OPEB cost reductions (Note 15)	<u>402,304</u>	<u>385</u>
NET POSITION:		
Net investment in capital assets	46,999,191	46,748,618
Unrestricted	24,220,840	23,642,458
Total net position	<u>\$ 71,220,031</u>	<u>\$ 70,391,076</u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES (Note 13)	\$ 3,627,820	\$ 6,750,571
OPERATING EXPENSES (Notes 9, 13, 15 and 16):		
Operations	33,399,495	37,072,813
Maintenance	5,566,359	5,652,958
General administration	<u>8,961,429</u>	<u>8,856,191</u>
Total operating expenses	<u>47,927,283</u>	<u>51,581,962</u>
OPERATING LOSS	(44,299,463)	(44,831,391)
NONOPERATING REVENUES:		
Local (Notes 10 and 11)	19,975,458	20,254,218
State (Note 2)	13,200,321	15,024,782
Federal	<u>5,203,658</u>	<u>5,471,058</u>
Total nonoperating revenues	<u>38,379,437</u>	<u>40,750,058</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(5,920,026)	(4,081,333)
CAPITAL CONTRIBUTIONS - FEDERAL, STATE AND LOCAL	<u>6,748,981</u>	<u>2,449,007</u>
CHANGE IN NET POSITION	828,955	(1,632,326)
NET POSITION, BEGINNING OF YEAR	<u>70,391,076</u>	<u>72,023,402</u>
NET POSITION, END OF YEAR	<u>\$ 71,220,031</u>	<u>\$ 70,391,076</u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from transit operations	\$ 2,647,763	\$ 4,043,337
Payments for salaries and wages and fringe benefits	(24,475,315)	(25,943,074)
Payments to suppliers	(6,064,125)	(8,037,969)
Payments for claims and insurance	(1,300,630)	(1,047,836)
Payments for purchased transportation	<u>(7,161,008)</u>	<u>(8,049,776)</u>
Net cash used in operating activities	<u>(36,353,315)</u>	<u>(39,035,318)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Nonoperating revenues:		
Local	19,365,149	20,499,141
State	13,820,337	14,529,176
Federal	<u>5,217,019</u>	<u>6,135,965</u>
Net cash provided by noncapital financing activities	<u>38,402,505</u>	<u>41,164,282</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(7,376,558)	(4,655,132)
Capital contributed by state and federal grants	7,238,886	4,443,694
Proceeds from sales of equipment	<u>89,311</u>	<u>29,718</u>
Net cash used in capital and related financing activities	<u>(48,361)</u>	<u>(181,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	(9,563,706)	(9,454,153)
Proceeds from sale and maturities of investment securities	14,414,194	12,569,807
Interest income	<u>161,119</u>	<u>208,403</u>
Net cash provided by investing activities	<u>5,011,607</u>	<u>3,324,057</u>
NET INCREASE (DECREASE) IN CASH	7,012,436	5,271,301
CASH AT BEGINNING OF YEAR	<u>10,227,852</u>	<u>4,956,551</u>
CASH AT END OF YEAR	<u>\$ 17,240,288</u>	<u>\$ 10,227,852</u>
STATEMENTS OF POSITION CLASSIFICATION OF CASH		
Unrestricted cash	\$ 17,199,345	\$ 10,120,697
Restricted cash	<u>40,943</u>	<u>107,155</u>
Total cash	<u>\$ 17,240,288</u>	<u>\$ 10,227,852</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

STATEMENTS OF CASH FLOWS (Continued)

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (44,299,463)	\$ (44,831,391)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,787,242	6,992,794
Changes in assets and liabilities which provided (used) cash:		
Receivables	501,171	(247,996)
Inventory	90,666	(62,915)
Deferred outflows	5,945	(9,832)
Prepaid expenses	54,982	(384,190)
Payables	318,135	11,497
Accrued payroll	117,220	85,897
Other accrued expenses	70,787	(589,182)
Total adjustments	<u>7,946,149</u>	<u>5,796,073</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (36,353,315)</u>	<u>\$ (39,035,318)</u>
NONCASH TRANSACTIONS:		
Subcontracted revenue - urban demand response (Note 13)	273,833	528,951
Subcontracted revenue - interurban airport shuttle (Note 13)	613,914	1,061,243
Nonurban - passenger fares and other governmental sources	<u>593,482</u>	<u>869,044</u>
Total noncash transactions	<u>\$ 1,481,229</u>	<u>\$ 2,459,238</u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

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.

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.

Restricted Assets – Authority has unspent proceeds from the sale of assets originally acquired with capital grant funds. The Authority has notified the federal and state granting agencies and is required to segregate those funds for future acquisitions of capital assets.

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.

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 \$1,786,827 and \$1,689,398 for the years ended September 30, 2020 and 2019, respectively.

Inventory is stated at the average weighted cost or market.

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 balance sheet.

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:

	<u>Years</u>
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.

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 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 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 two 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.”

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.

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, 2020.

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, 2015. 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, 2018, 2019, and 2020 (open years). The Authority has not recorded any estimated aggregate receivable or liability as of September 30, 2020 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 each of the open years.

3. CASH AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2020 and 2019:

Statements of Position:	2020	2019
Cash	\$17,199,345	\$10,120,697
Investments	6,791,216	11,641,704
Restricted cash	<u>40,943</u>	<u>107,155</u>
Total	<u>\$ 24,031,504</u>	<u>\$21,869,557</u>

Deposits and Investments:	2020	2019
Bank deposits (checking, savings and certificates of deposit)	\$17,236,998	\$10,224,563
U.S. Treasury securities	6,791,216	11,641,704
Cash on hand	<u>3,290</u>	<u>3,290</u>
Total	<u>\$24,031,504</u>	<u>\$21,869,557</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.
- Bonds and other direct obligations of the United States or any agency thereof with a maturity of three years or less.

- Governmental 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.

As of September 30, 2020, the Authority had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Rating</u>
U.S Government Agency Bonds	Various	.125 – 1.7%	\$6,029,113	Moody's AAA
Certificate of Deposit	1/15/21	1.7%	488,100	Moody's AAA
U.S. Government Money Market Funds	N/A	0.04%	<u>274,003</u>	Moody's AAA
			<u>\$ 6,791,216</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, 2020, the Authority had the following investments and maturities:

	<u>Carrying Value</u>	<u>0-1 Year</u>	<u>1-2 Years</u>
U.S. Government Agency Bonds	\$6,029,113	\$3,030,096	\$2,999,017
Certificate of Deposit	\$ 488,100	\$ 488,100	\$ -

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, 2020.

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, 2020, \$24,817,897 of the Authority's bank balance of \$25,067,897 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.

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 MEASUREMENT

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, 2020 and 2019:

- U.S. Treasury securities are valued using quoted market prices (Level 1 inputs); The investments were held in 2019 but not at the end of 2020.
- U.S. Government agency bonds, certificate of deposit and U.S Government money market fund are valued using quoted market prices (Level 1 inputs); The investments were held in 2020 but not at the end of 2019.

