

**ANN ARBOR AREA  
TRANSPORTATION  
AUTHORITY**

Years Ended  
September 30,  
2022 and 2021

**Financial  
Statements**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Ann Arbor Area Transportation Authority

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Ann Arbor Area Transportation Authority (the "Authority") as of September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Ann Arbor Area Transportation Authority, as of September 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ann Arbor Area Transportation Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

In 2022, the Authority adopted GASB Statement No. 87, *Leases*, which changes accounting and financial reporting for leases by governments. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ann Arbor Area Transportation Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ann Arbor Area Transportation Authority's ability to continue as a going concern for a reasonable period of time.

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

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

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except the portion marked "unaudited" (Schedule – Urban and Nonurban Regular Service Nonfinancial Information) on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive, with the "U" and "H" being particularly prominent.

Ann Arbor, Michigan  
March 29, 2023

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

As management of the Ann Arbor Area Transportation Authority (the "Authority") in Ann Arbor, Michigan, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2022. 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 (SYTIP) 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 2020. 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, 2022 and 2021 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, 2021 have been audited and are included herein for comparative purposes.

### Financial Highlights

The Authority's total assets increased from the prior year by \$5.0 million (5.4%), primarily due to an increase of \$9.2 million (26%) in total cash and investments offset by a decrease in receivables of \$0.4 million net capital assets of \$5.1 million (11%). The increase in cash and investments reflects the board adopted strategy during FY2021 to create a capital reserve for future community capital needs. The decrease in grant receivables was due to prior year having additional federal pandemic funds. The decrease in capital assets is due primarily to depreciation exceeding capital additions.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Total net position increased by \$5.7 million (6.7%) as the unrestricted net position increased by \$10.8 million (27.7%) offset by a decrease net investment in capital assets of \$5.1 million (11%) .

Total operating revenues is comprised of passenger fares and special fares, where someone other than the passenger pays the fare. These increased about \$1.4 million (84.3%) as the result of services resuming full operation after lower ridership during the pandemic period.

Total non-operating revenues includes federal, state and local funding. These increased \$5.4 million (10.0%) mostly due to the federal pandemic relief funds that the Authority received during FY2022 and the new D2A2 (Detroit to Ann Arbor) grant.

Total operating expenses increased \$10.7 million (22.8%) primarily due the Authority getting back to full operations after the pandemic lowered most operation costs in prior year as well as new activities related to the D2A2 line and RTA grants.

### 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, 2022, 2021 and 2020 follows (in thousands):

	Net Position		
	2022	2021	2020
<b>Assets</b>			
Current assets	\$ 56,338	\$ 46,187	\$ 31,401
Noncurrent assets	21	41	41
Capital assets, net	41,319	46,420	46,999
	<u>97,678</u>	<u>92,648</u>	<u>78,441</u>
<b>Deferred outflows of resources</b>	<u>141</u>	<u>27</u>	<u>4</u>
<b>Liabilities</b>			
Other liabilities	4,063	4,838	4,778
Noncurrent liabilities, including OPEB	1,730	1,578	2,045
	<u>5,793</u>	<u>6,416</u>	<u>6,823</u>
<b>Deferred inflows of resources</b>	<u>683</u>	<u>640</u>	<u>402</u>
<b>Net position</b>			
Net investment in capital assets	41,319	46,420	46,999
Restricted	21	41	41
Unrestricted	50,003	39,158	24,180
	<u>91,343</u>	<u>85,619</u>	<u>71,220</u>
<b>Total net position</b>	<b>\$ 91,343</b>	<b>\$ 85,619</b>	<b>\$ 71,220</b>



## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Management's Discussion and Analysis

At September 30, 2022, the Authority's net position was \$91.3 million, compared to \$85.6 million at September 30, 2021.

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 \$19,947 as of September 30, 2022, based on the most recent measurement date. This liability decreased about \$67 thousand or 77% from the prior year because of an investment portfolio change by the trust administrator (MERS) that increased the long-term expected rate of return. See Note 15 for more information.

The total assets and deferred outflows of the Authority exceeded its total liabilities and deferred inflows by \$91.3 million (net position) as of September 30, 2022. Of this amount, \$50.0 million (unrestricted net position) may be used to fund future operations and meet future obligations of the Authority. The July 1, 2022 property tax levies of about \$19.6 million have been included in nonoperating revenues for the year ended September 30, 2022, even though three quarters of them will be needed to help fund operations from October 1, 2022 to June 30, 2023.

### 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, 2022, 2021 and 2020 is as follows (in \$1,000s):

	Change in Net Position		
	2022	2021	2020
Operating revenues	\$ 2,994	\$ 1,624	\$ 3,628
Operating expenses	(57,356)	(46,697)	(47,927)
<b>Operating loss</b>	<b>(54,362)</b>	<b>(45,073)</b>	<b>(44,299)</b>
Nonoperating revenues	58,767	53,413	38,379
Change in net position before capital contributions	4,405	8,340	(5,920)
Net capital contributions	1,319	6,059	6,749
Change in net position	5,724	14,399	829
<b>Net position, beginning of year</b>	<b>85,619</b>	<b>71,220</b>	<b>70,391</b>
<b>Net position, end of year</b>	<b>\$ 91,343</b>	<b>\$ 85,619</b>	<b>\$ 71,220</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

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 \$57.3 million include operations (\$40.2 million), fleet and facility maintenance (\$6.7 million) and general administration (\$10.4 million). The largest portion of all expenses is employee wages and fringe benefits of about \$27.7 million, 48% 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 2022 and 2021, the Authority used approximately \$2,423,000 and \$1,350,000, 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 facilities and equipment. In 2022, the Authority continued building rehabilitation for the operations facility. The Authority's largest capital investments include vehicles and related equipment, net of depreciation, of \$21.0 million in 2022 and \$25.3 million in 2021 and the land and buildings, net of depreciation, of \$16.4 million in 2022 and \$17 million in 2021. Subsequent to September 30, 2022, the Authority purchased 8 buses for approximately \$4.7 million.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

### Economic Factors and Next Year's Budget (Fiscal Year 2023)

For fiscal year 2023, the Board of Directors adopted a \$56.0 million operating budget with a \$12.9 million operating surplus and a \$23.3 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 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 and 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.

### Requests for Information

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

This year and prior year audited financial statements are also available on the State of Michigan's website at <https://treas-secure.state.mi.us/LAFDocSearch/>. Once there, select "Washtenaw County" for County, select the year "2022" (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.

## **BASIC FINANCIAL STATEMENTS**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Net Position

	September 30	
	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 25,427,695	\$ 23,618,719
Investments	19,228,868	11,796,056
Accounts receivable, net	1,034,961	996,965
Grants receivable	6,824,020	7,092,971
Other receivables, net	884,967	1,042,989
Inventory	1,201,703	1,101,106
Prepaid expenses	1,734,772	537,811
Total current assets	<u>56,336,986</u>	<u>46,186,617</u>
Noncurrent assets:		
Restricted cash	21,431	40,943
Capital assets		
Land and improvements	2,270,821	2,270,821
Park and Ride lot construction	5,759,849	5,759,849
Buildings and improvements	30,410,185	30,091,428
Equipment and other	72,676,879	71,192,146
Construction in progress	189,206	1,324,360
Total capital assets	<u>111,306,940</u>	<u>110,638,604</u>
Less accumulated depreciation	<u>69,987,607</u>	<u>64,218,295</u>
Net capital assets	<u>41,319,333</u>	<u>46,420,309</u>
Total noncurrent assets	<u>41,340,764</u>	<u>46,461,252</u>
<b>Total assets</b>	<u>97,677,750</u>	<u>92,647,869</u>
<b>Deferred outflow of resources</b>		
Deferred OPEB amounts	<u>141,091</u>	<u>27,295</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,074,212	3,093,911
Grant refunds payable	-	109,212
Accrued payroll	516,638	1,159,305
Accrued compensated absences, current portion	208,640	184,190
Other accrued expenses	137,194	146,326
Unearned revenue	125,745	145,257
Total current liabilities	<u>4,062,429</u>	<u>4,838,201</u>
Noncurrent liabilities:		
Accrued compensated absences	1,710,295	1,490,266
Net OPEB liability	19,947	87,386
Total noncurrent liabilities	<u>1,730,242</u>	<u>1,577,652</u>
<b>Total liabilities</b>	<u>5,792,671</u>	<u>6,415,853</u>
<b>Deferred inflows of resources</b>		
Deferred OPEB amounts	<u>683,374</u>	<u>640,041</u>
<b>Net position</b>		
Investment in capital assets	41,319,333	46,420,309
Restricted	21,431	40,943
Unrestricted	<u>50,002,032</u>	<u>39,158,018</u>
<b>Total net position</b>	<u>\$ 91,342,796</u>	<u>\$ 85,619,270</u>

