



Ann Arbor Area Transportation Authority

*Financial Statements as of and for the
Years Ended September 30, 2021 and 2020 and
Additional Information for the Year Ended
September 30, 2021, Independent Auditor's Reports
Required by the Office of Management and Budget
Uniform Grant Guidance at 2 CFR Part 200 and
Supplementary Schedule of Expenditures of Federal
Awards for the Year Ended September 30, 2021, and
Independent Auditor's Reports*

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 Financial Statements

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 and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the Ann Arbor Area Transportation Authority as of September 30, 2021 and 2020 and the respective changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the Authority adopted GASB Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. As discussed in Note 17, the adoption of this standard resulted in the initial recognition of certain fiduciary activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information schedule (excluding the Schedule of Urban and Nonurban Regular Service Nonfinancial Information) and the supplementary schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022, on our consideration of the Ann Arbor Area Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ann Arbor Area Transportation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ann Arbor Area Transportation Authority's internal control over financial reporting and compliance.

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

Ann Arbor, MI
February 24, 2022

ANN ARBOR AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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, 2021. We encourage readers to consider the information in conjunction with the financial statements, related note disclosures and the required supplementary and additional information as listed in the table of contents.

Five-Year Transit Improvement Plan

In January 2014, the Board of Directors adopted the Five-Year Transit Improvement Plan (5YTIP) for the Urban Core of Washtenaw County. Funding for this plan included a five-year property tax millage, which was approved by the voters of the Cities of Ann Arbor and Ypsilanti and Ypsilanti Township on May 6, 2014. The first 0.7 mill property tax was levied on July 1, 2014, which raised about \$4.5 million per year. These funds have been used to provide additional local transit service and buy 15 buses to provide the service. The rollout of all the additional services was completed in January 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, 2021 and 2020 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, 2020 have been audited and are included herein for comparative purposes.

Financial Highlights

The Authority's total assets increased from the prior year by \$14.2 million (18%), primarily due to an increase of \$11.4 million (48%) in total cash and cash equivalents and investments, \$3.3 million (85%) in grants receivables, \$0.1 million (3%) increase in other current assets offset by a decrease in net capital assets of \$0.6

million (1%). The increase in cash and cash equivalents and investments reflects the board adopted strategy during FY2021 to create a capital reserve for future community capital needs. The increase in grant receivables reflects the additional federal pandemic funds that were provided during FY2021. See note 18 for further details.

Total net position increased by \$14.4 million (20%) as the unrestricted net position increased by \$15.1 million (62%) offset by a decrease net investment in capital assets of \$0.6 million (1%).

Total operating revenues is comprised of passenger fares and special fares, where someone other than the passenger pays the fare. These decreased about \$2 million (55%) as the result of reduced service and lower ridership during the pandemic period.

Total non-operating revenues includes federal, state and local funding. These increased \$15 million (39%) mostly due to the federal pandemic relief funds that the Authority received during FY2021. See note 18 for further details.

Total operating expenses decreased \$1.2 million (3%) primarily due to the pandemic which lowered most operation costs offset by additional maintenance and general administration needs for bringing the A-Ride service in-house (third-party contractor in prior year), pandemic-related supplies and increased administrative costs such as consulting and utility costs.

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 and amortization.

A summary of the Authority's assets, deferred outflows, liabilities, deferred inflows and net position at September 30, 2021, 2020 and 2019 follows (in thousands):

	2021	2020	2019
Assets:			
Current assets	\$46,187	\$31,401	\$30,295
Noncurrent assets	41	41	107
Capital assets, net	<u>46,420</u>	<u>46,999</u>	<u>46,748</u>
Total assets	\$92,648	\$78,441	\$77,150
Deferred Outflows	27	4	10
Liabilities:			
Current liabilities	\$4,838	\$4,778	\$4,348
Noncurrent liabilities, including OPEB	<u>1,578</u>	<u>2,045</u>	<u>2,421</u>
Total liabilities	6,416	6,823	6,769
Deferred Inflows	640	402	--
Net Position:			
Net investment in capital assets	46,420	46,999	46,749
Restricted	41	41	107
Unrestricted	<u>39,158</u>	<u>24,180</u>	<u>23,535</u>
Total net position	<u>\$85,619</u>	<u>\$71,220</u>	<u>\$70,391</u>

At September 30, 2021, the Authority's net position was \$85.6 million, compared to \$71.2 million at September 30, 2020.

The total net position includes an unrestricted net position of \$39.1 million in which \$25.3 million is committed to reserve per the April 2021 board approval leaving \$13.8 million uncommitted. Of the committed unrestricted net position, the funds are reserved for the following purposes:

Capital Projects	\$11.9
Operating Reserve Requirement	12.9
Workers' Compensation Reserves	<u>0.5</u>
	<u>\$25.3</u>

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 \$87,386 as of September 30, 2021, based on the most recent measurement date. This liability decreased about \$.4 million or 80% from the prior year due to 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 \$85.6 million (net position) as of September 30, 2021. Of this amount, \$39.2 million (unrestricted net position) may be used to fund future operations and meet future obligations of the Authority. The July 1, 2021 property tax levies of about \$18.0 million have been included in nonoperating revenues for the year ended September 30, 2021, even though three quarters of them will be needed to help fund operations from October 1, 2021 to June 30, 2022.

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, 2021, 2020 and 2019 is as follows (in \$1,000s):

	2021	2020	2019
Operating revenues	\$1,624	\$3,628	\$6,751
Operating expenses	<u>(46,697)</u>	<u>(47,927)</u>	<u>(51,582)</u>
Operating loss	(45,073)	(44,299)	(44,831)
Nonoperating revenues	<u>53,413</u>	<u>38,379</u>	<u>40,750</u>
Change in net position before capital contributions	(8,340)	(5,920)	(4,081)
Net capital contributions	<u>6,059</u>	<u>6,749</u>	<u>2,449</u>
Change in net position	14,399	(829)	(1,632)
Net position, beginning of year	<u>71,220</u>	<u>70,391</u>	<u>72,023</u>
Net position, end of year	<u>\$85,619</u>	<u>\$71,220</u>	<u>\$70,391</u>

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

Total operating expenses of \$46.7 million include operations (\$31.0 million), fleet and facility maintenance (\$6.2 million) and general administration (\$9.5 million). The largest portion of all expenses is employee wages and fringe benefits of about \$25 million, 54% 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 2021 and 2020, the Authority used \$1.4 million and \$2.8 million, respectively for Federal operating assistance, such as operating assistance, planning, preventive maintenance, and capital cost of contracting.