5. GRANTS RECEIVABLE/GRANT REFUNDS PAYABLE

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 32 and 33. The following grant amounts were outstanding at September 30:

	2020	2019
Michigan Department of Transportation:		
Operating assistance	\$ 96,310	\$ 525,382
Rideshare program	-	-
Capital cost of contracting	118,648	163,648
Planning	33,033	33,033
Preventive maintenance	148,589	473,000
Rail Feasibility Studies	-	-
Buses and related equipment	539,466	856,265
Computer hardware and software	142,344	353,591
Passenger shelters	19,882	26,633
Facilities	152,653	228,103
Transit Centers	-	-
Federal Transit Administration:		
Operating assistance	468,359	-
Buses and related equipment	331,750	-
Passenger shelters	6,094	2,795
Facilities	87,500	498,085
Capital cost of contracting		
Enhanced Mobility (Section 5310)	54,437	71,909
Job Access/Reverse Commute	8,785	51,134
Planning	5,747	147,442
Computer hardware and software	201,066	106,725
	<u>201,066</u>	<u>106,725</u>
NET GRANTS RECEIVABLE (REFUNDS PAYABLE)	<u>\$ 2,414,663</u>	<u>\$ 3,537,745</u>

The grants receivable/grant refunds payable are reported on the statements of net position as follows:

	2020	2019
Grants receivable	\$ 3,828,491	\$ 4,494,328
Grant refunds payable	<u>(1,413,828)</u>	<u>(956,383)</u>
Net grants receivable	<u>\$ 2,414,663</u>	<u>\$ 3,537,945</u>

6. OTHER RECEIVABLES

Other receivables consist of the following amounts:

	2020	2019
City of Ann Arbor – property tax levy	\$ 721,903	\$ 480,566
City of Ypsilanti – property tax levy	82,242	81,561
Charter Township of Ypsilanti – property tax levy	<u>116,591</u>	<u>168,059</u>
Total	<u>\$920,736</u>	<u>\$730,186</u>

7. CAPITAL ASSETS

Capital asset activity during the fiscal year ended September 30, 2020 is as follows:

	Balance October 1 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance September 30 2020
Capital assets not being depreciated:				
Land and improvements	\$ 2,270,821	\$	\$	\$ 2,270,821
Construction in progress	<u>1,018,582</u>	<u>2,455,376</u>	<u>2,305,203</u>	<u>1,168,755</u>
Capital assets not being depreciated	3,289,403	2,455,376	2,305,203	3,439,576
Capital assets being depreciated:				
Park and ride lot construction	5,759,849			5,759,849
Buildings	28,165,483	1,855,061		30,020,544
Vehicles and related equipment	59,276,737	4,661,200	659,471	63,278,466
Radio and telephone systems	210,067	54,948		265,015
Fare collection equipment	1,041,909			1,041,909
Maintenance equipment	805,817			805,817
Office equipment and furniture	2,548,882	288,784	21,452	2,816,214
Passenger shelters	1,636,408	27,649		1,664,057
Other	783,811			783,811
Advanced operating system	<u>3,323,159</u>			<u>3,323,160</u>
Total capital assets being depreciated	103,552,123	<u>6,887,642</u>	<u>680,923</u>	109,758,842
Less accumulated depreciation:				
Park and ride lot construction	2,343,466	138,103		2,481,569
Buildings	16,902,764	772,959		17,675,723
Vehicles and related equipment	34,459,028	4,755,867	659,471	38,555,424
Radio and telephone systems	192,781	14,412		207,193
Fare collection equipment	1,000,750	5,588		1,006,338
Maintenance equipment	508,456	45,281		553,737
Office equipment and furniture	1,389,441	336,295	21,452	1,704,284
Passenger shelters	1,162,261	100,551		1,262,812
Other	456,828	64,326		521,154
Advanced operating system	<u>1,677,133</u>	<u>553,860</u>		<u>2,230,993</u>
Total accumulated depreciation	<u>60,092,908</u>	<u>6,787,242</u>	<u>680,923</u>	<u>66,199,227</u>
Total capital assets being depreciated, net	<u>43,459,215</u>	<u>100,400</u>		<u>43,559,615</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 46,748,618</u>	<u>\$ 2,555,776</u>	<u>\$ 2,305,203</u>	<u>\$ 46,999,191</u>

Capital asset activity during the fiscal year ended September 30, 2019 is as follows:

	Balance October 1 2018	Additions/ Reclassifications	Deletions/ Reclassifications	Balance September 30 2019
Capital assets not being depreciated:				
Land and improvements	\$ 2,270,821			\$ 2,270,821
Construction in progress	<u>70,898</u>	<u>\$ 1,018,582</u>	<u>\$ 70,898</u>	<u>1,018,582</u>
Capital assets not being depreciated	2,341,719	1,018,582	70,898	3,289,403
Capital assets being depreciated:				
Park and ride lot construction	5,759,849			5,759,849
Buildings	28,048,161	117,322		28,165,483
Vehicles and related equipment	62,979,417	412,394	4,115,074	59,276,737
Radio and telephone systems	210,067			210,067
Fare collection equipment	1,035,362	6,547		1,041,909
Maintenance equipment	658,902	146,915		805,817
Office equipment and furniture	2,685,363	214,341	350,822	2,548,882
Passenger shelters	1,536,952	99,456		1,636,408
Other	783,811			783,811
Advanced operating system	<u>3,292,007</u>	<u>337,461</u>	<u>306,309</u>	<u>3,323,159</u>
Total capital assets being depreciated	106,989,891	1,334,436	4,772,205	103,552,123
Less accumulated depreciation:				
Park and ride lot construction	2,204,139	139,327		2,343,466
Buildings	16,176,085	726,679		16,902,764
Vehicles and related equipment	33,576,743	4,997,359	4,115,074	34,459,028
Radio and telephone systems	183,462	9,319		192,781
Fare collection equipment	947,232	53,518		1,000,750
Maintenance equipment	471,318	37,138		508,456
Office equipment and furniture	1,399,550	340,713	350,822	1,389,441
Passenger shelters	1,063,585	98,676		1,162,261
Other	392,502	64,326		456,828
Advanced operating system	<u>1,457,703</u>	<u>525,739</u>	<u>306,309</u>	<u>1,677,133</u>
Total accumulated depreciation	<u>57,872,319</u>	<u>6,992,794</u>	<u>4,772,205</u>	<u>60,092,908</u>
Total capital assets being depreciated, net	<u>49,117,572</u>	<u>(5,658,358)</u>		<u>43,459,215</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 51,459,291</u>	<u>\$ (4,639,776)</u>	<u>\$ 70,898</u>	<u>\$ 46,748,618</u>

8. UNEARNED REVENUE

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

	2020	2019
Federal capital	\$ 84,061	\$154,175
State capital	41,196	37,294
Ypsilanti DDA – Ypsilanti Transit Center Renovations	20,000	20,000
City of Chelsea – ExpressRide	-----	15,000
GetDowntown Program	-----	<u>88,117</u>
Total	<u>\$ 145,257</u>	<u>\$ 314,586</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. 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 approximately \$787,200 and \$803,000 for the years ended September 30, 2020 and 2019. The Authority's contribution to the plan is 9% of the employees' gross earnings, less forfeitures. Authority contributions amounted to approximately \$1,416,950 and \$1,445,350 for the years ended September 30, 2020 and 2019, respectively. Total payroll and covered payroll was approximately \$18,297,800 and \$15,743,900 for 2020 and \$18,457,500 and \$16,059,200 for 2019.

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 1.9627 mills. In 2010, voters in the City of Ypsilanti approved a 0.9789 mill property tax dedicated to public transportation and is currently 0.9424 mills (Headlee). In May 2014 and May 2018, voters in the three member communities (cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti) approved a 0.7 mill property tax dedicated to public transportation (reduced to 0.6936 due to the Headlee Amendment).

Property tax revenues received by the Authority for the years ended September 30, 2020 and 2019 totaled approximately \$17,841,235 and \$16,943,500, respectively.

In November 2015, voters in Scio Township approved a 0.36 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 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 is also a defendant in several pending personal injury lawsuits. The Authority has purchased commercial insurance for 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 \$887,747 and \$1,590,200 of fares for these services in the years ended September 30, 2020 and 2019, 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.