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

	Years Ended September 30,	
	2022	2021
<b>Operating revenues</b>	\$ 2,993,557	\$ 1,624,502
<b>Operating expenses</b>		
Operations	40,168,913	31,029,021
Maintenance	6,762,436	6,241,787
General administration	10,424,702	9,426,656
Total operating expenses	<u>57,356,051</u>	<u>46,697,464</u>
<b>Operating loss</b>	<u>(54,362,494)</u>	<u>(45,072,962)</u>
<b>Nonoperating revenues</b>		
Local	21,319,767	20,294,892
State	15,264,462	13,338,529
Federal	22,182,528	19,779,409
Total nonoperating revenues	<u>58,766,757</u>	<u>53,412,830</u>
<b>Change in net position before capital contributions</b>	4,404,263	8,339,868
<b>Capital contributions - federal, state and local</b>	<u>1,319,263</u>	<u>6,059,371</u>
Change in net position	5,723,526	14,399,239
Net position, beginning of year	<u>85,619,270</u>	<u>71,220,031</u>
<b>Net position, end of year</b>	<u>\$ 91,342,796</u>	<u>\$ 85,619,270</u>

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Cash Flows

	For the Year Ended September 30	
	2022	2021
<b>Cash flows from operating activities</b>		
Receipts from transit operations	\$ 2,081,429	\$ 731,399
Payments for salaries and wages and fringe benefits	(28,283,660)	(25,074,108)
Payments to suppliers	(9,657,840)	(5,517,616)
Payments for claims and insurance	(2,273,203)	(780,569)
Payments for purchased transportation	(11,684,613)	(6,784,725)
<b>Net cash used in operating activities</b>	<u>(49,817,887)</u>	<u>(37,425,619)</u>
<b>Cash flows from noncapital financing activities</b>		
Nonoperating revenues:		
Local	22,069,133	20,125,253
State	17,084,630	12,933,160
Federal	20,522,099	15,689,214
<b>Net cash provided by noncapital financing activities</b>	<u>59,675,862</u>	<u>48,747,627</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(1,370,507)	(5,931,019)
Capital contributed by state and federal grants	1,345,664	5,985,839
Proceeds from sales of equipment	7,450	36,179
<b>Net cash provided by capital and related financing activities</b>	<u>(17,393)</u>	<u>90,999</u>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(14,643,295)	(10,246,611)
Proceeds from sale and maturities of investment securities	6,513,094	5,241,771
Interest (loss) income	79,083	11,207
<b>Net cash used in investing activities</b>	<u>(8,051,118)</u>	<u>(4,993,633)</u>
<b>Net change in cash and cash equivalents</b>	1,789,464	6,419,374
Cash and cash equivalents, beginning of year	23,659,662	17,240,288
<b>Cash and cash equivalents, end of year</b>	<u>\$ 25,449,126</u>	<u>\$ 23,659,662</u>
<b>Cash and cash equivalents from Statements of Net Position:</b>		
Cash and cash equivalents	\$ 25,427,695	\$ 23,618,719
Restricted cash and cash equivalents for capital acquisitions	21,431	40,943
<b>Total cash and cash equivalents</b>	<u>\$ 25,449,126</u>	<u>\$ 23,659,662</u>

continued...

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Cash Flows

	For the Year Ended September 30	
	2022	2021
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (54,362,494)	\$ (45,072,962)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	6,471,482	6,650,943
Changes in assets and liabilities which provided by (used in) cash:		
Accounts receivable	(37,996)	(327,738)
Inventory	(100,597)	(190,931)
Deferred outflows	(113,796)	(23,408)
Prepaid expenses	(1,196,961)	543,743
Payables	(46,099)	995,968
Accrued payroll	(642,667)	251,712
Other accrued expenses	211,241	(252,946)
<b>Net cash used in operating activities</b>	<u>\$ (49,817,887)</u>	<u>\$ (37,425,619)</u>
<b>Supplemental cash flows disclosures:</b>		
Noncash transactions:		
Subcontracted revenue - urban demand response (Note 13)	163,799	85,916
Nonurban - passenger fares and other governmental sources	710,333	379,449
	<u>\$ 874,132</u>	<u>\$ 465,365</u>
Noncash investing and capital and related financing activities:		
Decrease in fair value of investments	<u>\$ (618,306)</u>	<u>\$ -</u>

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



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND

### STATEMENTS OF FIDUCIARY NET POSITION

AS OF SEPTEMBER 30, 2022

	<u>2022</u>	<u>2021</u>
<b>ASSETS:</b>		
Cash	\$ -	\$ -
Investments	761,927	881,786
Total assets	<u>761,927</u>	<u>881,786</u>
<b>LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Restricted for Retiree Healthcare and Life Insurance Fund	<u>\$ 761,927</u>	<u>\$ 881,786</u>

See notes to financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND

### STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>2022</u>	<u>2021</u>
<b>ADDITIONS:</b>		
Employer contributions	\$ 64,403	\$ 90,136
Employee contributions	1,911	1,911
Investment (Loss) Income	(118,319)	72,716
Total additions	<u>(52,005)</u>	<u>164,763</u>
<b>DEDUCTIONS:</b>		
Benefit Payments	66,314	92,047
Administrative expenses	1,540	1,545
Total deductions	<u>67,854</u>	<u>93,592</u>
<b>NET (DECREASE) INCREASE IN NET POSITION</b>	(119,859)	71,171
NET POSITION, BEGINNING OF YEAR	<u>881,786</u>	<u>810,615</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 761,927</u>	<u>\$ 881,786</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

#### NATURE OF THE ORGANIZATION

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

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

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

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

#### SIGNIFICANT ACCOUNTING POLICIES

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

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

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

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.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**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 \$1,918,935 and \$1,674,456 for the years ended September 30, 2022 and 2021, 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 statement of net position.

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

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

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

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

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

**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.

**Restricted** – This consists of the unspent proceeds from the sale of assets originally acquired with capital grant funds.

**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.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 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, 2022.

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, 2018. 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, 2019, 2020, and 2021. The Authority has not recorded any estimated aggregate receivable or liability as of September 30, 2022 based on management’s anticipation of the results of the State’s final determination of the Act 51 funding formula for the open year, other than the receivable or liability already recorded based on the MDOT’s preliminary eligible expenses reimbursement percentage for the open year.

### 3. CASH AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2022 and 2021:

	2022	2021
<b>Statements of Position:</b>		
Cash	\$ 25,427,695	\$ 23,618,719
Investments	19,228,868	11,796,056
Restricted Cash	21,431	40,943
	<u>44,677,994</u>	<u>35,455,718</u>
Total	<u>\$ 44,677,994</u>	<u>\$ 35,455,718</u>
<b>Deposits and Investments:</b>		
Bank deposits (checking, savings and certificates of deposit)	\$ 25,445,836	\$ 23,656,372
U.S. Treasury securities	19,228,868	11,796,056
Cash on hand	3,290	3,290
	<u>44,677,994</u>	<u>35,455,718</u>
Total	<u>\$ 44,677,994</u>	<u>\$ 35,455,718</u>

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



## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

- Certificates of deposit with funds initially invested through a Federal Deposit Insurance Corporation (FDIC financial institution that maintains a principal office or branch office located in the State of Michigan. This financial institution, acting as custodian, may arrange the investment of funds in certificates of deposit in one or more FDIC insured depository institutions throughout the United States if the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States. The total investment (exclusive of checking accounts) in any one financial institution shall not exceed the lesser of 20% of that financial institution's capital and surplus or \$4,000,000. The Authority had no certificates of deposits as of September 30, 2022.
- Bonds and other direct obligations of the United States or any agency thereof with a maturity of three year or less.
- Governmental (Govt.) Mutual Funds operated by any of the banks listed above which invest only in authorized investments for local units of Government under State Law and which offer daily liquidity.

As of September 30, 2022, the Authority had the following investments.

Investment	Maturity	Interest Rate	Fair Value	Rating
U.S. Govt. Agency Bonds	5/15/23 and 6/30/24	.250-4.10%	\$ 15,670,580	Moody's AAA
U.S. Treasury Notes	6/30/24	0.122%-3.00%	3,420,859	Moody's AAA
U.S. Govt. Money Market	N/A	0.083%	137,429	Moody's AAA
		<b>Total</b>	<b>\$ 19,228,868</b>	

#### 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, 2022, the Authority had the following investments and maturities:

	Carrying Value	0-1 Year	1-3 Years
U.S. Govt. Agency Bonds	\$ 15,670,580	\$ -	\$ 15,670,580
U.S. Treasury Notes	\$ 3,420,859	\$ 1,464,141	\$ 1,956,718

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

*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, 2022.