Notes to the Financial Statements

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

Capital Assets

The Authority continues to invest in vehicles, facilities and equipment. In 2021, the Authority purchased 16 vehicles: eight (8) buses for fixed route, five (5) vans, and three (3) cutaways for demand response service. In addition, there was continued building rehabilitation for the operations facility. The Authority's largest capital investments include vehicles and related equipment, net of depreciation, of \$25.3 million in 2021 and \$24.7 million in 2020 and the land and buildings, net of depreciation, of \$17.0 million in 2021 and \$18.0 million in 2020.

Economic Factors and Next Year's Budget (Fiscal Year 2022)

For fiscal year 2022, the Board of Directors adopted a \$55.8 million operating budget with a \$12.2 million operating surplus and a \$10.84 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 2021 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, Ypsilanti, and Ypsilanti Township. The property tax is scheduled to be levied from July 1, 2019 to 2023 to continue to fund the additional services.

Request for Information

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

This year and prior year audited financial statements are also available on the State of Michigan's website at <https://treas-secure.state.mi.us/LAFDocSearch/>. Once there, select "Washtenaw County" for County, select the year "2021" (or a previous year as far back as 2004) for the Year and "Authority, Drain District" for the municipality Type. Then you can select the "Ann Arbor Area Transportation Authority" for the municipality.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

STATEMENTS OF NET POSITION SEPTEMBER 30, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS:		
Cash and Cash Equivalents (Note 3)	\$ 23,618,719	\$ 17,199,345
Investments (Note 3 and 4)	11,796,056	6,791,216
Accounts receivable, less allowance of \$0 in 2021 and 2020	996,965	669,227
Grants receivable (Notes 2 and 5)	7,092,971	3,828,491
Other receivables, less allowance of \$458,551 in 2021 and \$0 in 2020 (Note 6)	1,042,989	920,736
Inventory	1,101,106	910,175
Prepaid expenses	<u>537,811</u>	<u>1,081,554</u>
Total current assets	46,186,617	31,400,744
NONCURRENT ASSETS:		
Restricted cash (Note 3)	<u>40,943</u>	<u>40,943</u>
CAPITAL ASSETS: (Note 7)		
Land and improvements	2,270,821	2,270,821
Park and Ride lot construction	5,759,849	5,759,849
Buildings and improvements	30,091,428	30,020,545
Equipment and other	71,192,146	73,978,447
Construction in progress	<u>1,324,360</u>	<u>1,168,755</u>
Total capital assets	110,638,604	113,198,417
Less accumulated depreciation	<u>64,218,295</u>	<u>66,199,226</u>
Net capital assets	<u>46,420,309</u>	<u>46,999,191</u>
TOTAL ASSETS	\$ 92,647,869	\$ 78,440,878
Deferred OPEB cost outflows (Note 15)	\$ 27,295	\$ 3,887
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,093,911	\$ 1,956,900
Grant refunds payable (Notes 2 and 5)	109,212	1,413,828
Accrued payroll	1,159,305	907,593
Accrued compensated absences, current portion	184,190	196,551
Other accrued expenses	146,326	157,896
Unearned revenue (Note 8)	<u>145,257</u>	<u>145,257</u>
Total current liabilities	4,838,201	4,778,025
NONCURRENT LIABILITIES:		
Accrued compensated absences	1,490,266	1,590,275
Net postretirement benefit (OPEB) liability (Note 15)	<u>87,386</u>	<u>454,129</u>
Total noncurrent liabilities	<u>1,577,652</u>	<u>2,044,405</u>
TOTAL LIABILITIES	6,415,853	6,822,430
DEFERRED INFLOW OF RESOURCES:		
Deferred OPEB cost reductions (Note 15)	<u>640,041</u>	<u>402,304</u>
NET POSITION:		
Net investment in capital assets	46,420,309	46,999,191
Restricted	40,943	40,943
Unrestricted	<u>39,158,018</u>	<u>24,179,897</u>
TOTAL NET POSITION	\$ 85,619,270	\$ 71,220,031

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
OPERATING REVENUES (Note 13)	\$ 1,624,502	\$ 3,627,820
OPERATING EXPENSES (Notes 9, 13, 15 and 16):		
Operations	31,029,021	33,399,495
Maintenance	6,241,787	5,566,359
General administration	<u>9,426,656</u>	<u>8,961,429</u>
Total operating expenses	<u>46,697,464</u>	<u>47,927,283</u>
OPERATING LOSS	(45,072,962)	(44,299,463)
NONOPERATING REVENUES:		
Local (Notes 10 and 11)	20,294,892	19,975,458
State (Note 2)	13,338,529	13,200,321
Federal	<u>19,779,409</u>	<u>5,203,658</u>
Total nonoperating revenues	<u>53,412,830</u>	<u>38,379,437</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	8,339,868	(5,920,026)
CAPITAL CONTRIBUTIONS - FEDERAL, STATE AND LOCAL	<u>6,059,371</u>	<u>6,748,981</u>
CHANGE IN NET POSITION	14,399,239	828,955
NET POSITION, BEGINNING OF YEAR	<u>71,220,031</u>	<u>70,391,076</u>
NET POSITION, END OF YEAR	<u>\$ 85,619,270</u>	<u>\$ 71,220,031</u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from transit operations	\$ 731,399	\$ 2,647,763
Payments for salaries and wages and fringe benefits	(25,074,108)	(24,475,315)
Payments to suppliers	(5,517,616)	(6,064,125)
Payments for claims and insurance	(780,569)	(1,300,630)
Payments for purchased transportation	(6,784,725)	(7,161,008)
Net cash used in operating activities	<u>(37,425,619)</u>	<u>(36,353,315)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Nonoperating revenues:		
Local	20,125,253	19,365,149
State	12,933,160	13,820,337
Federal	15,689,214	5,217,019
Net cash provided by noncapital financing activities	<u>48,747,627</u>	<u>38,402,505</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(5,931,019)	(7,376,558)
Capital contributed by state and federal grants	5,985,839	7,238,886
Proceeds from sales of equipment	36,179	89,311
Net cash provided by (used in) capital and related financing activities	<u>90,999</u>	<u>(48,361)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	(10,246,611)	(9,563,706)
Proceeds from sale and maturities of investment securities	5,241,771	14,414,194
Interest income	11,207	161,119
Net cash (used in) provided by investing activities	<u>(4,993,633)</u>	<u>5,011,607</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,419,374	7,012,436
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,240,288</u>	<u>10,227,852</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 23,659,662</u>	<u>\$ 17,240,288</u>
STATEMENTS OF POSITION CLASSIFICATION OF CASH AND CASH EQUIVALENTS		
Unrestricted cash and cash equivalents	\$ 23,618,719	\$ 17,199,345
Restricted cash	40,943	40,943
Total cash and cash equivalents	<u>\$ 23,659,662</u>	<u>\$ 17,240,288</u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