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. At the OPEB liability valuation date of September 30, 2020, the following employees were covered by the plan:

	<u>Health</u>	<u>Life</u>
Current retirees and spouses	12	52
Current Active members	<u>0</u>	<u>240</u>
Total plan members	<u>12</u>	<u>292</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, 2020, the Authority paid postemployment health care benefit premiums and life insurance premiums of \$61,831.

Net OPEB Liability. The net OPEB liability was measured as of September 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

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

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Changes in Net OPEB Liability:			
Balance at October 1, 2019	\$1,693,853	\$774,718	\$919,135
Changes for the year:			
Service cost	19,247	-	19,247
Interest	68,575	-	68,575
Contributions - Employer	-	61,831	(61,831)
Difference between expected and actual experience	(152,039)	-	(152,039)
Changes in assumptions	(303,061)	-	(303,061)
Differences between projected and actual earnings	-	4,039	(4,039)
Net investment earnings	-	33,282	(33,282)
Benefit payments, including refunds	(61,831)	(61,831)	-
Administrative expenses	-	(1,424)	1,424
Net Changes	<u>(429,109)</u>	<u>35,897</u>	<u>(465,006)</u>
OPEB obligation, end of year	<u>\$1,264,744</u>	<u>\$ 810,615</u>	<u>\$454,129</u>

The plan's fiduciary net position represents 64% of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended September 30, 2020, the Authority recognized an OPEB income of \$13,277.

At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 134,401
Changes in assumptions		267,903
Net difference between projected and actual earnings	<u>3,887</u>	<u>-</u>
Total	<u>\$ 3,887</u>	<u>\$ 402,304</u>

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ (51,275)
2022	(51,272)
2023	(51,147)
2024	(53,603)
2025	(52,796)
2026 and years after	(138,324)

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2020 using the following actuarial assumptions:

Actuarial valuation date	September 30, 2020
Actuarial cost method - Individual Entry Age Normal as a Level Percent of Payroll	
Asset valuation method	Market value of assets
Discount rate	4.2%
Annual wage increases	3.0%
Price Inflation	2.5%
Investment rate of return	4.2%
Healthcare cost trend rate	6.5% for 2020, declining by 0.25% for 8 years through 2028, then 4.5% thereafter
Mortality	Pub-2010 General Retiree Healthy Mortality Table With rates multiplied by 106%

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	4.20%
Municipal bond index rate*	2.14%
Fiscal year in which fiduciary net position is projected to be depleted	N/A
Single Equivalent interest rate	4.20%
*(S&P Municipal Bond 20-year high grade rate index)	

Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments of 4.2% with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 2.14%."

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 Employer'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 Employer is invested in multiple portfolios administered by the Municipal Employee Retirement System (MERS) of Michigan, as shown below.

	<u>Target Allocation</u>	<u>Inflation</u>	<u>Real Rate of Return</u>	<u>Arithmetic Mean</u>
Diversified Bond (0/100)	40%	2.50%	0.50%	1.20%
Established Market (60/40)	20%	2.50%	4.20%	1.30%
Total Market	20%	2.50%	4.85%	1.60%
Short-Term Income	20%	2.50%	-1.50%	0.20%

The portfolio allocation and assumptions stated above was at the time of plan valuation (September 30, 2020).

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the Authority, calculated using the discount rate of 4.2%, as well as what the Authority's net OPEB liability 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:

	<u>1% Decrease</u>	<u>Current 4.2%</u>	<u>1% Increase</u>
Net OPEB liability	\$627,773	\$ 454,129	\$311,865

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend. The following presents the net OPEB liability of the Authority, calculated using the health care cost trend rate of 6.5%, as well as what the Authority's net OPEB liability 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:

	<u>1% Decrease</u>	<u>Current 6.5%</u>	<u>1% Increase</u>
Net OPEB liability	\$403,597	\$454,129	\$511,149

Assumption Changes. There were six changes in assumptions for the OPEB Plan, see below:

- The discount rate was increased from 4.10% to 4.20%.
- Annual wage increase rate was increased from 2.50% to 3.00%.
- 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.
- 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.

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 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 January 1, 2019, the Authority made pretax contributions of \$150 each month into each eligible employee's HCSP account. From January 1, 2016 to December 31, 2018, the Authority made pretax contributions of \$140 per month. 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 amounted to approximately \$492,820 and \$494,400 for the years ended September 30, 2020 and 2019, respectively. Employee contributions amounted to approximately \$98,877 and \$102,897 for the years ended September 30, 2020 and 2019, respectively.

17. COMMITMENTS

As of September 30, 2020, the Authority had outstanding commitments relating to the purchase of eight buses for approximately \$4.1 million, with one delivered in November 2020 and the remaining amount scheduled for delivery by September 2021. Funding for these commitments is through Federal and State capital grants.

18. COVID 19 PANDEMIC

Since the World Health Organization's identification of COVID-19 as a global health emergency and the subsequent implementation of national, state, and local emergency declarations, significant dislocations in normal economic activity have occurred at all levels.

Since the outbreak, the Authority has continuously monitored the situation and made necessary operational adjustments to ensure safety of services offered along with reducing expenses for financial stability. This includes reducing bus capacity, additional bus cleaning procedures, and employee layoffs. To reduce contact between riders and drivers, AAATA suspended collecting all

fares for rides from April 2020 to August 2020. Fare collection has remained reinstated as of the date of the financial statements. In April 2020, the Authority also temporarily reduced its bus service to approximately 25-30 percent of normal operation because of decreased ridership. In August 2020, AAATA reinstated bus service to approximately 60 percent of normal operation.

As a result of the economic trends and operational adjustments listed above, the passenger revenue and operating expenses decreased significantly. See the MD&A section and financial statements for further details.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted and signed into law. The CARES Act included provisions for grant funding to state and local governments and the Authority was allocated \$20.7 million of additional grant funding.

The duration, severity and degree of any impact of COVID-19 on the Authority's future operating costs, revenue, and state funding cannot be estimated.

19. UPCOMING ACCOUNTING AND REPORTING CHANGES

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Authority's financial statements for the year ended September 30, 2020 but were extended to September 30, 2021, with the issuance of GASB Statement No.95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Authority's financial statements for the year ending September 30, 2021 but were extended to September 30, 2022, with the issuance of GASB Statement No.95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription

asset for SBITAs. The Authority is currently evaluating the impact of this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2023.

20. SUBSEQUENT EVENTS

The Authority has performed a review of events subsequent to the statement of net position date through January 29, 2021, the date the financial statements were available to be issued.

The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), was authorized in December 2020 and the Authority expects \$15.8 million of grant funding will be allocated to AAATA. Grant funding will be used for operating expenses in response to the COVID-19 pandemic and its economic impacts upon the Authority.