*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, 2022, \$41,938,848 of the Authority's bank balance of \$45,333,981 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 MEASUREMENTS

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

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

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

The Authority has the following recurring fair value measurements as of September 30, 2022 and 2021:

- U.S. Treasury securities are valued using quoted market prices (Level 1 inputs);
- U.S. Government agency bonds, certificate of deposit and U.S Government money market funds are valued using quoted market prices (Level 1 inputs).

In addition, the Other Postemployment Trust (Fiduciary) Fund holds shares or interest in an investment pool (MERS Total Market Portfolio), whereby the value of the investments is measured in a recurring basis using net asset value (NAV) per share (or its equivalent). As of September 30, 2022 and 2021, the fair value of the assets was \$761,927 and \$881,786, respectively. The Michigan Municipal Employees' Retirement Systems (MERS), as a governmental plan, is exempt by state and federal law from registration with the Securities Exchange Commission (SEC).

### 5. GRANTS RECEIVABLES/GRANTS 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 41 and 42. The following grant amounts were outstanding at September 30:

	2022	2021
<b>Michigan Department of Transportation:</b>		
Operating assistance	\$ 134,112	\$ 535,755
Capital cost of contracting	114,096	118,648
Planning	44,586	33,033
Preventive maintenance	11,526	147,184
Buses and related equipment	315,934	1,006,253
Computer hardware and software	99,220	377,025
Passenger shelters	2,315	20,034
Facilities	66,901	131,489
<b>Federal Transit Administration:</b>		
Operating assistance	5,599,206	4,439,436
Facilities	104,264	19,814
Enhanced Mobility (Section 5310)	118,730	114,430
Job Access/Reverse Commute	48,464	32,890
Planning	45,137	-
Computer hardware and software	119,529	7,768
<b>Net Grants Receivable (Refunds Payable)</b>	<b>\$ 6,824,020</b>	<b>\$ 6,983,759</b>

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

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

	2022	2021
Grants receivable	\$ 6,824,020	\$ 7,092,971
Grants refunds payable	-	(109,212)
	<u>6,824,020</u>	<u>(109,212)</u>
Net grants receivable	<u>\$ 6,824,020</u>	<u>\$ 6,983,759</u>

### 6. OTHER RECEIVABLES

Other receivables consist of the following amounts:

	2022	2021
City of Ann Arbor - property tax levy	\$ 832,015	\$ 647,612
City of Ypsilanti - property tax levy	83,711	83,020
Charter Township of Ypsilanti - property tax levy	155,812	771,208
	<u>1,071,538</u>	<u>1,501,840</u>
Less allowance for doubtful accounts	(186,571)	(458,851)
	<u>884,967</u>	<u>1,042,989</u>
Total	<u>\$ 884,967</u>	<u>\$ 1,042,989</u>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2022 is as follows:

	Balance September 30, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	Balance September 30, 2022
Capital assets, not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	1,324,360	129,680	1,264,834	189,206
Total capital assets not being depreciated	3,595,181	129,680	1,264,834	2,460,027
Capital assets, being depreciated:				
Park and ride lot construction	5,759,849	-	-	5,759,849
Buildings	30,091,428	318,757	-	30,410,185
Vehicles and related equipment	60,001,415	116,442	355,788	59,762,069
Radio and telephone equipment	290,848	-	-	290,848
Fare collection equipment	1,041,909	-	-	1,041,909
Maintenance equipment	821,550	39,386	-	860,936
Office equipment and furniture	3,243,260	1,997,504	346,382	4,894,382
Passenger shelters	1,686,192	33,571	-	1,719,763
Other	783,812	-	-	783,812
Advanced operating system	3,323,160	-	-	3,323,160
Total capital assets being depreciated	107,043,423	2,505,660	702,170	108,846,913
Less accumulated depreciation for:				
Park and ride lot construction	2,614,759	126,934	-	2,741,693
Buildings	18,485,882	782,616	-	19,268,498
Vehicles and related equipment	34,653,649	4,450,411	355,788	38,748,272
Radio and telephone equipment	228,531	21,685	-	250,216
Fare collection equipment	1,011,926	5,587	-	1,017,513
Maintenance equipment	593,781	38,745	-	632,526
Office equipment and furniture	1,903,177	547,160	346,382	2,103,955
Passenger shelters	1,356,257	83,886	-	1,440,143
Other	585,480	64,326	-	649,806
Advanced operating system	2,784,853	350,132	-	3,134,985
Total accumulated depreciation	64,218,295	6,471,482	702,170	69,987,607
Total capital assets being depreciated, net	42,825,128	(3,965,822)	-	38,859,306
<b>Total capital assets, net</b>	<b>\$ 46,420,309</b>	<b>\$ (3,836,142)</b>	<b>\$ 1,264,834</b>	<b>\$ 41,319,333</b>

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

Capital asset activity for the fiscal year ended September 30, 2021 is as follows:

	September 30, 2020	Additions/ Reclassifications	Deletions/ Reclassifications	September 30, 2021
Capital assets, not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	1,168,755	1,100,504	944,899	1,324,360
<b>Total capital assets not being depreciated</b>	<b>3,439,576</b>	<b>1,100,504</b>	<b>944,899</b>	<b>3,595,181</b>
Capital assets, being depreciated:				
Park and ride lot construction	5,759,849	-	-	5,759,849
Buildings	30,020,544	70,884	-	30,091,428
Vehicles and related equipment	63,278,466	5,191,444	8,468,495	60,001,415
Radio and telephone equipment	265,015	25,833	-	290,848
Fare collection equipment	1,041,909	-	-	1,041,909
Maintenance equipment	805,817	15,733	-	821,550
Office equipment and furniture	2,816,214	590,425	163,379	3,243,260
Passenger shelters	1,664,057	22,135	-	1,686,192
Other	783,812	-	-	783,812
Advanced operating system	3,323,160	-	-	3,323,160
<b>Total capital assets being depreciated</b>	<b>109,758,843</b>	<b>5,916,454</b>	<b>8,631,874</b>	<b>107,043,423</b>
Less accumulated depreciation for:				
Park and ride lot construction	2,481,569	133,190	-	2,614,759
Buildings	17,675,723	810,159	-	18,485,882
Vehicles and related equipment	38,555,424	4,566,720	8,468,495	34,653,649
Radio and telephone equipment	207,193	21,338	-	228,531
Fare collection equipment	1,006,338	5,588	-	1,011,926
Maintenance equipment	553,737	40,044	-	593,781
Office equipment and furniture	1,704,284	362,272	163,379	1,903,177
Passenger shelters	1,262,812	93,445	-	1,356,257
Other	521,154	64,326	-	585,480
Advanced operating system	2,230,993	553,860	-	2,784,853
<b>Total accumulated depreciation</b>	<b>66,199,227</b>	<b>6,650,942</b>	<b>8,631,874</b>	<b>64,218,295</b>
<b>Total capital assets being depreciated, net</b>	<b>43,559,616</b>	<b>(734,488)</b>	<b>-</b>	<b>42,825,128</b>
<b>Total capital assets, net</b>	<b>\$ 46,999,192</b>	<b>\$ 366,016</b>	<b>\$ 944,899</b>	<b>\$ 46,420,309</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 8. UNEARNED REVENUE

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

	2022	2021
Federal capital	\$ 68,451	\$ 84,061
State capital	37,294	41,196
Ypsilanti DDA - Ypsilanti Transit Center Renovations	20,000	20,000
Total	<u>\$ 125,745</u>	<u>\$ 145,257</u>

### 9. EMPLOYEES' PENSION PLAN

The Authority provides pension benefits for substantially all of its full-time employees through a defined contribution plan called the Ann Arbor Area Transportation Authority Employees' Pension Plan ("Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Non-bargaining unit employees are eligible to participate the first of the month following the date of hire as of January 1, 2021. Bargaining unit employees are eligible to participate after one year of employment. The Authority's contributions for each employee and investment earnings allocated to the employee's account are fully vested after five years of employment. Authority contributions for, and investment earnings forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current year contribution requirement. Employees contribute 5% of their gross earnings to the plan. Employee contributions amounted to approximately \$800,287 and \$812,249 for the years ended September 30, 2022 and 2021. The Authority's contribution to the plan is 9% of the employees' gross earnings, less forfeitures. Authority contributions amounted to approximately \$1,630,908 and \$1,258,406 for the years ended September 30, 2022 and 2021, respectively. Total payroll and covered payroll was approximately \$20,142,534 and \$18,121,207 for 2022 and \$18,104,235 and \$16,244,944 for 2021.