STATEMENTS OF CASH FLOWS (Continued)

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (45,072,962)	\$ (44,299,463)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	6,650,943	6,787,243
Changes in assets and liabilities which provided by (used in) cash:		
Accounts Receivable	(327,738)	501,171
Inventory	(190,931)	90,666
Deferred outflows	(23,408)	5,945
Prepaid expenses	543,743	54,982
Payables	995,968	318,135
Accrued payroll	251,712	117,220
Other accrued expenses	(252,946)	70,787
Total adjustments	<u>7,647,343</u>	<u>7,946,149</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (37,425,619)</u>	<u>\$ (36,353,314)</u>
NONCASH TRANSACTIONS:		
Subcontracted revenue - urban demand response (Note 13)	85,916	273,833
Subcontracted revenue - interurban airport shuttle (Note 13)	-	613,914
Nonurban - passenger fares and other governmental sources	<u>379,449</u>	<u>593,482</u>
Total noncash transactions	<u>\$ 465,365</u>	<u>\$ 1,481,229</u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND

STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS:		
Cash	\$ -	\$ -
Investments	<u>881,786</u>	<u>810,615</u>
Total assets	<u><u>\$ 881,786</u></u>	<u><u>\$ 810,615</u></u>
LIABILITIES	-	-
NET POSITION		
Restricted for Retiree Healthcare and Life Insurance Fund	<u><u>\$ 881,786</u></u>	<u><u>\$ 810,615</u></u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
ADDITIONS:		
Employer contributions	\$ 90,136	\$ 61,831
Retiree premium contributions	1,911	1,911
Investment Income	<u>72,716</u>	<u>37,321</u>
Total additions	164,763	101,063
DEDUCTIONS:		
Benefit Payments	\$ 92,047	\$ 63,742
Administrative expenses	<u>1,545</u>	<u>1,424</u>
Total deductions	<u>93,592</u>	<u>65,166</u>
NET INCREASE IN NET POSITION	71,171	35,897
NET POSITION, BEGINNING OF YEAR, AS RESTATED (NOTE 18)	<u>\$ 810,615</u>	<u>\$ 774,718</u>
NET POSITION, END OF YEAR	<u><u>\$ 881,786</u></u>	<u><u>\$ 810,615</u></u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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 (both the proprietary and fiduciary funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

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

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

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

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

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

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

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

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

Property Taxes – Property taxes are levied as an enforceable lien on property on July 1 by the cities of Ann Arbor and Ypsilanti and Ypsilanti Township. Property taxes are recognized as revenue when levied, with proper allowances made for estimated adjustments and Michigan Tax Tribunal refunds.

Compensated Absences - The Authority records the expense for vacation and sick pay benefits when earned by the employees. The portion of the accrual for unused vacation and sick leave that is reported as a current liability is based on an estimate of the amount employees are expected to use in the upcoming year. The remainder of the accrual is reported as a noncurrent liability. The accrual for compensated absences amounts to \$1,674,456 and \$1,786,826 for the years ended September 30, 2021 and 2020, 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 statements 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 fair 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 and amortization is computed using the straight-line method based on the estimated useful lives of the assets as follows:

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

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

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

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

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

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

2. STATE OF MICHIGAN OPERATING ASSISTANCE FUNDS

Under Act 51 of the Public Acts of 1951, as amended, the State of Michigan makes distributions of funds that have been appropriated for mass transit operating assistance. As indicated in Note 1, the RTA is the designated recipient of such funds and the Authority is a subrecipient of the RTA. The Authority has recorded operating grant revenue under Act 51 based on a formula that takes into account the eligible costs incurred by the Authority and preliminary information made available by the Michigan Department of Transportation (MDOT) as to the eligible expenses reimbursement percentage for the fiscal year ended September 30, 2021.

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, 2021, 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, 2021 and 2020:

Statements of Position:	2021	2020
Cash and cash equivalents	\$23,618,719	\$17,199,345
Investments	11,796,056	6,791,216
Restricted cash	<u>40,943</u>	<u>40,943</u>
Total	<u>\$35,455,718</u>	<u>\$24,031,504</u>

Deposits and Investments:	2021	2020
Bank deposits (checking, savings and certificates of deposit)	\$23,656,372	\$17,236,998
U.S. Treasury securities	11,796,056	6,791,216
Cash on hand	<u>3,290</u>	<u>3,290</u>
Total	<u>\$35,455,718</u>	<u>\$24,031,504</u>

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

- Certificates of deposit with funds initially invested through a Federal Deposit Insurance Corporation (FDIC) financial institution that maintains a principal office or branch office located in the State of Michigan. This financial institution, acting as custodian, may arrange the investment of funds in certificates of deposit in one or more FDIC insured depository institutions throughout the United States if the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States. The total investment (exclusive of checking accounts) in any one financial institution shall not exceed the lesser of 20% of that financial institution’s capital and surplus or \$4,000,000.
- Bonds and other direct obligations of the United States or any agency thereof with a maturity of three years or less.
- Governmental (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, 2021, the Authority had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Govt. Agency Bonds	Various	.125 – .375%	\$ 5,249,608	Moody's AAA
U.S Treasury Notes	5/15/2023	.125%	1,498,489	Moody's AAA
Certificate of Deposit	Various	.050 - .150%	5,010,610	Moody's AAA
U.S. Govt. Money Market	N/A	.030%	<u>37,349</u>	Moody's AAA
		Total	<u>\$11,796,056</u>	

Investment and Deposit Risk

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

At September 30, 2021, the Authority had the following investments and maturities:

	<u>Carrying Value</u>	<u>0-1 Year</u>	<u>1-3 Years</u>
U.S. Govt. Agency Bonds	\$ 5,249,608	\$ 1,500,628	\$ 3,748,980
U.S. Treasury Notes	\$ 1,498,489	\$ -	\$ 1,498,489
Certificate of Deposit	\$ 5,010,610	\$ 5,010,610	\$ -

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, 2021.

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, 2021, \$15,074,381 of the Authority's bank balance of \$35,370,477 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a

policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk as these investments are uncategorized as to risk.

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

4. FAIR VALUE MEASUREMENT

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

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

The Authority has the following recurring fair value measurements as of September 30, 2021 and 2020:

- U.S. Treasury securities are valued using quoted market prices (Level 1 inputs); The investments were held in 2021 but not at the end of 2020.
- 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, 2021 and 2020, the fair value of the assets was \$881,786 and \$810,615, respectively. The Michigan Municipal Employees' Retirement System (MERS), as a governmental plan, is exempt by state and federal law from registration with the Securities Exchange Commission (SEC).