Required GASB Statement No. 75
Supplementary Information
September 30, 2020

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 2020	Year Ended September 30 2019	Year Ended 30-Sep 2018
Total OPEB Liability			
Service cost	\$ 19,247	\$ 18,778	\$ 4,640
Interest	68,575	68,282	27,287
Benefit payments, including refunds	(61,831)	(98,450)	(117,666)
Differences between expected and actual experience	(152,039)	0	0
Changes in assumptions	(303,061)	0	0
Net Change in Total OPEB Liability	(429,109)	(11,390)	(85,739)
Total OPEB Liability - Beginning of year	1,693,853	1,705,243	1,790,982
Total OPEB Liability - End of Year	<u>\$ 1,264,744</u>	<u>\$ 1,693,853</u>	<u>\$ 1,705,243</u>
Plan Fiduciary Net Position			
Net investment income	\$ 33,282	\$ 6,555	\$ 2,757
Difference between projected and actual earnings	4,039	0	0
Employer contributions	61,831	758,450	117,666
Benefit payments	(61,831)	(98,450)	(117,666)
Administrative expenses	(1,424)	(231)	(258)
Net Change in Plan Fiduciary Net Position	\$ 35,897	666,324	2,499
Plan Fiduciary Net Position - Beginning of year	774,718	108,394	105,895
Plan Fiduciary Net Position - End of year	<u>\$ 810,615</u>	<u>\$ 774,718</u>	<u>\$ 108,394</u>
Net OPEB Liability - End of Year	<u>\$ 454,129</u>	<u>\$ 919,135</u>	<u>\$ 1,596,849</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	64.09%	45.74%	6.36%
Covered Payroll	\$ 15,718,897	\$ 16,826,037	\$ 16,567,739
Net OPEB Liability as a Percentage of Covered Payroll	2.89%	5.46%	9.64%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB CONTRIBUTIONS - LAST TEN FISCAL YEARS

Fiscal Year Ending	Actuarially Determined Contribution	Historical Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
9/30/2011	\$ 87,083	\$ 65,412	(21,671)	\$ 201,147	32.52%
9/30/2012	\$ 89,545	\$ 81,150	(8,395)	\$ 218,584	37.13%
9/30/2013	\$ 80,645	\$ 70,095	(10,550)	\$ 132,944	52.73%
9/30/2014	\$ 82,701	\$ 65,687	(17,014)	\$ 91,396	71.87%
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%

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution for the year ended September 30, 2020 are calculated as of September 30, 2020.

Methods and assumption 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	6.5 percent for 2020, declining by .25 percent for 8 years through 2024, then 4.5 percent thereafter
Salary increase	3.0 percent
Investment rate of return	4.2 percent
Retirement age	59.5 to 62 years of age
Mortality	Pub-2010 General Retiree Healthy Mortality Table with rates multiplied by 106 percent.

See notes to required supplemental information.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB INVESTMENT RETURNS- LAST TEN FISCAL YEARS

	Year Ended September 30 2020	Year Ended September 30 2019	Year Ended 30-Sep 2018
Annual money-weighted rate of return-Net of investment expense	4.82%	4.30%	2.61%

See notes to required supplemental information.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2020

A. CHANGES IN PLAN PROVISIONS SINCE PRIOR VALUATION

Premium equivalent rates were updated to reflect current rates which reflect the change from the BCN-65 medical plan to the BCNA Medicare Advantage Plan.

B. CHANGES IN ASSUMPTIONS

- The discount rate was increased from 4.10% to 4.20%.
- Annual wage increase rate was increased from 2.50% to 3.00%.
- 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.
- 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.

Additional Information for the Year Ended
September 30, 2020

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

LOCAL OPERATING REVENUES:	2020	2019
Passenger fares:		
Urban fixed route	\$ 1,045,009	\$ 1,948,509
Urban demand response	402,374	813,331
Commuter express	44,660	103,419
Interurban airport shuttle	613,914	1,061,243
Nonurban demand response	103,044	117,092
Special Fares:		
City of Ann Arbor - DDA (go!pass)	344,923	709,436
City of Ann Arbor - DDA (NightRide)	5,570	10,808
Ann Arbor Public Schools	46,583	81,507
Eastern Michigan University	132,767	194,265
University of Michigan (MRide)	863,720	1,666,491
Washtenaw Community College	25,256	44,471
TOTAL LOCAL OPERATING REVENUES	<u>\$ 3,627,820</u>	<u>\$ 6,750,571</u>
LOCAL NONOPERATING REVENUES:		
Purchase of service agreements:		
Pittsfield Township	\$ 513,819	\$ 806,446
Scio Township	296,035	412,609
Ypsilanti Township	-	88,367
Superior Township	76,402	82,377
City of Chelsea (ExpressRide)	15,000	15,000
Total purchase of service agreements	901,256	1,404,799
City of Ann Arbor - property tax levy	16,317,126	15,464,878
City of Ypsilanti - property tax levy	547,750	512,203
Ypsilanti Township - property tax levy	976,359	966,398
City of Ann Arbor - Downtown Development Authority (GetDowntown)	52,501	73,143
City of Ann Arbor - Downtown Development Authority (Route #4 & #5 expansion)	-	78,132
City of Ann Arbor - DDA - University of Michigan (BikeShare)	88,117	111,883
Job Access/Reverse Commute pass-through	142,996	210,201
Nonurban - Other governmental and local sources	490,438	751,952
Interurban airport shuttle - private contractor contribution		74,905
Interest income	161,119	208,403
Advertising income	199,640	340,282
Other revenue	8,845	34,979
Gain (loss) on sale of equipment	89,311	22,060
Total local nonoperating revenues	<u>19,975,458</u>	<u>20,254,218</u>
Total local operating and nonoperating revenues	<u>23,603,278</u>	<u>27,004,789</u>
STATE OF MICHIGAN NONOPERATING REVENUES:		
Formula operating assistance - urban (Act 51)	11,906,842	12,893,461
Formula operating assistance - nonurban (Act 51)	796,992	746,367
Prior years formula adjustments - urban and nonurban	125,508	580,988
Interurban shuttle operating assistance	126,122	-
Capital Cost of Contracting	55,500	195,838
Job Access/Reverse Commute (State Match)	29,765	66,516
Michigan Mobility Challenge	19,432	254,611
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310 - State Match)	37,609	33,033
Preventive maintenance	2,500	146,000
Specialized services	100,051	107,968
Total state nonoperating revenues	<u>13,200,321</u>	<u>15,024,782</u>
FEDERAL NONOPERATING REVENUES:		
Operating Assistance (Section 5307)	2,570,000	3,250,001
Unified planning program passed through SEMCOG (Section 5303/PL 112)	36,981	154,558
Planning (Sections 5307)	-	132,133
Federal operating assistance - nonurban (Section 5311) - passed through the State	779,498	330,295
Capital cost of contracting (Section 5307)	222,000	720,375
Job Access/Reverse Commute	29,764	67,899
New Freedom	-	8,076
Preventive maintenance (Section 5307)	10,000	584,000
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310)	150,436	223,721
CARES act	1,404,979	-
Total federal nonoperating revenues	<u>5,203,658</u>	<u>5,471,058</u>
TOTAL NONOPERATING REVENUES	<u>\$ 38,379,437</u>	<u>\$ 40,750,058</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES YEAR ENDED SEPTEMBER 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Operations	Maintenance	General Administration	2020 Total	2019 Total
LABOR:					
Operators' salaries and wages	\$ 8,452,430	\$ -	\$ -	\$ 8,452,430	\$ 8,845,881
Other salaries and wages	1,434,362	2,477,320	2,919,357	6,831,039	6,777,132
FRINGE BENEFITS					
Fringe wages	1,885,777	446,142	682,416	3,014,335	2,834,449
Social security payroll taxes	860,756	211,846	249,774	1,322,376	1,410,717
Medical insurance	1,860,584	542,928	321,036	2,724,548	2,622,720
Pension	971,134	230,404	215,407	1,416,945	1,445,327
Health care savings plan	348,655	81,005	63,160	492,820	494,400
Postretirement medical benefits	(11,512)	(1,765)	-	(13,277)	45,259
Other fringe benefits	443,302	112,231	163,789	719,322	675,921
SERVICES:					
Advertising fees/promotion media	-	-	173,943	173,943	23,974
Other services	237,368	999,401	917,059	2,153,828	2,497,178
Auditing fees	-	-	31,650	31,650	43,705
MATERIALS AND SUPPLIES					
CONSUMED:					
Fuel and lubricants	1,165,421	7,153	-	1,172,574	1,993,488
Tires and tubes	142,056	901	-	142,957	173,895
Materials and supplies	780,172	400,602	769,853	1,950,627	1,865,962
UTILITIES	38,640	-	562,453	601,093	593,643
CASUALTY AND LIABILITY COSTS:					
Premiums for public liability and property damage insurance	797,950	-	29,142	827,092	618,844
Other casualty and liability costs	-	-	287,117	287,117	272,102
PURCHASED TRANSPORTATION	8,473,491	-	-	8,473,491	10,673,301
MISCELLANEOUS EXPENSES:					
Travel and meetings	4,565	12,510	30,408	47,483	72,214
Advertising and promotion media	-	-	-	-	100,261
Association dues & subscriptions	-	-	71,649	71,649	81,775
Other	9,183	400	137,019	146,602	332,892
LEASES AND RENTALS	74,883	-	24,514	99,397	94,127
DEPRECIATION	5,430,278	45,281	1,311,683	6,787,242	6,992,794
TOTAL OPERATING EXPENSES	<u>\$ 33,399,495</u>	<u>\$ 5,566,359</u>	<u>\$ 8,961,429</u>	<u>\$ 47,927,283</u>	<u>\$ 51,581,962</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