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 1.9321 mills. In 2010, voters in the City of Ypsilanti approved a 0.8890 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 0.6805 due to the Headlee Amendment).

Property tax revenues received by the Authority for the years ended September 30, 2022 and 2021 totaled approximately \$19,597,997 and \$17,991,318 respectively.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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 less than \$500,000 and are not significant to the current property tax revenues of the Authority. The Authority is ineligible to give a tax abatement directly.

### 12. RISK MANAGEMENT

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

### 13. SUBCONTRACT SERVICE

The Authority subcontracts with other transportation companies to provide certain services. The Authority pays the companies fees based on the level of service provided, and the companies collect and retain the passenger fares as an advance against the monthly billings. Operating revenues and operating expenses include approximately \$163,799 and \$85,916 of fares for these services in the years ended September 30, 2022 and 2021, respectively. These amounts are disclosed as noncash transactions on the Statements of Cash Flows.

### 14. COST ALLOCATION PLANS

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



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 15. POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

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

**Employees Covered by Benefit Terms.** The health care insurance and prescription coverage plan is closed to new employees. Substantially all Authority employees are eligible for retiree life insurance except those that were hired less than 90 days prior to September 30th of the valuation and measurement year. At the OPEB liability valuation date of September 30, 2022, the following employees were covered by the plan:

	Health	Life
Current retirees and spouses	9	56
Current Active members	0	268
Total plan members	9	324

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

**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, 2022, the Authority paid postemployment health care benefit premiums and life insurance premiums of \$64,403.

**Net OPEB Liability.** The net OPEB liability was measured as of September 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. See 'Assumption Changes' below.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Changes in Net OPEB Liability:</b>			
Balance at October 1, 2021	\$ 969,172	\$ 881,786	\$ 87,386
Changes for the year:			
Service Cost	7,699	-	7,699
Interest	61,403	-	61,403
Contributions - Employer	-	64,403	(64,403)
Difference between expected and actual experience	(113,364)	-	(113,364)
Changes in assumptions	(78,633)	-	(78,633)
Difference between projected and actual earnings	-	(175,585)	175,585
Net investment earnings	-	57,266	(57,266)
Benefit payments, including refunds	(64,403)	(64,403)	-
Administrative expenses	-	(1,540)	1,540
Net Changes	<u>(187,298)</u>	<u>(119,859)</u>	<u>(67,439)</u>
<b>OPEB obligation, end of year</b>	<b><u>\$ 781,874</u></b>	<b><u>\$ 761,927</u></b>	<b><u>\$ 19,947</u></b>

The plan's fiduciary net position represents 97% of the total OPEB liability.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.** For the year ended September 30, 2022, the Authority recognized an OPEB income of \$97,738.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 23,003	\$ 197,086
Changes in assumption	-	486,288
Net difference between projected and actual earnings	<u>118,088</u>	<u>-</u>
 Total	 <u>\$ 141,091</u>	 <u>\$ 683,374</u>

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

Year Ending September 30:	
2023	\$ (86,750)
2024	(89,206)
2025	(88,401)
2026	(80,659)
2027	(115,776)
2028 and years after	<u>(81,491)</u>
Total	<u>\$ (542,283)</u>

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of September 30, 2022 using the following actuarial assumptions:

Actuarial valuation date	September 30, 2022
Actuarial cost method	Individual Entry Age Normal as a Level % of Payroll
Asset valuation method	Market value of assets
Discount rate	6.50%
Annual wage increases	3.00%
Price inflation	2.50%
Investment rate of return	6.50%
Health care cost trend rate	5.5% for 2022, declining by .025% from 2023 to 2025, then 4.5% thereafter
Mortality	Pub-2010 General Mortality Table with rates multiplied by 106% and using Scale MP-2021 Based on an experience study conducted from 2014-2018

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

Single Equivalent Interest Rate (SEIR):

Long-term expected rate of return	6.50%
Municipal bond index rate*	4.77%
Administrative Expenses Paid from the Trust	0.18%
Fiscal year in which fiduciary net position is projected to be depleted	N/A
Single Equivalent interest rate	6.50%

\*(S&P Municipal Bond 20-year high grade rate index)

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 6.5% 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 4.77%.

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

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

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

The portfolio allocation and assumptions stated above was at the time of plan measurement date (September 30, 2022).

**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 6.5%, 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:

	1% Decrease	Current 6.5%	1% Increase
Net OPEB Liability	\$ 112,892	\$ 19,947	\$ (57,522)

**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 5.5%, 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:

	1% Decrease	Current 5.5%	1% Increase
Net OPEB Liability	\$ (551)	\$ 19,947	\$ 42,569

**Assumption Changes.** Changes in assumptions for the OPEB Plan as of September 30, 2022 (measurement date) from the valuation date of September 30, 2022, are as below:

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

### 16. HEALTH CARE SAVINGS PLAN

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

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

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

Effective April 1, 2022, the Authority made pretax contributions of \$175 each month into each eligible employee's HCSP account. From January 1, 2021 to May 31, 2022, the Authority made pretax contributions of \$155 each month into each eligible employee's HCSP account. From January 1, 2016 to December 31, 2020, the Authority made pretax contributions of \$140 to \$150 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 \$522,930 and \$465,620 for the years ended September 30, 2022 and 2021, respectively. Employee contributions amounted to \$100,572 and \$90,234 for the years ended September 30, 2022 and 2021, respectively.

### 17. COMMITMENTS

As of September 30, 2022, the Authority had outstanding commitments relating to the purchase of eight buses for approximately \$4.7 million, with expected delivery by October 2022. Funding for these commitments is through Federal and State capital grants.

### 18. COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the Authority for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. Over the past two years, the Authority has been awarded funds from various sources to be used to respond to the impacts of the COVID-19 pandemic. Of the amount awarded, approximately \$19,400,000 was expended and recognized as revenue during the current fiscal year. With these additional Federal resources, at this time management does not believe that the negative financial impact of the pandemic, if any, would be material to the Authority.

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

#### 19. UPCOMING ACCOUNTING AND REPORTING CHANGES

In May 2021, 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.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending September 30, 2025.

#### 20. SUBSEQUENT EVENTS

The Authority has performed a review of events subsequent to the statements of net position date through March 29, 2023, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**



## ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

	For Fiscal Year Ending				
	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
<b>Total OPEB Liability</b>					
Service cost	\$ 7,699	\$ 14,567	\$ 19,247	\$ 18,778	\$ 4,640
Interest	61,403	51,532	68,575	68,282	27,287
Benefit payments, including refunds	(64,403)	(90,136)	(61,831)	(98,450)	(117,666)
Differences between expected and actual experience	(113,364)	31,587	(152,039)	0	0
Changes in assumptions	(78,633)	(303,122)	(303,061)	0	0
Net Change in Total OPEB Liability	(187,298)	(295,572)	(429,109)	(11,390)	(85,739)
Total OPEB Liability - Beginning of year	969,172	1,264,744	1,693,853	1,705,243	1,790,982
<b>Total OPEB Liability - End of Year</b>	<b>\$ 781,874</b>	<b>\$ 969,172</b>	<b>\$ 1,264,744</b>	<b>\$ 1,693,853</b>	<b>\$ 1,705,243</b>
<b>Plan Fiduciary Net Position</b>					
Net investment income	\$ (118,319)	\$ 72,716	\$ 37,321	\$ 6,555	\$ 2,757
Employer contributions	64,403	90,136	61,831	758,450	117,666
Benefit payments	(64,403)	(90,136)	(61,831)	(98,450)	(117,666)
Administrative expenses	(1,540)	(1,545)	(1,424)	(231)	(258)
Net Change in Plan Fiduciary Net Position	(119,859)	71,171	35,897	666,324	2,499
Plan Fiduciary Net Position - Beginning of year	881,786	810,615	774,718	108,394	105,895
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 761,927</b>	<b>\$ 881,786</b>	<b>\$ 810,615</b>	<b>\$ 774,718</b>	<b>\$ 108,394</b>
<b>Net OPEB Liability - End of Year</b>	<b>\$ 19,947</b>	<b>\$ 87,386</b>	<b>\$ 454,129</b>	<b>\$ 919,135</b>	<b>\$ 1,596,849</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	97.45%	90.98%	64.09%	45.74%	6.36%
Covered Employee Payroll	\$ 16,075,956	\$ 16,579,071	\$ 15,718,897	\$ 16,826,037	\$ 16,567,739
Net OPEB Liability as a Percentage of Covered Employee Payroll	0.12%	0.53%	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

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

Fiscal Year Ending	Actuarially Determined Contribution	Historical Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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%
9/30/2021	49,040	90,136	41,096	16,579,071	0.54%
9/30/2022	50,512	64,403	13,891	16,075,956	0.40%

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date September 30, 2022

Methods and assumptions used to determine contribution rates based on measurement as of September 30, 2022:

Actuarial cost method	Entry age normal
Amortization period	Level percent of payroll
Asset valuation method	Market
Inflation	2.5 percent
Healthcare cost trend rates	5.50 percent for 2022, declining by .25 percent from 2023 to 2025, then 4.5 percent thereafter
Salary increase	3.0 percent
Investment rate of return	6.5 percent
Discount rate	6.5 percent
Retirement age	59.5 to 62 years of age

Mortality Pub-2010 General Mortality Tables with rates multiplied by 106 percent and using Scale MP-2021

See notes to required supplemental information.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

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

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

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplemental information.