5. GRANTS RECEIVABLE/GRANT REFUNDS PAYABLE

The Authority recognizes a receivable under approved grants as related project expenditures are incurred and the grant revenue earned. Grant refunds payable represent amounts to be returned to the grantor. The amount remaining on each current grant is listed on the additional information – schedule of expenditures of federal and state awards - on pages 42 and 43. The following grant amounts were outstanding at September 30:

	2021	2020
Michigan Department of Transportation:		
Operating assistance	\$ 535,755	\$ 96,310
Capital cost of contracting	118,648	118,648
Planning	33,033	33,033
Preventive maintenance	147,184	148,589
Buses and related equipment	1,006,253	539,466
Computer hardware and software	377,025	142,344
Passenger shelters	20,034	19,882
Facilities	131,489	152,653
Federal Transit Administration:		
Operating assistance	4,439,436	468,359
Buses and related equipment	-	331,750
Passenger shelters	-	6,094
Facilities	19,814	87,500
Capital cost of contracting		
Enhanced Mobility (Section 5310)	114,430	54,437
Job Access/Reverse Commute	32,890	8,785
Planning	-	5,747
Computer hardware and software	7,768	201,066
	<u>7,768</u>	<u>201,066</u>
NET GRANTS RECEIVABLE (REFUNDS PAYABLE)	<u>\$ 6,983,759</u>	<u>\$ 2,414,663</u>

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

	2021	2020
Grants receivable	\$ 7,092,971	\$ 3,828,491
Grant refunds payable	<u>(109,212)</u>	<u>(1,413,828)</u>
Net grants receivable	<u>\$ 6,983,759</u>	<u>\$ 2,414,663</u>

6. OTHER RECEIVABLES

Other receivables consist of the following amounts:

	2021	2020
City of Ann Arbor – property tax levy, net	\$ 188,761	\$721,903
City of Ypsilanti – property tax levy	83,020	82,242
Charter Township of Ypsilanti – property tax levy	<u>771,208</u>	<u>116,591</u>
Total	<u>\$1,042,989</u>	<u>\$920,736</u>

7. CAPITAL ASSETS

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

	Balance September 30 2020	Additions	Disposals/ Reclassifications	Balance September 30 2021
Capital assets not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	<u>1,168,755</u>	<u>1,100,504</u>	<u>944,899</u>	<u>1,324,360</u>
Capital assets not being depreciated	3,439,576	1,100,504	944,899	3,595,181
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 systems	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	783,811	-	-	783,811
Advanced operating system	<u>3,323,160</u>	<u>-</u>	<u>-</u>	<u>3,323,160</u>
Total capital assets being depreciated	109,758,842	5,916,454	8,631,874	107,043,423
Less accumulated depreciation:				
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 systems	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	<u>2,230,993</u>	<u>553,860</u>	<u>-</u>	<u>2,784,853</u>
Total accumulated depreciation	<u>66,199,227</u>	<u>6,650,942</u>	<u>8,631,874</u>	<u>64,218,295</u>
Total capital assets being depreciated, net	<u>43,559,615</u>	<u>(734,488)</u>	<u>-</u>	<u>42,825,128</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 46,999,191</u>	<u>\$ 366,016</u>	<u>\$ 944,899</u>	<u>\$ 46,420,308</u>

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

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

8. UNEARNED REVENUE

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

	2021	2020
Federal capital	\$ 84,061	\$ 84,061
State capital	41,196	41,196
Ypsilanti DDA – Ypsilanti Transit Center Renovations	<u>20,000</u>	<u>20,000</u>
Total	<u>\$ 145,257</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 \$812,249 and \$787,200 for the years ended September 30, 2021 and 2020. The Authority's contribution to the plan is 9% of the employees' gross earnings, less forfeitures. Authority contributions amounted to approximately \$1,258,406 and \$1,416,950 for the years ended September 30, 2021 and 2020, respectively. Total payroll and covered payroll was approximately \$18,104,235 and \$16,244,944 for 2021 and \$18,297,800 and \$15,743,900 for 2020.

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

10. PROPERTY TAXES

In 1974, voters in the City of Ann Arbor approved a 2.5 mills property tax dedicated to public transportation. Through the Headlee Amendment (1978) to the State of Michigan Constitution, the property tax millage has been reduced and is currently 1.9627 mills. In 2010, voters in the City of Ypsilanti approved a 0.9789 mill property tax dedicated to public transportation and is currently 0.9424 mills (Headlee). In May 2014 and May 2018, voters in the three member communities (cities of Ann Arbor and Ypsilanti and the Charter

Township of Ypsilanti) approved a 0.7 mill property tax dedicated to public transportation (reduced to 0.6862 due to the Headlee Amendment).

Property tax revenues received by the Authority for the years ended September 30, 2021 and 2020 totaled approximately \$17,991,318 and \$17,841,235 respectively.

In November 2015, voters in Scio Township approved a 0.36 mill property tax dedicated to public transportation, where Scio Township will levy the property tax and purchase public transportation services from the Authority under a Purchase of Service Agreement (POSA).

11. PROPERTY TAX ABATEMENTS

The Authority receives reduced property tax revenue because of Industrial Facilities Tax Exemptions and Brownfield Redevelopment Agreements granted by the cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti. Industrial facilities exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. Properties qualifying for these tax exemptions, as approved by the applicable governing bodies, are taxed at 50% of the millage rate applicable to the specified property. The amounts of such abatements related to the Cities of Ann Arbor and Ypsilanti, and the Charter Township of Ypsilanti are 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 \$85,916 and \$887,747 of fares for these services in the years ended September 30, 2021 and 2020, respectively. These amounts are disclosed as noncash transactions on the Statements of Cash Flows.

14. COST ALLOCATION PLANS

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

15. POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

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

Benefits Provided. The Authority provides contributory and noncontributory defined benefit postemployment health care insurance, prescription, and life insurance benefits to eligible employees and beneficiaries. For health insurance and prescription coverage, eligible employees include those, as of January 1, 2008, who elected to stay in the plan instead of electing to participate in the Health Care Savings Plan (HCSP). Eligible retirees have the option to select an alternate medical insurance carrier and be reimbursed for such coverage at a rate of up to 130% of that year's Care Choice HMO single-person premium. For retirees who retired between July 1, 2002 and December 31, 2007, their spouses are eligible to receive 50% of the monthly premium for the core HMO single person premium toward medical coverage. For life insurance benefits, eligible bargaining and non-bargaining employees who retire at or after age 59-1/2 with at least 15 years of service are eligible for life insurance coverage in the amount of \$30,000 until age 65, \$20,000 from age 65 to 69, and \$10,000 age 70 and over.