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		
U. S. Department of Transportation (Federal):										
Direct Assistance - Capital Grants:										
Capital (Section 5307) (FY 2013) (80/20)	20.507	MI-90-X671-00	MI90-X671	\$2,532,810	\$54,580	\$54,580	\$0	\$0	\$2,478,230	\$0
Capital (Section 5307) (FY 2014 & 2015) (80/20)	20.507	MI-90-X684-01	MI90-X684	5,362,693	142,457	142,457	0	0	5,206,619	13,617
Capital (Section 5307) (FY 2016 & 2017) (80/20)	20.507	MI-2016-X26-01	MI90-X778	2,209,279	534,875	534,875	0	0	1,592,172	82,232
Capital (Section 5339) (FY 2016 & 2017) (80/20)	20.526	MI-2016-X26-01	MI34-0023	1,431,240	123,264	123,264	0	0	1,307,976	0
Capital (Section 5307) (FY 2018) (80/20)	20.507	MI-2018-X28-00	MI90-0082	2,322,400	1,050,013	1,050,013	0	0	1,103,963	168,424
Capital (Section 5307-CMAQ) (FY 2018) (80/20)	20.507	MI-2018-X28-00	MI95-0006	1,328,723	206,290	206,290	0	0	1,101,034	21,399
Capital (Section 5339) (FY 2018) (80/20)	20.526	MI-2018-X28-00	MI34-0053	560,000	324,201	324,201	0	0	0	235,799
Capital (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	3,608,298	973,012	973,012	0	0	80,508	2,554,778
Capital (Section 5307-CMAQ) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI95-0014	1,292,264	381,617	381,617	0	0	0	910,647
Capital (Section 5339) (FY 2019) (80/20)	20.526	MI-2019-X34-00	MI34-0077	1,208,000	855,551	855,551	0	0	153,559	198,890
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 2019) (80/20)	20.507	MI-2019-X38-00	MI90-X840	4,689,148	196,382	196,382	0	0	0	4,492,766
Capital (Section 5307-CMAQ) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI95-0018	1,137,205	0	0	0	0	0	1,137,205
Capital (Section 5339) (FY 2020) (80/20)	20.526	MI-2020-X38-00	MI34-0086	1,113,809	0	0	0	0	0	1,113,809
Capital (Section 5310) (FY 2016 & 2017) (80/20)	20.513	MI-2016-X40-01	MI16-X019	345,336	8,481	8,481	0	0	166,280	170,575
Capital (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X31-00	MI16-0035	108,000	0	0	0	0	71,994	36,006
Capital (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	184,000	0	0	0	0	0	184,000
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 (CMAQ) (FY 2013) (80/20)	20.507	MI-95-X103-01	MI95-X103	2,996,320	556,944	556,944	0	0	2,439,376	0
Subtotal - Federal Capital				<u>\$32,622,509</u>	<u>\$5,407,667</u>	<u>\$5,407,667</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,701,711</u>	<u>\$11,513,131</u>
Direct Assistance - Operating Grants:										
Capital Cost of Contracting (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	\$588,000	\$222,000	\$222,000	\$0	\$0	\$0	\$366,000
Capital Cost of Contracting (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	608,000	0	0	0	0	0	608,000
Preventive Maintenance (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	40,000	10,000	10,000	0	0	0	30,000
Preventive Maintenance (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	40,000	0	0	0	0	0	40,000
Operating Assistance (Section 5307) (FY 2019) (50/50)	20.507	MI-2019-X34-00	MI90-X822	3,400,000	5,140,000	2,570,000	0	2,570,000	0	830,000
Operating Assistance (Section 5307) (FY 2020) (50/50)	20.507	MI-2020-X38-00	MI90-X840	4,406,790	0	0	0	0	0	4,406,790
Operating Assistance (Section 5307-CARES Act) (FY 2020) (100/0)	20.507	MI-2020-017-00	MI90-4006	20,704,090	1,404,979	1,404,979	0	0	0	19,299,111
JARC Trip Assistance (50/50)	20.516	MI-37-X044-02	MI37-4044	608,988	29,765	29,765	0	0	472,939	106,284
Enhanced Mobility (Section 5310) (FY 2015) (80/20 or 50/50)	20.513	MI-16-X011-00	MI16-X011	179,503	96,000	96,000	0	0	83,503	0
Enhanced Mobility (Section 5310) (FY 2016 & 2017) (80/20 or 50/50)	20.513	MI-2016-X40-01	MI16-X019	228,717	0	0	0	0	79,382	149,335
Enhanced Mobility (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	110,000	0	0	0	0	0	110,000
Enhanced Mobility (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	48,000	45,955	45,955	0	0	0	2,045
Enhanced Mobility (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	128,800	0	0	0	0	0	128,800
Passed Through Michigan Department of Transportation:										
Nonurban Operating Assistance (Section 5311) (FY 2020)	20.509	2017-0008/P16	2017-0008/P16	389,749	389,749	389,749	0	0	0	0
Nonurban Operating Assistance (Section 5311-CARES Act) (FY 2020)	20.509	2017-0008/P16	2017-0008/P16	389,749	389,749	389,749	0	0	0	0
Passed Through Southeast Michigan Council of Governments:										
Unified Planning (Section 5303) (81.85/18.15)	20.205	20001	20001	32,171	27,122	22,199	0	4,923	9,972	0
Unified Planning (Section 5303) (81.85/18.15)	20.205	20005	20005	49,583	18,060	14,782	0	3,278	34,801	0
Subtotal - Federal Operating				<u>31,952,141</u>	<u>7,773,378</u>	<u>5,195,178</u>	<u>0</u>	<u>2,578,200</u>	<u>680,597</u>	<u>26,076,365</u>
TOTAL FEDERAL EXPENDITURES				<u>\$64,574,650</u>	<u>\$13,181,045</u>	<u>\$10,602,845</u>	<u>\$0</u>	<u>\$2,578,200</u>	<u>\$16,382,308</u>	<u>\$37,589,496</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)
YEAR ENDED SEPTEMBER 30, 2020**