# **ANN ARBOR AREA TRANSPORTATION AUTHORITY**

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

**YEAR ENDED SEPTEMBER 30, 2022**

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

No changes to the plan provisions since the prior valuation date of September 30, 2022

### **B. CHANGES IN ASSUMPTIONS**

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



**ADDITIONAL INFORMATION FOR THE YEAR ENDED  
SEPTEMBER 30, 2022**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

	Years Ended September 30,	
	2022	2021
<b>LOCAL OPERATING REVENUES:</b>		
<b>Passenger fares:</b>		
Urban fixed route	\$ 1,304,163	\$ 721,451
Urban demand response	249,879	263,905
Nonurban demand response	143,419	60,110
<b>Special fares:</b>		
City of Ann Arbor - DDA (go!pass)	274,319	164,084
City of Ann Arbor - DDA (NightRide)	2,466	2,830
Ann Arbor Public Schools	46,884	6,130
Eastern Michigan University	9,551	5,951
University of Michigan (Mride)	962,876	394,821
Washtenaw Community College	-	5,220
<b>Total Local Operating Revenues</b>	<b>\$ 2,993,557</b>	<b>\$ 1,624,502</b>
<b>LOCAL NONOPERATING REVENUES:</b>		
<b>Purchase of service agreements:</b>		
Pittsfield Township	\$ 639,160	\$ 544,419
Scio Township	446,902	188,524
Superior Township	95,632	101,159
D2A2	90,852	-
<b>Total purchase of service agreements</b>	<b>1,272,546</b>	<b>834,102</b>
City of Ann Arbor - property tax levy	17,970,195	16,417,271
City of Ypsilanti - property tax levy	564,260	559,264
Ypsilanti Township - property tax levy	1,063,542	1,014,783
City of Ann Arbor - Downtown Development Authority (GetDowntown)	25	15,267
Job Access/Reverse Commute pass-through	-	120,000
Non-urban - Other governmental and local sources	566,914	319,339
Corporate Partnerships	-	704,000
Interest Income	(539,223)	11,207
Advertising income	292,430	152,865
Other revenue	23,890	3,783
Post-Retirement Actuary Adjustment	97,738	106,831
Gain (loss) on sale of equipment	7,450	36,179
<b>Total local nonoperating revenues</b>	<b>21,319,767</b>	<b>20,294,891</b>
<b>Total local operating and nonoperating revenues</b>	<b>24,313,324</b>	<b>21,919,393</b>
<b>STATE OF MICHIGAN NONOPERATING REVENUES:</b>		
Formula operating assistance - urban (Act 51)	13,365,679	11,259,017
Formula operating assistance - nonurban (Act 51)	986,529	859,923
Prior years formula adjustments - urban and nonurban	570,987	1,047,244
Capital cost of contracting	91,500	-
Preventive maintenance	7,500	-
Job Access/Reverse Commute (State Match)	73,394	32,890
Michigan Mobility Challenge	-	1,859
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310 - State Match)	58,293	27,015
Specialized services	110,580	110,581
<b>Total state nonoperating revenues</b>	<b>15,264,462</b>	<b>13,338,529</b>
<b>FEDERAL NONOPERATING REVENUES:</b>		
Operating Assistance (Section 5307)	-	1,350,000
Unified planning program passed through SEMCOG (Section 5303/PL112)	108,116	158,273
Capital cost of contracting (Section 5307)	366,000	-
Preventive maintenance (Section 5307)	30,000	-
RTA D2A2 program	2,027,473	-
Federal operating assistance - nonurban (Section 5311) - passed through the State	956,124	1,023,615
Job Access/Reverse Commute	73,395	32,890
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310)	222,511	114,430
CARES ACT	18,398,909	17,100,201
<b>Total federal nonoperating revenues</b>	<b>22,182,528</b>	<b>19,779,409</b>
<b>TOTAL NONOPERATING REVENUES</b>	<b>\$ 58,766,757</b>	<b>\$ 53,412,829</b>

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES YEAR ENDED SEPTEMBER 30, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022	2021
LABOR:		
Operators' salaries and wages	\$ 8,753,494	\$ 7,864,222
Other salaries and wages	7,111,330	6,401,285
FRINGE BENEFITS		
Fringe wages	4,277,710	3,838,728
Social security payroll taxes	1,488,303	1,330,643
Medical insurance	3,025,648	2,862,133
Pension	1,628,651	1,258,407
Health care savings plan	522,425	465,640
Other fringe benefits	930,877	1,028,408
SERVICES:		
Advertising fees/promotion media	412,761	106,002
Other services	3,069,813	2,941,220
Auditing fees	32,880	37,200
MATERIALS AND SUPPLIES CONSUMED:		
Fuel and lubricants	2,860,719	1,217,355
Tires and tubes	212,574	144,118
Materials and supplies	2,348,564	1,968,208
UTILITIES	671,415	676,261
CASUALTY AND LIABILITY COSTS:		
Premiums for public liability and property damage insurance	982,325	886,222
Other casualty and liability costs	501,604	428,702
PURCHASED TRANSPORTATION	11,584,568	5,943,543
MISCELLANEOUS EXPENSES:		
Association dues & subscriptions	84,712	80,354
Travel and meetings	49,882	33,069
Other	254,439	424,865
LEASES AND RENTALS	79,875	109,937
DEPRECIATION	<u>6,471,482</u>	<u>6,650,943</u>
TOTAL OPERATING EXPENSES	<u>\$ 57,356,051</u>	<u>\$ 46,697,464</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)**

**YEAR ENDED SEPTEMBER 30, 2022**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Grant or Number	Program or Award Amount	Current Year's Expenditures				Prior Years' Expenditures	Amount Remaining
				Total	Federal	State	Local		
<b>Michigan Department of Transportation (State):</b>									
<b>Direct assistance - Capital grants:</b>									
Capital (FY 2011 and FY 2012)	N/A	2007-0162/Z32	\$2,920,600	\$0	\$0	\$0	\$0	\$2,919,067	\$1,533
Capital (Section 5339 Match) (FY 2013)	N/A	2012-0033/P8	542,774	0	0	0	0	519,261	23,513
Capital (FY 2016 and FY 2017)	N/A	2012-0033/P24	1,385,880	500	0	500	0	1,385,322	58
Capital (Section 5310 Match) (FY 2016)	N/A	2012-0033/P25	86,334	4,070	0	4,070	0	45,611	36,653
Capital (FY 2018)	N/A	2017-0008/P5	1,052,781	0	0	0	0	1,048,742	4,039
Capital (Section 5310 Match) (FY 2018)	N/A	2017-0008/P6	27,000	9,000	0	9,000	0	17,999	1
Capital (FY 2019)	N/A	2017-0008/P13	1,527,141	90,423	0	90,423	0	938,816	497,902
Capital (Section 5310 Match) (FY 2019)	N/A	2017-0008/P14	46,000	6,000	0	6,000	0	12,000	28,000
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	168,065	0	168,065	0	800,774	766,201
Capital (Section 5310 Match) (FY 2020)	N/A	2017-0008/P18	33,200	0	0	0	0	0	33,200
Capital (Section 5310 Match) (FY 2021)	N/A	2017-0008/P24	27,000	8,199	0	8,199	0	0	18,801
Capital (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	120,000	0	0	0	0	119,110	890
Capital (Section 5307)(FY 2022) (80/20)	N/A	2021-2022/P3	3,606,834	6,261	0	6,261	0	0	3,600,573
Subtotal - Direct State Capital			\$13,125,629	\$292,518	\$0	\$292,518	\$0	\$7,806,702	\$5,026,409
<b>Direct assistance - Operating grants:</b>									
Operating assistance - Act 51 Urban	N/A	N/A	\$13,365,679	\$13,365,679	\$0	\$13,365,679	\$0	\$0	\$0
Operating assistance - Act 51 Nonurban	N/A	N/A	986,529	986,529	0	986,529	0	0	0
Prior year formula adjustments	N/A	N/A	570,987	570,987	0	570,987	0	0	0
Capital Cost of Contracting (FY 2015)	N/A	2012-0033/P17	39,344	0	0	0	0	13,023	26,321
Capital Cost of Contracting (FY 2018)	N/A	2017-0008/P5	141,000	0	0	0	0	140,875	125
Capital Cost of Contracting (FY 2019)	N/A	2017-0008/P13	147,000	91,500	0	91,500	0	55,500	0
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	7,500	0	7,500	0	2,500	0
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	73,395	0	73,395	0	574,378	0
Enhanced Mobility (Section 5310) (FY 2016 & 2017)	N/A	2012-0033/P25	12,068	0	0	0	0	10,091	1,977
Enhanced Mobility (Section 5310) (FY 2018)	N/A	2017-0008/P6	27,500	13,750	0	13,750	0	0	13,750
Enhanced Mobility (Section 5310) (FY 2020)	N/A	2017-0008/P18	10,145	1,827	0	1,827	0	8,318	0
Enhanced Mobility (Section 5310) (FY 2021)	N/A	2017-0008/P24	10,000	0	0	0	0	0	10,000
Specialized Services (FY 2022)	N/A	2022-0006/P1	221,168	110,584	0	110,584	0	0	110,584
Operating (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	37,000	15,447	0	15,447	0	17,362	4,191
Subtotal - Direct State Operating			\$16,388,193	\$15,237,198	\$0	\$15,237,198	\$0	\$822,047	\$328,948
<b>TOTAL DIRECT STATE EXPENDITURES</b>			<b>\$29,513,822</b>	<b>\$15,529,716</b>	<b>\$0</b>	<b>\$15,529,716</b>	<b>\$0</b>	<b>\$8,628,749</b>	<b>\$5,355,357</b>
STATE FUNDS PASSED BY AAATA TO SUBRECIPIENTS:									
Specialized Services (FY 2022)	N/A	2022-0006/P1	192,880	96,440	0	96,440	0	0	96,440
Total - State Pass-through Specialized Services			\$192,880	\$96,440	\$0	\$96,440	\$0	\$0	\$96,440