Employees Covered by Benefit Terms. The health care insurance and prescription coverage plan is closed to new employees. Substantially all Authority employees are eligible for retiree life insurance 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, 2020, the following employees were covered by the plan:

	<u>Health</u>	<u>Life</u>
Current retirees and spouses	12	52
Current Active members	<u>0</u>	<u>240</u>
Total plan members	12	292

The OPEB liability was rolled forward to September 30, 2021 and at that time, the following employees were covered by the plan:

	<u>Health</u>	<u>Life</u>
Current retirees and spouses	10	46
Current Active members	<u>0</u>	<u>261</u>
Total plan members	10	307

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, 2021, the Authority paid postemployment health care benefit premiums and life insurance premiums of \$90,136.

Net OPEB Liability. The net OPEB liability was measured as of September 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. To roll forward the total OPEB liability from September 30, 2020, the actuarial assumptions and projections in the September 30, 2020 valuation were utilized along with necessary changes in actuarial assumptions. 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
Changes in Net OPEB Liability:			
Balance at October 1, 2020	\$ 1,264,744	\$ 810,615	\$ 454,129
Changes for the year:			
Service Cost	14,567	-	14,567
Interest	51,532	-	51,532
Contributions - Employer	-	90,136	(90,136)
Difference between expected and actual experience	31,587	-	31,587
Changes in assumptions	(303,122)	-	(303,122)
Differences between projected and actual earnings	-	38,702	(38,702)
Net investment earnings	-	34,014	(34,014)
Benefit payments, including refunds	(90,136)	(90,136)	-
Administrative expenses	-	(1,545)	1,545
Net Changes	<u>(295,572)</u>	<u>71,171</u>	<u>(366,743)</u>
OPEB obligation, end of year	\$ 969,172	\$ 881,786	\$ 87,386

The plan's fiduciary net position represents 91% of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended September 30, 2021, the Authority recognized an OPEB income of \$106,831.

At September 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 27,295	\$ 116,763
Changes in assumption	-	494,682
Net difference between projected and actual earnings	<u>-</u>	<u>28,596</u>
Total	<u>\$ 27,295</u>	<u>\$ 640,041</u>

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (95,905)
2023	(95,780)
2024	(98,236)
2025	(97,429)
2026	(89,691)
2027 and years after	(135,705)

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2020 and rolled forward to September 30, 2021 using the following actuarial assumptions:

Actuarial valuation date	September 30, 2020
Actuarial cost method	Individual Entry Age Normal as a Level % of Payroll
Asset valuation method	Market value of assets
Discount rate	6.5%
Annual wage increases	3.0%
Price Inflation	2.5%
Investment rate of return	6.5%
Healthcare cost trend rate	5.75% for 2021, declining by 0.25% from 2023 to 2025, then 4.5% thereafter
Mortality	Pub-2010 General Retiree Mortality Table With rates multiplied by 106% and using Scale MP-2020

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%
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Municipal bond index rate*	2.43%
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 *(S&P Municipal Bond 20-year high grade rate index)	6.50%

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 2.43%.

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.

	<u>Target Allocation</u>	<u>Inflation</u>	<u>Real Rate of Return</u>
Global Equity	60%	2.50%	4.08%
Global Fixed Income	20%	2.50%	1.98%
Private Investment	20%	2.50%	5.77%

The portfolio allocation and assumptions stated above was at the time of plan measurement date (September 30, 2021).

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:

	<u>1% Decrease</u>	<u>Current 6.5%</u>	<u>1% Increase</u>
Net OPEB liability	\$195,963	\$87,386	(\$3,757)

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 5.75%, as well as what the Authority’s net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current 5.75%</u>	<u>1% Increase</u>
Net OPEB liability	\$49,296	\$87,386	\$129,860

Assumption Changes. Changes in assumptions for the OPEB Plan as of September 30, 2021 (measurement date) from the valuation date of September 30, 2020, are as below:

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

16. HEALTH CARE SAVINGS PLAN

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

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

Effective January 1, 2021, 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 approximately \$465,620 and \$492,820 for the years ended September 30, 2021 and 2020, respectively. Employee contributions amounted to approximately \$90,234 and \$98,877 for the years ended September 30, 2021 and 2020, respectively.

17. CHANGE IN ACCOUNTING PRINCIPLE:

The Authority adopted GASB Statement No. 84, *Fiduciary Activities*. This statement provided the guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how these activities should be reported. The statement requires the Authority to now report the activities of the MERS Retiree Health Funding Vehicle account (RHFV), which resulted in restatement of Other Postemployment Trust fiduciary fund net position as of September 30, 2021 and 2020 of \$881,786 and \$810,615, respectively, which was previously not reported.

18. COVID 19 PANDEMIC

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

Since the outbreak, the Authority has continuously monitored the situation and made necessary operational adjustments to ensure safety of services offered along with reducing expenses for financial stability. This includes reducing bus capacity, additional bus cleaning procedures, and employee layoffs. To reduce contact between riders and drivers, AAATA suspended collecting all fares for rides from April 2020 to August 2020. Fare collection has remained reinstated as of the date of the financial statements. In April 2020, the Authority also temporarily reduced its bus service to approximately 25-30 percent of normal operation because of decreased ridership. AAATA reinstated bus service to approximately 60 percent of normal operation from August 2020 to August 2021. Since August 2021, a *Service Recovery Plan* for regular fixed route services has been implemented however due to workforce shortages (a direct result of the pandemic) there continues to be service interruptions for certain routes.

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

Due to three federal laws, a total of \$58.7 million in reimbursable federal relief funding is available to the AAATA as follows:

- \$20,704,090 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- \$15,771,805 in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- \$22,269,092 in American Rescue Plan (ARP) funding (anticipated after RTA split)

This federal aid was provided to help agencies respond to the pandemic and maintain transit services while facing lost revenue and increased expenses for Personal Protective

Equipment (PPE), cleaning and sanitation supplies, increased janitorial services, paid employee leave, and other costs. The funding was apportioned to the Authority through the Sec. 5307 program and is available for 100% share of eligible operating expenses.

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

19. UPCOMING ACCOUNTING AND REPORTING CHANGES

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

In May 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.

20. SUBSEQUENT EVENTS

The Authority has performed a review of events subsequent to the statements of net position date through February 24, 2022 the date the financial statements were available to be issued.