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
Michigan Department of Transportation (State):									
Direct assistance - Capital grants:									
Capital (FY 2011 and FY 2012)	N/A	2007-0162/Z32	\$2,920,600	\$0	\$0	\$0	\$0	\$2,919,067	\$1,533
Capital (FY 2013)	N/A	2012-0033/P9	633,203	13,645	0	13,645	0	619,558	0
Capital (Section 5339 Match) (FY 2013)	N/A	2012-0033/P8	542,774	0	0	0	0	519,261	23,513
Capital (FY 2014)	N/A	2012-0033/P11	749,080	139,236	0	139,236	0	609,844	0
Capital (FY 2014 and FY 2015)	N/A	2012-0033/P17	1,340,673	35,614	0	35,614	0	1,301,655	3,404
Capital (FY 2016 and FY 2017)	N/A	2012-0033/P24	1,385,880	164,535	0	164,535	0	1,200,787	20,558
Capital (Section 5310 Match) (FY 2016)	N/A	2012-0033/P25	86,334	2,120	0	2,120	0	41,396	42,818
Capital (FY 2018)	N/A	2017-0008/P5	1,052,781	395,126	0	395,126	0	551,249	106,406
Capital (Section 5310 Match) (FY 2018)	N/A	2017-0008/P6	27,000	0	0	0	0	17,999	9,001
Capital (FY 2019)	N/A	2017-0008/P13	1,527,141	552,544	0	552,544	0	58,517	916,080
Capital (Section 5310 Match) (FY 2019)	N/A	2017-0008/P14	46,000	0	0	0	0	0	46,000
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	49,096	0	49,096	0	0	1,685,944
Capital (Section 5310 Match) (FY 2020)	N/A	2017-0008/P18	33,200	0	0	0	0	0	33,200
Capital (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	120,000	0	0	0	0	119,110	890
Capital (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P9	207,200	8,199	0	8,199	0	198,744	257
Subtotal - Direct State Capital			\$12,421,951	\$1,360,115	\$0	\$1,360,115	\$0	\$8,157,187	\$2,904,649
Direct assistance - Operating grants:									
Operating assistance - Act 51 Urban	N/A	N/A	\$11,906,842	\$11,906,842	\$0	\$11,906,842	\$0	\$0	\$0
Operating assistance - Act 51 Nonurban	N/A	N/A	796,992	796,992	0	796,992	0	0	0
Prior year formula adjustments	N/A	N/A	125,508	125,508	0	125,508	0	0	0
Capital Cost of Contracting (FY 2015)	N/A	2012-0033/P17	39,344	0	0	0	13,023	26,321	0
Capital Cost of Contracting (FY 2018)	N/A	2017-0008/P5	141,000	0	0	0	140,875	125	0
Capital Cost of Contracting (FY 2019)	N/A	2017-0008/P13	147,000	55,500	0	55,500	0	0	91,500
Capital Cost of Contracting (FY 2020)	N/A	2017-0008/P17	152,000	0	0	0	0	0	152,000
Preventive Maintenance (FY 2019)	N/A	2017-0008/P13	10,000	2,500	0	2,500	0	0	7,500
Preventive Maintenance (FY 2020)	N/A	2017-0008/P17	10,000	0	0	0	0	0	10,000
Job Access/Reverse Commute (FY 2010)	N/A	2007-0162/Z27	647,773	29,765	0	29,765	0	511,724	106,284
Enhanced Mobility (Section 5310) (FY 2015)	N/A	2012-0033/P18	24,000	24,000	0	24,000	0	0	0
Enhanced Mobility (Section 5310) (FY 2016 & 2017)	N/A	2012-0033/P25	12,068	0	0	0	0	0	12,068
Enhanced Mobility (Section 5310) (FY 2018)	N/A	2017-0008/P6	27,500	0	0	0	0	0	27,500
Enhanced Mobility (Section 5310) (FY 2019)	N/A	2017-0008/P14	12,000	11,489	0	11,489	0	0	511
Enhanced Mobility (Section 5310) (FY 2020)	N/A	2017-0008/P18	10,145	0	0	0	0	0	10,145
Specialized Services (FY 2020)	N/A	2017-0008/P11	100,051	100,051	0	100,051	0	0	0
Operating (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	37,000	2,356	0	2,356	0	15,006	19,638
Operating (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P9	249,767	8,877	0	8,877	0	239,605	1,285
Subtotal - Direct State Operating			\$14,448,990	\$13,063,880	\$0	\$13,063,880	\$0	\$920,233	\$464,877
TOTAL DIRECT STATE EXPENDITURES			\$26,870,941	\$14,423,995	\$0	\$14,423,995	\$0	\$9,077,419	\$3,369,526
STATE FUNDS PASSED THROUGH REGIONAL TRANSIT AUTHORITY:									
State Initiatives (2020)	N/A	01-FY20-RTA	1,351,181	126,122	0	126,122	0	0	1,225,059
Total - RTA Pass-through			\$1,351,181	\$126,122	\$0	\$126,122	\$0	\$0	\$1,225,059
STATE FUNDS PASSED BY AAATA TO SUBRECIPIENTS:									
Specialized Services (FY 2020)	N/A	2017-0008/P11	96,440	96,440	0	96,440	0	0	0
Total - State Pass-through Specialized Services			\$96,440	\$96,440	\$0	\$96,440	\$0	\$0	\$0

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF OPERATING AND CONTRACT EXPENSES YEAR ENDED SEPTEMBER 30, 2020, WITH COMPARATIVE TOTALS FOR 2019

	Specialized Services 2017-0008/P11	Job Access/ Reverse Commute	Nonurban Operations	Urban Operations		2020 Total	2019 Total
		MI37-0044 MI37-4044 2007-0162/Z27	(Sec. 5311: 2017-0008/P16	Demand-response	Fixed-route		
OPERATING EXPENSES:							
Labor		\$ 48,727	\$ 47,534	\$ 1,167,879	\$ 14,019,329	\$ 15,283,469	\$ 15,623,013
Fringe benefits		28,300	27,608	739,432	8,881,729	9,677,069	9,528,794
Services			17,112	79,500	2,262,809	2,359,421	2,564,857
Materials and supplies		12,850	12,534	92,409	3,148,365	3,266,158	4,033,345
Utilities		-	-	17,007	584,086	601,093	593,643
Casualty and liability costs		-	4,675	82,594	1,026,940	1,114,209	890,946
Purchased transportation	\$ 322,902	112,648	2,054,542	4,442,197	1,541,202	8,473,491	10,673,301
Other	-	-	2,231	7,518	255,985	265,734	587,142
Leases and rentals	-	-	-	21,203	78,194	99,397	94,127
Depreciation	-	-	-	192,030	6,595,212	6,787,242	6,992,794
TOTAL OPERATING EXPENSES	\$ 322,902	\$ 202,525	\$ 2,166,236	\$ 6,841,769	\$ 38,393,851	\$ 47,927,283	\$ 51,581,962