**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2022**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Authorization Number	Purchase Order Number	Program or Award Amount	Current Year's Expenditures				Prior Years' Federal Expenditures	Federal Amount Remaining
					Total	Federal	State	Local		
<b>U. S. Department of Transportation (Federal):</b>										
<b>Direct Assistance - Capital Grants:</b>										
Capital (Section 5307) (FY 2016 & 2017) (80/20)	20.507	MI-2016-X26-01	MI90-X778	\$2,209,279	\$1,998	\$1,998	\$0	\$0	\$2,207,047	\$234
Capital (Section 5307) (FY 2018) (80/20)	20.507	MI-2018-X28-00	MI90-0082	2,322,400	0	0	0	0	2,306,243	16,157
Capital (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	3,608,298	247,687	247,687	0	0	1,369,008	1,991,603
Capital (Section 5339) (FY 2019) (80/20)	20.526	MI-2019-X34-00	MI34-0077	1,208,000	114,006	114,006	0	0	1,093,994	0
Capital (Section 5307-STP) (FY 2019) (80/20)	20.507	MI-2019-X35-00	MI95-4001	60,184	0	0	0	0	0	60,184
Capital (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	4,689,148	559,902	559,902	0	0	2,267,729	1,861,517
Capital (Section 5307-CMAQ) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI95-0018	1,137,205	0	0	0	0	759,386	377,819
Capital (Section 5339) (FY 2020) (80/20)	20.526	MI-2020-X38-00	MI34-0086	1,113,809	105,372	105,372	0	0	176,000	832,437
Capital (Section 5310) (FY 2016 & 2017) (80/20)	20.513	MI-2016-X40-01	MI16-X019	345,336	16,281	16,281	0	0	183,142	145,913
Capital (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	108,000	36,000	36,000	0	0	71,994	6
Capital (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	184,000	24,000	24,000	0	0	48,000	112,000
Capital (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	132,800	7,309	7,309	0	0	0	125,491
Capital (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	108,000	0	0	0	0	0	108,000
CRRSAA (Section 5307)(FY 2022) (80/20)	20.507	MI-2022-050-00	MI22-X050	17,427,336	25,042	25,042	0	0	0	17,402,294
Subtotal - Federal Capital				<u>\$34,653,795</u>	<u>\$1,137,597</u>	<u>\$1,137,597</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,482,543</u>	<u>\$23,033,655</u>
<b>Direct Assistance - Operating Grants:</b>										
Capital Cost of Contracting (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	\$588,000	\$732,000	\$366,000	\$0	\$366,000	\$222,000	0
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	30,000	30,000	0	0	10,000	0
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 2020) (50/50)	20.507	MI-2020-X38-00	MI90-X840	4,406,790	0	0	0	0	520,000	3,886,790
Operating Assistance (Section 5307-CARES Act) (FY 2020) (100/0)	20.507	MI-2020-017-00	MI90-4006	20,704,090	2,198,910	2,198,910	0	0	18,505,180	0
JARC Trip Assistance (50/50)	20.516	MI-37-X044-02	MI37-4044	608,988	73,394	73,394	0	0	535,594	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	119,746	108,971
Enhanced Mobility (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	110,000	55,000	55,000	0	0	0	55,000
Enhanced Mobility (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	128,800	66,644	58,434	0	8,210	39,640	30,726
Enhanced Mobility (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	136,746	32,796	32,796	0	0	0	103,950
ARP Urban Operating Assistance (5307) (FY 2022) (100/0)	20.507	MI-2022-008-00	MI22-X008	22,269,092	16,200,000	16,200,000	0	0	0	6,069,092
<b>Passed Through Regional Transit Authority of Southeast Michigan:</b>										
RTA CMAQ D2A2 Service	20.507	M2022-06	M2022-06	2,108,162	2,027,473	2,027,473	0	0	0	80,689
<b>Passed Through Michigan Department of Transportation:</b>										
Nonurban Operating Assistance (Section 5311-CRRSAA) (FY 2022)	20.509	MI-2021-023-00	MI-2021-023-00	956,124	956,124	956,124	0	0	0	0
<b>Passed Through Southeast Michigan Council of Governments:</b>										
Unified Planning (Section 5303) (81.85/18.15)	20.205	22001	22001	57,536	70,294	57,536	0	12,758	0	0
Unified Planning (Section 5303) (81.85/18.15)	20.205	22005	22005	50,583	61,800	50,583	0	11,217	0	0
Subtotal - Federal Operating				<u>\$53,041,628</u>	<u>\$22,504,435</u>	<u>\$22,106,250</u>	<u>\$0</u>	<u>\$398,185</u>	<u>\$19,952,160</u>	<u>\$10,983,218</u>
<b>TOTAL FEDERAL EXPENDITURES</b>				<u>\$87,695,423</u>	<u>\$23,642,032</u>	<u>\$23,243,847</u>	<u>\$0</u>	<u>\$398,185</u>	<u>\$30,434,703</u>	<u>\$34,016,873</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING AND CONTRACT EXPENSES  
YEAR ENDED SEPTEMBER 30, 2022, WITH COMPARATIVE TOTALS FOR 2021**

	Specialized	Job Access/	Nonurban	Urban Operations		2022	2021
	Services	Reverse Commute	Operations	Demand-response	Fixed-route	Total	Total
	2022-0006/P1	2007-0162/Z27	Sec. 5311: 2022-0006 P3				
OPERATING EXPENSES:							
Labor	\$ -	\$ -	\$ 53,401	\$ 2,766,433	\$ 13,044,990	\$ 15,864,824	\$ 14,265,507
Fringe benefits	-	-	36,427	2,118,205	9,718,982	11,873,614	10,783,959
Services	-	-	30,074	541,509	2,943,871	3,515,454	3,084,422
Materials and supplies	-	-	14,775	734,980	4,672,102	5,421,857	3,329,681
Utilities	-	-	-	125,420	545,995	671,415	676,261
Casualty and liability costs	-	-	9,718	277,198	1,197,013	1,483,929	1,314,924
Purchased transportation	374,666	148,346	2,671,464	5,970,634	2,419,458	11,584,568	5,943,543
Other	-	-	3,971	72,671	312,391	389,033	538,288
Leases and rentals	-	-	-	27,225	52,650	79,875	109,937
Depreciation	-	-	-	1,120,384	5,351,098	6,471,482	6,650,943
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 374,666</b>	<b>\$ 148,346</b>	<b>\$ 2,819,830</b>	<b>\$ 13,754,659</b>	<b>\$ 40,258,550</b>	<b>\$ 57,356,051</b>	<b>\$ 46,697,464</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE REVENUES  
YEAR ENDED SEPTEMBER 30, 2022**