Required GASB Statement No. 75

Supplementary Information

September 30, 2021

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			
	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Total OPEB Liability				
Service cost	\$ 14,567	\$ 19,247	\$ 18,778	\$ 4,640
Interest	51,532	68,575	68,282	27,287
Benefit payments, including refunds	(90,136)	(61,831)	(98,450)	(117,666)
Differences between expected and actual experience	31,587	(152,039)	0	0
Changes in assumptions	(303,122)	(303,061)	0	0
Net Change in Total OPEB Liability	(295,572)	(429,109)	(11,390)	(85,739)
Total OPEB Liability - Beginning of year	1,264,744	1,693,853	1,705,243	1,790,982
Total OPEB Liability - End of Year	\$ 969,172	\$ 1,264,744	\$ 1,693,853	\$ 1,705,243
Plan Fiduciary Net Position				
Net investment income	\$ 72,716	\$ 37,321	\$ 6,555	\$ 2,757
Employer contributions	90,136	61,831	758,450	117,666
Benefit payments	(90,136)	(61,831)	(98,450)	(117,666)
Administrative expenses	(1,545)	(1,424)	(231)	(258)
Net Change in Plan Fiduciary Net Position	71,171	35,897	666,324	2,499
Plan Fiduciary Net Position - Beginning of year	810,615	774,718	108,394	105,895
Plan Fiduciary Net Position - End of year	\$ 881,786	\$ 810,615	\$ 774,718	\$ 108,394
Net OPEB Liability - End of Year	\$ 87,386	\$ 454,129	\$ 919,135	\$ 1,596,849
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	90.98%	64.09%	45.74%	6.36%
Covered Payroll	\$ 16,579,071	\$ 15,718,897	\$ 16,826,037	\$ 16,567,739
Net OPEB Liability as a Percentage of Covered Payroll	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 Payroll	Contributions as a Percentage of Covered Payroll
9/30/2012	\$ 89,545	\$ 81,150	\$ (8,395)	\$ 218,584	37.13%
9/30/2013	80,645	70,095	(10,550)	132,944	52.73%
9/30/2014	82,701	65,687	(17,014)	91,396	71.87%
9/30/2015	76,321	86,459	10,138	67,196	128.67%
9/30/2016	98,233	67,975	(30,258)	107,142	63.44%
9/30/2017	85,212	84,949	(263)	43,556	195.03%
9/30/2018	85,204	117,666	32,462	16,567,739	0.71%
9/30/2019	127,617	758,450	630,833	16,826,037	4.51%
9/30/2020	130,808	61,831	(68,977)	15,718,897	0.39%
9/30/2021	49,040	90,136	41,096	16,579,071	0.54%

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Actuarially determined contribution for the year ended September 30, 2021 are calculated as of
Valuation Date September 30, 2020.

Methods and assumptions used to determine contribution rates based on measurement as of September 30, 2021:

Actuarial cost method	Entry age normal
Amortization period	Level percent of payroll
Asset valuation method	Market value
Inflation	2.5 percent
Healthcare cost trend rates	5.75 percent for 2021 and declining by .25 percent for 4 years through 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 Retiree Mortality Tables with rates multiplied by 106 percent and using Scale MP-2020

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**

	For Fiscal Year Ending			
	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Annual money-weighted rate of return- Net of investment expense	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, 2021

A. CHANGES IN PLAN PROVISIONS SINCE PRIOR VALUATION

No changes to the plan provisions since the prior valuation date of September 30, 2021.

B. CHANGES IN ASSUMPTIONS

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

Additional Information for the Year Ended
September 30, 2021

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

LOCAL OPERATING REVENUES:	2021	2020
Passenger fares:		
Urban fixed route	\$ 721,451	\$ 1,045,009
Urban demand response	263,905	402,374
Commuter express	-	44,660
Interurban airport shuttle	-	613,914
Nonurban demand response	60,110	103,044
Special Fares:		
City of Ann Arbor - DDA (go!pass)	164,084	344,923
City of Ann Arbor - DDA (NightRide)	2,830	5,570
Ann Arbor Public Schools	6,130	46,583
Eastern Michigan University	5,951	132,767
University of Michigan (MRide)	394,821	863,720
Washtenaw Community College	5,220	25,256
TOTAL LOCAL OPERATING REVENUES	\$ 1,624,502	\$ 3,627,820
LOCAL NONOPERATING REVENUES:		
Purchase of service agreements:		
Pittsfield Township	\$ 544,419	\$ 513,819
Scio Township	188,524	296,035
Superior Township	101,159	76,402
City of Chelsea (ExpressRide)	-	15,000
Total purchase of service agreements	834,102	901,256
City of Ann Arbor - property tax levy	16,417,271	16,317,126
City of Ypsilanti - property tax levy	559,264	547,750
Ypsilanti Township - property tax levy	1,014,783	976,359
City of Ann Arbor - Downtown Development Authority (GetDowntown)	15,267	52,501
City of Ann Arbor - DDA - University of Michigan (BikeShare)	-	88,117
Job Access/Reverse Commute pass-through	120,000	142,996
Nonurban - Other governmental and local sources	319,339	490,438
Corporate Partnerships	704,000	-
Interest income	11,207	161,119
Advertising income	152,865	199,640
Other revenue	3,783	8,845
Post-Retirement Actuary Adjustment	106,831	-
Gain (loss) on sale of equipment	36,179	89,311
Total local nonoperating revenues	20,294,892	19,975,458
Total local operating and nonoperating revenues	21,919,393	23,603,278
STATE OF MICHIGAN NONOPERATING REVENUES:		
Formula operating assistance - urban (Act 51)	11,259,017	11,906,842
Formula operating assistance - nonurban (Act 51)	859,923	796,992
Prior years formula adjustments - urban and nonurban	1,047,244	125,508
Interurban shuttle operating assistance	-	126,122
Capital Cost of Contracting	-	55,500
Job Access/Reverse Commute (State Match)	32,890	29,765
Michigan Mobility Challenge	1,859	19,432
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310 - State Match)	27,015	37,609
Preventive maintenance	-	2,500
Specialized services	110,581	100,051
Total state nonoperating revenues	13,338,529	13,200,321
FEDERAL NONOPERATING REVENUES:		
Operating Assistance (Section 5307)	1,350,000	2,570,000
Unified planning program passed through SEMCOG (Section 5303/PL 112)	158,273	36,981
Federal operating assistance - nonurban (Section 5311) - passed through the State	1,023,615	779,498
Capital cost of contracting (Section 5307)	-	222,000
Job Access/Reverse Commute	32,890	29,764
Preventive maintenance (Section 5307)	-	10,000
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310)	114,430	150,436
CARES act	17,100,201	1,404,979
Total federal nonoperating revenues	19,779,409	5,203,658
TOTAL NONOPERATING REVENUES	\$ 53,412,830	\$ 38,379,437