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2020

Code	Description	Fixed-route	Demand-response	Total Urban
401 :	Farebox Revenue			
40100	Passenger Fares	\$ 1,703,583	\$ 402,374	\$ 2,105,957
40200	Contract Fares	1,418,819		1,418,819
406 :	Auxiliary Transit Revenue			
40615	Advertising Revenue	199,640	-	199,640
407 :	NonTransit Revenue			
40799	Gain on Sale/Disposal of Equipment	89,311	-	89,311
40799	Other Revenue	8,845	-	8,845
408 :	Local Revenue			
40800	Taxes Levied Directly for Transit Agency	15,165,050	2,676,185	17,841,235
409 :	Local Revenue			
40910	Local Operating Assistance	766,068	135,188	901,256
40999	Other Local - Local Match	78,934	65,420	144,354
411 :	State Formula and Contracts			
41101	State Operating Assistance	9,998,539	1,908,303	11,906,842
41101	Prior Year Formula Adjustments	107,937	17,571	125,508
41111	Preventive Maintenance	2,500	-	2,500
41112	Capital Cost of Contracting	-	55,500	55,500
41199	Enhanced Mobility (Section 5310)	-	37,609	37,609
41199	State Initiatives (RTA Pass-Through)	126,122		126,122
41199	State Mobility Challenge	19,432		19,432
413 :	Federal Contracts			
41302	Operating Assistance (Sec 5307)	2,570,000	-	2,570,000
41311	Preventive Maintenance (Sec 5307)	10,000	-	10,000
41312	Capital Cost of Contracting (Sec 5307)	-	222,000	222,000
41312	Unified Planning (Sec 5303)	36,981	-	36,981
41361	CARES Act	1,404,979		1,404,979
41399	Enhanced Mobility (Section 5310)	-	150,436	150,436
414 :	Other Revenue			
41400	Interest Revenue	161,119	-	161,119
Total		\$ 33,867,860	\$ 5,670,586	\$ 39,538,445

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

Code	Description	Operations		Maintenance		General Administration		Total
		Fixed-route	Demand-response	Fixed-route	Demand-response	Fixed-route	Demand-response	
501:	Labor							
50101	Operators Salaries & Wages	\$ 8,214,584	\$ 237,846					\$ 8,452,430
50102	Other Salaries & Wages	1,239,075	195,286	\$ 2,140,038	\$ 337,282	\$ 2,425,632	\$ 397,465	6,734,778
502:	Fringe Benefits							
50200	Other Fringe Benefits	4,827,428	222,991	1,139,502	173,645	1,165,662	204,629	7,733,857
50210	Defined Contribution Pension	949,460	21,676	192,967	37,437	164,187	44,117	1,409,844
50240	Defined Contribution OPEB	329,806	7,336	66,570	12,670	46,147	14,931	477,459
503:	Services							
50302	Advertising Fees	-	-	-	-	31,757	8,248	40,005
50305	Audit Costs	-	-	-	-	25,125	6,525	31,650
50399	Other Services	228,878	6,715	963,649	28,276	1,013,400	29,736	2,270,654
504:	Materials and Supplies							
50401	Fuel & Lubricants	1,132,247	33,175	7,153	-	-	-	1,172,575
50402	Tires & Tubes	138,011	4,045	900	-	-	-	142,956
50499	Other Materials & Supplies	753,085	22,074	386,694	11,334	730,275	21,781	1,925,243
505:	Utilities							
50500	Utilities	38,640	-	-	-	545,446	17,007	601,093
506:	Insurance							
50603	Liability Insurance	774,549	23,401	-	-	29,142	-	827,092
50699	Other Insurance	-	-	-	-	223,249	59,193	282,442
508:	Purchased Transportation							
50800	Purchased Transportation	1,541,202	4,442,197	-	-	-	-	5,983,400
509:	Miscellaneous Expenses							
50902	Travel, Meeting & Training	4,436	129	12,157	354	29,548	860	47,484
50903	Association Dues & Subscriptions	-	-	-	-	69,622	2,027	71,649
50999	Other Misc Expenses	8,783	260	383	11	131,056	3,877	144,370
512:	Operating Leases & Rentals							
51200	Operating Leases & Rentals	53,680	21,203	-	-	24,514	-	99,397
513:	Depreciation							
51300	Depreciation	5,238,248	192,030	45,281	-	1,311,683	-	6,787,242
	Total Urban Expenses	25,472,112	5,430,364	4,955,294	601,009	7,966,445	810,396	45,235,619
550:	Ineligible Expenses							
55005	Ineligible Local Contracts	22,697	65,420	-	-	-	-	88,117
55007	Ineligible Depreciation	4,615,801	134,396	41,332	-	1,186,891	-	5,978,420
55008	Ineligible other (bad debt/employee events)	5,241	-	-	-	-	-	5,241
55009	Ineligible Association Dues	-	-	-	-	7,805	-	7,805
55010	Ineligible Nontransportation Revenue	-	-	-	-	8,845	-	8,845
55011	Ineligible Preventive Maintenance (5307)	-	-	12,500	-	-	-	12,500
570:	Ineligible Expenses							
57099	Ineligible - State Operating Prior Year Amount	107,937	17,571	-	-	-	-	125,508
57099	Ineligible - State Initiatives (RTA Pass-through)	126,122	-	-	-	-	-	126,122
57602	Ineligible - Unified Planning (Sec 5303)	-	-	-	-	45,181	-	45,181
57602	Ineligible - Capital Cost of Contracting	-	277,500	-	-	-	-	277,500
57602	Ineligible - State Demo Planning	-	-	-	-	19,432	-	19,432
57604	Ineligible - Enhanced Mobility (Sec 5310)	-	188,045	-	-	-	-	188,045
580:	Ineligible Expenses							
58050	Ineligible - Postretirement Benefit Accrual	(11,512)	-	(1,765)	-	-	-	(13,277)
58050	Ineligible - Postretirement Benefits Paid	(53,610)	-	(8,221)	-	-	-	(61,831)
						Fixed-route	Demand-response	Total
						\$ 38,393,851	\$ 6,841,769	\$ 45,235,620
						(6,124,676)	(682,932)	(6,807,608)
						\$ 32,269,175	\$ 6,158,837	\$ 38,428,012
						Total Expenses		
						Total Ineligible Expenses		
						Total Eligible Expenses		

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2020

Code	Description	Total Nonurban
401 :	Farebox Revenue	
40100	Passenger Fares	\$ 103,044
40200	Contract Fares	-
406 :	Auxiliary Transit Revenue	
40615	Advertising	-
407 :	NonTransit Revenue	
40799	Gain (Loss) on Sale of Equipment	-
40799	Other Revenue	-
408 :	Local Revenue	
40800	Taxes Levied Directly for Transit Agency	-
409 :	Local Revenue	
40910	Local Operating Assistance	486,702
40999	Other Local	-
411 :	State Formula and Contracts	
41101	State Operating Assistance	796,992
411	Prior Year Formula Adjustments	-
413 :	Federal Contracts	
41301	Federal Section 5311	779,498
414 :	Other Revenue	
41400	Interest Revenue	-
	Other	-
Total		\$ 2,166,236

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

Code	Description	DEMAND-RESPONSE			Total
		Operations	Maintenance	General Administration	
501:	Labor				
50102	Other Salaries & Wages			\$ 47,534	\$ 47,534
502:	Fringe Benefits				
50200	Other Fringe Benefits			23,073	23,073
50210	Defined Contribution Pension			3,507	3,507
50240	Defined Contribution OPEB			1,028	1,028
503:	Services				
50305	Other Services	1,776	7,475	7,861	17,112
504:	Materials and Supplies				
50499	Other Materials & Supplies	5,013	2,574	4,947	12,534
506:	Insurance				
50699	Other Insurance	-	-	4,675	4,675
508:	Purchased Transportation				
50800	Purchased Transportation	2,054,542	-	-	2,054,542
509:	Miscellaneous Expenses				
50999	Other Misc Expenses	140	6	2,085	2,231
550:	Ineligible Expenses	-	-	-	-
570:	Ineligible Expenses	-	-	-	-
				Total Expenses	\$ 2,166,236
				Total Ineligible Expenses	-
				Total Eligible Expenses	<u>\$ 2,166,236</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - URBAN AND NONURBAN SERVICE NONFINANCIAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2020