<b>Code</b>	<b>Description</b>	<b>Fixed-route</b>	<b>Demand-response</b>	<b>Total Urban</b>
<b>401 :</b>	<b>Farebox Revenue</b>			
40100	Passenger Fares	\$ 1,304,163	\$ 249,879	\$ 1,554,042
40200	Contract Fares	1,296,096		1,296,096
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>			
40615	Advertising Revenue	292,430	-	292,430
<b>407 :</b>	<b>NonTransit Revenue</b>			
40799	Gain on Sale/Disposal of Equipment	7,450	-	7,450
40799	Other NonTransportation Revenue	121,628	-	121,628
<b>408 :</b>	<b>Local Revenue</b>			
40800	Taxes Levied Directly for Transit Agency	15,188,448	4,409,549	19,597,997
<b>409 :</b>	<b>Local Revenue</b>			
40910	Local Operating Assistance	986,223	286,323	1,272,546
40999	Other Local - Local Match	25	-	25
<b>411 :</b>	<b>State Formula and Contracts</b>			
41101	State Operating Assistance	10,611,452	2,754,227	13,365,679
41111	Preventive Maintenance (20% State Share)	7,500		7,500
41112	Planning/Capital Cost of Contracting		91,500	91,500
41199	Enhanced Mobility (Section 5310)	-	58,293	58,293
<b>413 :</b>	<b>Federal Contracts</b>			
41311	Preventive Maintenance (80% Federal Share)	30,000		30,000
41312	Unified Planning/Capital Cost of Contracting (Sec 5303)	108,116	366,000	474,116
41361	CARES Act	2,198,909	-	2,198,909
41363	ARP Act	14,310,109	1,889,891	16,200,000
41399	Enhanced Mobility (Section 5310)	-	222,511	222,511
41399	Other - RTA	2,027,473	-	2,027,473
<b>414 :</b>	<b>Other Revenue</b>			
41400	Interest Loss	(539,222)	-	(539,222)
<b>550:</b>	<b>Ineligible Revenue:</b>			
55005	Net unrealized and realized investment losses	618,304	-	618,304
<b>Total</b>		<b>\$ 48,569,104</b>	<b>\$ 10,328,173</b>	<b>\$ 58,897,277</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE EXPENSES  
YEAR ENDED SEPTEMBER 30, 2022**

Code	Description	Fixed-route	Demand-response	Total
<b>501:</b>	<b>Labor</b>			
50101	Operators Salaries & Wages	\$ 7,224,738	\$ 1,528,756	\$ 8,753,494
50102	Other Salaries & Wages	5,820,252	1,237,677	7,057,929
<b>502:</b>	<b>Fringe Benefits</b>			
50200	Other Fringe Benefits	7,875,878	1,914,823	9,790,701
50210	Defined Contribution Pension	1,461,651	161,317	1,622,968
50240	Defined Contribution OPEB	381,453	42,065	423,518
<b>503:</b>	<b>Services</b>			
50302	Advertising Fees	349,181	63,580	412,761
50305	Audit Costs	27,815	5,065	32,880
50399	Other Services	2,566,875	472,864	3,039,739
<b>504:</b>	<b>Materials and Supplies</b>			
50401	Fuel & Lubricants	2,564,018	296,701	2,860,719
50402	Tires & Tubes	180,893	31,681	212,574
50499	Other Materials & Supplies	1,927,191	406,598	2,333,789
<b>505:</b>	<b>Utilities</b>			
50500	Utilities	545,995	125,420	671,415
<b>506:</b>	<b>Insurance</b>			
50603	Liability Insurance	798,827	183,498	982,325
50699	Other Insurance	398,186	93,700	491,886
<b>508:</b>	<b>Purchased Transportation</b>			
50800	Purchased Transportation	2,419,458	5,970,634	8,390,092
<b>509:</b>	<b>Miscellaneous Expenses</b>			
50902	Travel, Meeting & Training	40,564	9,318	49,882
50903	Association Dues & Subscriptions	68,888	15,824	84,712
50999	Other Misc. Expenses	202,939	47,529	250,468
<b>512:</b>	<b>Operating Leases &amp; Rentals</b>			
51200	Operating Leases & Rentals	52,650	27,225	79,875
<b>513:</b>	<b>Depreciation</b>			
51300	Depreciation	5,351,098	1,120,384	6,471,482
	<b>Total Urban Expenses</b>	<b>\$ 40,258,550</b>	<b>\$ 13,754,659</b>	<b>\$ 54,013,209</b>
<b>550:</b>	<b>Ineligible Expenses</b>			
55007	Ineligible Depreciation	4,868,246	801,618	5,669,864
55008	Ineligible other (bad debt/employee events)	57,741	-	57,741
55009	Ineligible Association Dues	7,580	-	7,580
55010	Ineligible Non-transportation Revenue	23,890	-	23,890
55011	Ineligible Preventive Maintenance	37,500	-	37,500
<b>570:</b>	<b>Ineligible Expenses</b>			
57099	Ineligible - Federal RTA D2A2	2,027,473	-	2,027,473
57602	Ineligible - Capital Cost of Contracting	-	457,500	457,500
57602	Ineligible - Unified Planning (Sec 5303)	132,090	-	132,090
57604	Ineligible - Enhanced Mobility (Sec 5310)	-	280,804	280,804
<b>580:</b>	<b>Ineligible Expenses</b>			
58050	Ineligible - Postretirement Benefit Accrual	97,738	-	97,738
58050	Ineligible - Postretirement Benefits Paid	(64,403)	-	(64,403)
	<b>Total Ineligible Expenses</b>	<b>\$ 7,187,855</b>	<b>\$ 1,539,922</b>	<b>\$ 8,727,777</b>
		<b>Fixed-route</b>	<b>Demand-response</b>	<b>Total</b>
Total Expenses	\$ 40,258,550	\$ 13,754,659	\$ 54,013,209	
Total Ineligible Expenses	(7,187,855)	(1,539,922)	(8,727,777)	
Total Eligible Expenses	\$ 33,070,695	\$ 12,214,737	\$ 45,285,432	

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2022

Code	Description	Total Nonurban
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 143,419
40200	Contract Fares	-
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>	
40615	Advertising	-
<b>407 :</b>	<b>Non-Transit Revenue</b>	
40799	Gain (Loss) on Sale of Equipment	-
40799	Other Revenue	-
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for Transit Agency	-
<b>409 :</b>	<b>Local Revenue</b>	
40910	Local Operating Assistance	566,914
40999	Other Local	-
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	986,529
411	Prior Year Formula Adjustments	-
<b>413 :</b>	<b>Federal Contracts</b>	
41301	CRRSAA Act	956,124
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Revenue	-
	Other	-
<b>Total</b>		\$ 2,652,986

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES YEAR ENDED SEPTEMBER 30, 2022

Code	Description	Demand Response Total
<b>501:</b>	<b>Labor</b>	
50102	Other Salaries & Wages	\$ 53,401
<b>502:</b>	<b>Fringe Benefits</b>	
50200	Other Fringe Benefits	29,575
50210	Defined Contribution Pension	5,683
50240	Defined Contribution OPEB	1,169
<b>503:</b>	<b>Services</b>	
50305	Other Services	30,074
<b>504:</b>	<b>Materials and Supplies</b>	
50499	Other Materials & Supplies	14,775
<b>506:</b>	<b>Insurance</b>	
50699	Other Insurance	9,718
<b>508:</b>	<b>Purchased Transportation</b>	
50800	Purchased Transportation	2,671,464
<b>509:</b>	<b>Miscellaneous Expenses</b>	
50999	Other Misc. Expenses	3,971
<b>550:</b>	<b>Ineligible Expenses</b>	-
<b>570:</b>	<b>Ineligible Expenses</b>	-
Total Expenses		\$ 2,819,830
Total Ineligible Expenses		<u>-</u>
Total Eligible Expenses		<u><u>\$ 2,819,830</u></u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - URBAN AND NONURBAN SERVICE NONFINANCIAL INFORMATION (UNAUDITED)  
YEAR ENDED SEPTEMBER 30, 2022**

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**PUBLIC SERVICE - URBAN FIXED-ROUTE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	314,460
611	Vehicle Miles	5,467,565

**PUBLIC SERVICE - URBAN DEMAND RESPONSE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	50,986
611	Vehicle Miles	721,176

**PUBLIC SERVICE - NONURBAN DEMAND RESPONSE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	56,290
611	Vehicle Miles	808,976