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021 Total	2020 Total
LABOR:		
Operators' salaries and wages	\$ 7,864,222	\$ 8,452,430
Other salaries and wages	6,401,285	6,831,039
FRINGE BENEFITS		
Fringe wages	3,838,728	3,014,335
Social security payroll taxes	1,330,643	1,322,376
Medical insurance	2,862,133	2,724,548
Pension	1,258,407	1,416,945
Health care savings plan	465,640	492,820
Postretirement medical benefits	-	(13,277)
Other fringe benefits	1,028,408	719,322
SERVICES:		
Advertising fees/promotion media	106,002	173,943
Other services	2,941,220	2,153,828
Auditing fees	37,200	31,650
MATERIALS AND SUPPLIES CONSUMED:		
Fuel and lubricants	1,217,355	1,172,574
Tires and tubes	144,118	142,957
Materials and supplies	1,968,208	1,950,627
UTILITIES	676,261	601,093
CASUALTY AND LIABILITY COSTS:		
Premiums for public liability and property damage insurance	886,222	827,092
Other casualty and liability costs	428,702	287,117
PURCHASED TRANSPORTATION	5,943,543	8,473,491
MISCELLANEOUS EXPENSES:		
Association dues & subscriptions	80,354	71,649
Travel and meetings	33,069	47,483
Other	424,865	146,602
LEASES AND RENTALS	109,937	99,397
DEPRECIATION AND AMORTIZATION	<u>6,650,943</u>	<u>6,787,242</u>
TOTAL OPERATING EXPENSES	<u>\$ 46,697,464</u>	<u>\$ 47,927,283</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)
YEAR ENDED SEPTEMBER 30, 2021**

Federal and State Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grant or Grant or Number	Program or Award Amount	Current Year's Expenditures			Prior Years' Expenditures	Amount Remaining	
				Total	Federal	State			Local
Michigan Department of Transportation (State):									
Direct assistance - Capital grants:									
Capital (FY 2011 and FY 2012)	N/A	2007-0162/Z32	\$2,920,600	\$0	\$0	\$0	\$0	\$2,919,067	\$1,533
Capital (Section 5339 Match) (FY 2013)	N/A	2012-0033/P8	542,774	0	0	0	0	519,261	23,513
Capital (FY 2014 and FY 2015)	N/A	2012-0033/P17	1,340,673	3,404	0	3,404	0	1,337,269	0
Capital (FY 2016 and FY 2017)	N/A	2012-0033/P24	1,385,880	20,000	0	20,000	0	1,365,322	558
Capital (Section 5310 Match) (FY 2016)	N/A	2012-0033/P25	86,334	2,095	0	2,095	0	43,516	40,723
Capital (FY 2018)	N/A	2017-0008/P5	1,052,781	102,367	0	102,367	0	946,375	4,039
Capital (Section 5310 Match) (FY 2018)	N/A	2017-0008/P6	27,000	0	0	0	0	17,999	9,001
Capital (FY 2019)	N/A	2017-0008/P13	1,527,141	327,755	0	327,755	0	611,061	588,324
Capital (Section 5310 Match) (FY 2019)	N/A	2017-0008/P14	46,000	12,000	0	12,000	0	0	34,000
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	751,678	0	751,678	0	49,096	934,266
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	0	0	0	0	0	27,000
Capital (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	120,000	0	0	0	0	119,110	890
Capital (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P9	207,200	258	0	258	0	206,942	0
Subtotal - Direct State Capital			<u>\$11,066,668</u>	<u>\$1,219,557</u>	<u>\$0</u>	<u>\$1,219,557</u>	<u>\$0</u>	<u>\$8,135,018</u>	<u>\$1,712,094</u>
Direct assistance - Operating grants:									
Operating assistance - Act 51 Urban	N/A	N/A	\$11,259,017	\$11,259,017	\$0	\$11,259,017	\$0	\$0	\$0
Operating assistance - Act 51 Nonurban	N/A	N/A	859,923	859,923	0	859,923	0	0	0
Prior year formula adjustments	N/A	N/A	1,047,244	1,047,244	0	1,047,244	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	0	0	0	0	55,500	91,500
Capital Cost of Contracting (FY 2020)	N/A	2017-0008/P17	152,000	0	0	0	0	0	152,000
Preventive Maintenance (FY 2019)	N/A	2017-0008/P13	10,000	0	0	0	0	2,500	7,500
Preventive Maintenance (FY 2020)	N/A	2017-0008/P17	10,000	0	0	0	0	0	10,000
Job Access/Reverse Commute (FY 2010)	N/A	2007-0162/Z27	647,773	32,890	0	32,890	0	541,488	73,395
Enhanced Mobility (Section 5310) (FY 2016 & 2017)	N/A	2012-0033/P25	12,068	10,091	0	10,091	0	0	1,977
Enhanced Mobility (Section 5310) (FY 2018)	N/A	2017-0008/P6	27,500	0	0	0	0	0	27,500
Enhanced Mobility (Section 5310) (FY 2019)	N/A	2017-0008/P14	12,000	511	0	511	0	11,489	0
Enhanced Mobility (Section 5310) (FY 2020)	N/A	2017-0008/P18	10,145	8,318	0	8,318	0	0	1,827
Enhanced Mobility (Section 5310) (FY 2021)	N/A	2017-0008/P24	10,000	0	0	0	0	0	10,000
Specialized Services (FY 2020 & 2021)	N/A	2017-0008/P11	210,635	110,584	0	110,584	0	100,051	0
Operating (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	37,000	0	0	0	0	17,362	19,638
Operating (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P9	249,767	1,601	0	1,601	0	248,166	0
Subtotal - Direct State Operating			<u>\$14,882,416</u>	<u>\$13,330,179</u>	<u>\$0</u>	<u>\$13,330,179</u>	<u>\$0</u>	<u>\$1,130,454</u>	<u>\$421,783</u>
TOTAL DIRECT STATE EXPENDITURES			<u>\$25,949,084</u>	<u>\$14,549,736</u>	<u>\$0</u>	<u>\$14,549,736</u>	<u>\$0</u>	<u>\$9,265,471</u>	<u>\$2,133,877</u>
STATE FUNDS PASSED BY AAATA TO SUBRECIPIENTS:									
Specialized Services (FY 2020 & 2021)	N/A	2017-0008/P11	192,880	96,440	0	96,440	0	96,440	0
Total - State Pass-through Specialized Services			<u>\$192,880</u>	<u>\$96,440</u>	<u>\$0</u>	<u>\$96,440</u>	<u>\$0</u>	<u>\$96,440</u>	<u>\$0</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2021**