PUBLIC SERVICE - URBAN FIXED-ROUTE

Code	Description	Total
610	Vehicle Hours	304,761
611	Vehicle Miles	4,483,632

PUBLIC SERVICE - URBAN DEMAND-RESPONSE

Code	Description	Total
610	Vehicle Hours	73,520
611	Vehicle Miles	653,933

PUBLIC SERVICE - NONURBAN DEMAND-RESPONSE

Code	Description	Total
610	Vehicle Hours	26,356
611	Vehicle Miles	449,523

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION YEAR ENDED SEPTEMBER 30, 2020

	Urban		Nonurban
	Line-haul	Demand Response	
Total Expenses	\$ 38,393,851	\$ 6,841,769	\$ 2,166,236
Less Ineligible Expenses:			
Federal Preventive Maintenance (Sec. 5307)	\$ 10,000		
Federal Planning (Section 5303, w/Local Match)	45,181		
Federal Capital Cost of Contracting (Sec 5307)		\$ 222,000	
Federal and State Depreciation Expense	5,844,024	134,396	
Federal Enhanced Mobility (Section 5310)		150,436	
State Preventive Maintenance	2,500	-	
State Enhanced Mobility (Section 5310)		37,609	
State Demonstration (Mobility Challenge)	19,432	-	
State Capital Cost of Contracting	-	55,500	
State Initiatives (RTA Pass-Through)	126,122		
State Operating Prior-Year Formula Adjustment	107,937	17,571	
Post-Retirement Medical Benefits Accrual	(13,277)	-	
Post-Retirement Medical Benefits Paid	(61,831)	-	
Other Local Contracts	22,697	65,420	
Other revenue	8,845	-	
Other expenses (bad debts, ineligible interest)	5,241	-	
Association Dues (Ineligible Portion)	7,805	-	\$ -
Total Ineligible Expenses	\$ 6,124,676	\$ 682,932	\$ -

Total State Eligible Expenses \$ 32,269,174 \$ 6,158,837 \$ 2,166,236

Eligible Expenses for State Reimbursement	\$ 32,269,175	\$ 6,158,837	\$ 2,166,236
x Reimbursement Percentage	30.9848%	30.9848%	36.7916%
State Operating Assistance	\$ 9,998,539	\$ 1,908,303	\$ 796,992
Total Operating Assistance - Urban		\$ 11,906,842	

Total Federal Eligible Expenses

Total Eligible Expenses for State Reimbursement	\$ 2,166,236
Less: Ineligible Auditing Expenses	964
Eligible Expenses for Federal Reimbursement	\$ 2,165,272
x Reimbursement Percentage	36.0000%
Federal Operating Assistance (Section 5311)	\$ 779,498

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - NOTES TO SCHEDULE OF OPERATING ASSISTANCE CALCULATION AND NONFINANCIAL INFORMATION YEAR ENDED SEPTEMBER 30, 2020

A. ITEMS REIMBURSED BY FEDERAL GRANTS

Items reimbursed directly by federal operating and capital grants, including Sections 5303, 5304, 5307, 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 LOCAL CONTRACTS

Other local contract includes an agreement with local City of Ann Arbor partners for the Bikeshare program.

E. OTHER REVENUES AND ADVERTISING REVENUES

Other income includes other miscellaneous income. These items are subtracted out as ineligible expenses. 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. 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, 10.0% and 18.5%, respectively, to influencing legislation which is not eligible for reimbursement according to the Uniform Guidance issued by the Office of Management and Budget.

G. 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.

**INDEPENDENT AUDITOR’S 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**

To the Board of Directors
Ann Arbor Area Transportation Authority

We have audited, in accordance with the 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 Ann Arbor Area Transportation Authority (the “Authority”) as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated January 29, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Organization’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 entity’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 may exist that have not been identified.

To the Board of Directors
Ann Arbor Area Transportation Authority

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 determination of financial statement amounts. 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*.

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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Ann Arbor, Michigan
January 29, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Ann Arbor Area Transportation Authority

Report on Compliance for Each Major Federal Program

We have audited Ann Arbor Area Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

To the Board of Directors
Ann Arbor Area Transportation Authority

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Ann Arbor, Michigan
January 29, 2021

Ann Arbor Area Transportation Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through		Total Amount Provided to Subrecipients	Federal Expenditures
		Entity Identifying Number	Project Number		
Department of Transportation:					
<i>Federal Transit Cluster - Direct Awards:</i>					
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs(Bus Program)	20.526		MI34-0023	\$ -	\$ 123,264
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Bus Program)	20.526		MI34-0053	-	324,201
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Bus Program)	20.526		MI34-0077	-	855,551
Subtotal					1,303,016
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI90-X671	-	54,580
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI95-0103	-	556,944
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI90-X684	-	142,457
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI90-X778	-	534,875
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI95-0006	-	206,290
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI90-0082	-	1,050,013
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI90-X822	-	3,775,012
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI95-0014	-	381,617
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI90-X840	-	196,382
COVID-19 – Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507		MI90-4006	-	1,404,979
Subtotal				-	8,303,149
Total Federal Transit Cluster				-	9,606,165
<i>Transit Services Programs Cluster - Direct Awards:</i>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI16-X011	-	96,000
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI16-X019	8,481	8,481
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI16-0039	45,955	45,955
Job Access and Reverse Commute Program	20.516		MI37-4044	8,784	29,765
Total Transit Services Programs Cluster				63,220	180,201
<i>Passed Through Michigan Department of Transportation</i>					
Formula Grants for Rural Areas	20.509	2017-0008/P16	MI-2017-030-04	369,644	389,749
COVID-19 – Formula Grants for Rural Areas	20.509	2017-0008/P16	MI-2020-015-00	369,644	389,749
Total				739,288	779,498
<i>Passed through Southeastern Michigan Council of Governments (SEMCOG):</i>					
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	20005		-	14,782
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	20001		-	22,199
Total Highway Planning and Construction Cluster					36,981
Total Expenditures of Federal Awards				\$ 802,508	\$ 10,602,845

See Notes to Schedule of Expenditures of Federal Awards

ANN ARBOR AREA TRANSPORTATION AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2020

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Ann Arbor Area Transportation Authority (the "Authority") under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) 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 on the Schedule are reported on the accrual basis of accounting as the financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or 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.

Note 3 – Sub-Recipients

The Authority provided federal awards to sub-recipients in the amount of \$802,508 as presented in the Schedule.

Note 4 – Indirect Cost Rate

The Authority has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 – Subsequent Events

All subsequent events relative to the major programs were evaluated through January 29, 2021, the date the accompanying reports were available to be issued.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported
- Noncompliance material to the financial statements noted? Yes No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA# 20.526 and 20.507 – Federal Transit Cluster
CFDA# 20.509 – Formula Grants for Rural Areas and Tribal Transit Program

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

Auditee qualified as a low-risk auditee? Yes No

ANN ARBOR AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2020

Section II – Financial Statement Audit Findings

Current Year – None

Section III – Federal Program Audit Findings

Current Year – None



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January 29, 2021

**FEDERAL AUDIT CLEARINGHOUSE
RE: ANN ARBOR AREA TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED: SEPTEMBER 30, 2020**

Prior Year Finding Number: 2019-001

Fiscal Year in Which the Finding Initially Occurred: 2019

Original Finding Description: The Authority did not identify the required federal award information in the subaward agreement/contracts.

Status/Partial Corrective Action (as applicable): This condition was resolved in 2020.

Planned Corrective Action: N/A

Point of Contact: LaTasha Thompson, Controller

Sincerely,

A handwritten signature in black ink, appearing to read 'John Metzinger'.

John Metzinger

Deputy CEO, Finance and Administration