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION  
YEAR ENDED SEPTEMBER 30, 2022**

	Urban		Nonurban
	Fixed-Route	Demand Response	
Total Expenses	\$ 40,258,550	\$ 13,754,659	\$ 2,819,830
Less Ineligible Expenses:			
Federal Planning (Section 5303, w/Local Match)	132,090	-	
Federal and State Depreciation Expense	4,868,246	801,618	
Federal Enhanced Mobility (Section 5310)	-	222,511	
State Enhanced Mobility (Section 5310)	-	58,293	
Federal and State Preventive Maintenance	37,500	-	
Federal and State Capital Cost of Contracting	-	457,500	
Federal RTA D2A2	2,027,473		
Post-Retirement Medical Benefits Accrual	97,738	-	
Post-Retirement Medical Benefits Paid	(64,403)	-	
Other revenue	23,890	-	
Other expenses (bad debts, ineligible interest)	57,741	-	
Association Dues (Ineligible Portion)	7,580	-	
Total Ineligible Expenses	\$ 7,187,855	\$ 1,539,922	\$ -
<b>Total State Eligible Expenses</b>	<b>\$ 33,070,695</b>	<b>\$ 12,214,737</b>	<b>\$ 2,819,830</b>
Eligible Expenses for State Reimbursement	\$ 33,070,695	\$ 12,214,737	\$ 2,819,830
x Reimbursement Percentage	29.5143%	29.5143%	34.9854%
State Operating Assistance	\$ 9,760,585	\$ 3,605,094	\$ 986,529
Total Operating Assistance - Urban		<u>\$ 13,365,679</u>	

**Total Federal Eligible Expenses**

Total Eligible Expenses for State Reimbursement	\$ 2,819,830
Less: Ineligible Auditing Expenses	-
Eligible Expenses for Federal Reimbursement	\$ 2,819,830
x Reimbursement Percentage	40%
Eligible expenses	1,127,932
Less expenses over the capped funding	(171,808)
Federal Operating Assistance (Section 5311)	<u>\$ 956,124</u>



## **ANN ARBOR AREA TRANSPORTATION AUTHORITY**

### **ADDITIONAL INFORMATION - NOTES TO SCHEDULE OF OPERATING ASSISTANCE CALCULATION AND NONFINANCIAL INFORMATION YEAR ENDED SEPTEMBER 30, 2022**

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

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

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

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

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

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

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

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

#### **E. ADVERTISING**

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

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

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

**G. ASSOCIATION DUES**

The amounts disallowed represent a percentage of the annual dues paid to the American Public Transit Association and the Michigan Public Transit Association. It was determined that these organizations devote a portion of their efforts, 11.0% and 14.70%, respectively, to influencing legislation which is not eligible for reimbursement according to the Uniform Guidance issued by the Office of Management and Budget.

**H. MILEAGE INFORMATION**

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

**FEDERAL AWARDS SUPPLEMENTARY  
INFORMATION**

**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 the business-type activities and the fiduciary activities of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 29, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

To the Board of Directors  
Ann Arbor Area Transportation Authority

### **Report on Compliance and Other Matters**

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

### **Ann Arbor Area Transportation Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Farmington Hills, Michigan  
March 29, 2023

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR 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**

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

We have audited Ann Arbor Area Transportation Authority’s (the “Authority”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended 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.

In our opinion, the Authority’s 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, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

To the Board of Directors  
Ann Arbor Area Transportation Authority

### ***Responsibilities of Management for Compliance***

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

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

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

To the Board of Directors  
Ann Arbor Area Transportation Authority

***Auditor's Responsibilities for the Audit of Compliance*** (Continued)

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

**Report on Internal Control over Compliance**

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

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

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

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 image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive.

Farmington Hills, Michigan  
March 29, 2023



ANN ARBOR AREA TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS  
Year ended September 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Project Number	Total Amount	
				Provided to Subrecipients	Federal Expenditures
<b>Department of Transportation:</b>					
<i>Federal Transit Cluster - Direct Awards:</i>					
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Bus Program)	20.526	n/a	MI34-0077	\$ -	\$ 114,006
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Bus Program)	20.526	n/a	MI34-0086	-	105,372
Subtotal				-	219,378
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X778	-	1,998
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X822	-	643,687
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X840	-	559,902
CRRSAA = Federal Transit (Urbanized Area Formula Program)	20.507	n/a	MI22-X050	-	25,042
ARP Urban Operating Assistance - Federal Transit (Urbanized Area Formula Program)	20.507	n/a	MI22-X008	-	16,200,000
COVID-19 – Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-4006	-	2,198,910
Subtotal				-	19,629,539
<i>Passed Through Regional Transit Authority of Southeast Michigan</i>					
RTA CMAQ D2A2 Service	20.507	M2022-06	M2022-06	-	2,027,473
Total Federal Transit Cluster				-	21,876,390
<i>Transit Services Programs Cluster - Direct Awards:</i>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-X019	16,281	16,281
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-0039	-	24,000
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-0038	32,796	32,796
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-0035	36,000	91,000
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-X033	65,743	65,743
Subtotal				150,820	229,820
Job Access and Reverse Commute Program	20.516	n/a	MI37-4044	-	73,394
Total Transit Services Programs Cluster				150,820	303,214
<i>Passed Through Michigan Department of Transportation:</i>					
CRRSAA – Formula Grants for Rural Areas	20.509	MI-2021-023-00	MI-2021-023-00	956,124	956,124
<i>Passed through Southeastern Michigan Council of Governments (SEMCOG):</i>					
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	22005		-	50,583
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	22001		-	57,536
Total				-	108,119
<b>Total Department of Transportation</b>				<b>1,106,944</b>	<b>23,243,847</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 1,106,944</b>	<b>\$ 23,243,847</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**September 30, 2022**

**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, 2022. 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 \$1,106,944 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 March 29, 2023, 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, 2022

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes      No
- Significant deficiency(ies) identified not considered to be material weaknesses?      Yes   X   None noted

Noncompliance material to the financial statements noted?      Yes   X   None noted

**Federal Awards**

Internal control over major programs:

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

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

Identification of major program:

<b>Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>	<b>Opinion</b>
20.507 and 20.526	Federal Transit Cluster	Unmodified

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

Is the auditee qualified as a low-risk auditee?   X   Yes      No

**Section II – Financial Statement Audit Findings**

Prior Year – None  
 Current Year – Yes

**Section III – Federal Program Audit Findings**

Prior Year – None  
 Current Year – None

**ANN ARBOR AREA TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year ended September 30, 2022**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Reference  
Number**

**Finding**

**2022-001**

**Finding Type – Material Weakness**

**Repeat Finding – No**

**Criteria** – Ann Arbor Area Transportation Authority (the “Authority”) internal control structure should ensure that financial information is complete, accurate, and made available in a timely and orderly manner.

**Condition** – During our audit of the state operating urban reconciliation it was noted that the reconciliation was not tied out to the trial balance. In addition, there were ineligible expenses that were not included in the reconciliation provided. This resulted in a proposed audit adjustment of approximately \$2,000,000.

**Cause** – A thorough review of the reconciliation was not performed to ensure that all required ineligible expenses be included in the reconciliation and that the reconciled balance agrees to the Trial Balance.

**Effect** – The preliminary reconciliation and trial balance were materially misstated at the end of the year and during the audit process.

**Recommendation** – We recommend that a detailed review of the reconciliation should be performed by someone other than the preparer to ensure that all required ineligible expenses be included in the reconciliation and that the reconciled balance agrees to the Trial Balance.

**View of Responsible Officials and Corrective Action Plan** – The Authority has been experiencing significant and unforeseen staffing issues over the past few months in several areas of the organization, including key roles in the Finance Department. In late November we also experienced the sudden and unexpected passing of a key finance person with over 25 years of experience. This was a considerable professional and emotional loss for the department and the organization. With this loss, the Finance Department was down to one full-time staff, which significantly impacted normal operational levels.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
Year ended September 30, 2022

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**View of Responsible Officials and Corrective Action Plan**  
(Continued) – The Authority has been supplementing staffing levels with consulting services and/or temporary staff for interim positions in key roles, which have fluctuated during the financial audit. The extenuating circumstances affecting transitions in key roles strained the department's effectiveness with elevated levels of required regulatory year-end reporting and the year-end financial audit. The Authority is actively hiring new full-time staff and impacts to financial operations to be resolved in the short-term and non-recurring.

The Authority will ensure management reviews the state operating urban reconciliation to ensure grant activity reconciles with the trial balance. The Authority will also ensure related policies and procedures are updated, new staff trained, and document evidence maintained.