Federal and State Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grant or Authorization Number	Purchase Order Number	Program or Award Amount	Current Year's Expenditures			Prior Years' Federal Expenditures	Federal Amount Remaining	
					Total	Federal	State			Local
U. S. Department of Transportation (Federal):										
Direct Assistance - Capital Grants:										
Capital (Section 5307) (FY 2014 & 2015) (80/20)	20.507	MI-90-X684-01	MI90-X684	\$5,362,693	\$13,617	\$13,617	\$0	\$0	\$5,349,076	\$0
Capital (Section 5307) (FY 2016 & 2017) (80/20)	20.507	MI-2016-X26-01	MI90-X778	2,209,279	80,000	80,000	0	0	2,127,047	2,232
Capital (Section 5307) (FY 2018) (80/20)	20.507	MI-2018-X28-00	MI90-0082	2,322,400	152,267	152,267	0	0	2,153,976	16,157
Capital (Section 5307-CMAQ) (FY 2018) (80/20)	20.507	MI-2018-X28-00	MI95-0006	1,328,723	21,399	21,399	0	0	1,307,324	0
Capital (Section 5339) (FY 2018) (80/20)	20.526	MI-2018-X28-00	MI34-0053	560,000	235,799	235,799	0	0	324,201	0
Capital (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	3,608,298	315,488	315,488	0	0	1,053,520	2,239,290
Capital (Section 5307-CMAQ) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI95-0014	1,292,264	910,647	910,647	0	0	381,617	0
Capital (Section 5339) (FY 2019) (80/20)	20.526	MI-2019-X34-00	MI34-0077	1,208,000	84,884	84,884	0	0	1,009,110	114,006
Capital (Section 5307-STP) (FY 2019) (80/20)	20.507	MI-2019-X35-00	MI95-4001	60,184	0	0	0	0	0	60,184
Capital (Section 5307) (FY 2019) (80/20)	20.507	MI-2020-X38-00	MI90-X840	4,689,148	2,071,347	2,071,347	0	0	196,382	2,421,419
Capital (Section 5307-CMAQ) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI95-0018	1,137,205	759,386	759,386	0	0	0	377,819
Capital (Section 5339) (FY 2020) (80/20)	20.526	MI-2020-X38-00	MI34-0086	1,113,809	176,000	176,000	0	0	0	937,809
Capital (Section 5310) (FY 2016 & 2017) (80/20)	20.513	MI-2016-X40-01	MI16-X019	345,336	8,381	8,381	0	0	174,761	162,194
Capital (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	108,000	0	0	0	0	71,994	36,006
Capital (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	184,000	48,000	48,000	0	0	0	136,000
Capital (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	132,800	0	0	0	0	0	132,800
Capital (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	108,000	0	0	0	0	0	108,000
Subtotal - Federal Capital				\$25,770,139	\$4,877,215	\$4,877,215	\$0	\$0	\$14,149,008	\$6,743,916
Direct Assistance - Operating Grants:										
Capital Cost of Contracting (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	\$588,000	\$0	\$0	\$0	\$0	\$222,000	\$366,000
Capital Cost of Contracting (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	608,000	0	0	0	0	0	608,000
Preventive Maintenance (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	40,000	0	0	0	0	10,000	30,000
Preventive Maintenance (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	40,000	0	0	0	0	0	40,000
Operating Assistance (Section 5307) (FY 2019) (50/50)	20.507	MI-2019-X34-00	MI90-X822	3,400,000	1,660,000	830,000	0	830,000	2,570,000	0
Operating Assistance (Section 5307) (FY 2020) (50/50)	20.507	MI-2020-X38-00	MI90-X840	4,406,790	1,040,000	520,000	0	520,000	0	3,886,790
Operating Assistance (Section 5307-CARES Act) (FY 2020) (100/0)	20.507	MI-2020-017-00	MI90-4006	20,704,090	17,100,201	17,100,201	0	0	1,404,979	2,198,910
JARC Trip Assistance (50/50)	20.516	MI-37-X044-02	MI37-4044	608,988	32,890	32,890	0	0	502,704	73,394
Enhanced Mobility (Section 5310) (FY 2016 & 2017) (80/20 or 50/50)	20.513	MI-2016-X40-01	MI16-X019	228,717	40,364	40,364	0	0	79,382	108,971
Enhanced Mobility (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	110,000	0	0	0	0	0	110,000
Enhanced Mobility (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	48,000	2,045	2,045	0	0	45,955	0
Enhanced Mobility (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	128,800	46,008	39,640	0	6,368	0	89,160
Enhanced Mobility (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	136,746	0	0	0	0	0	136,746
Passed Through Michigan Department of Transportation:										
Nonurban Operating Assistance (Section 5311) (FY 2021)	20.509	2017-0008/P19	2017-0008/P19	389,749	412,194	412,194	0	0	0	0
Nonurban Operating Assistance (Section 5311-CARES Act) (FY 2021)	20.509	2017-0008/P19	2017-0008/P19	389,749	412,194	412,194	0	0	0	0
Nonurban Operating Assistance (Section 5311-CARES Act) (FY 2021)	20.509	2017-0008/P21	2017-0008/P21	389,749	199,227	199,227	0	0	0	0
Passed Through Southeast Michigan Council of Governments:										
Unified Planning (Section 5303) (81.85/18.15)	20.205	21001	21001	107,690	131,570	107,690	0	23,880	0	0
Unified Planning (Section 5303) (81.85/18.15)	20.205	21005	21005	50,583	61,800	50,583	0	11,217	0	0
Subtotal - Federal Operating				\$32,375,652	\$21,138,493	\$19,747,028	\$0	\$1,391,465	\$4,835,020	\$7,647,971
TOTAL FEDERAL EXPENDITURES				\$58,145,791	\$26,015,708	\$24,624,243	\$0	\$1,391,465	\$18,984,028	\$14,391,887

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING AND CONTRACT EXPENSES
YEAR ENDED SEPTEMBER 30, 2021, WITH COMPARATIVE TOTALS FOR 2020**

	Specialized Services	Job Access/ Reverse Commute	Nonurban Operations	Urban Operations		2021 Total	2020 Total
	2017-0008/P11	MI37-4044 2007-0162/Z27	Sec. 5311: 2017-0008/P19 2017-0008/P21	Demand-response	Fixed-route		
OPERATING EXPENSES:							
Labor	\$ -	\$ 63,670	\$ 95,624	\$ 2,455,730	\$ 11,650,483	\$ 14,265,507	\$ 15,283,469
Fringe benefits	-	40,177	60,341	1,856,323	8,827,119	10,783,959	9,677,069
Services	-	-	46,420	475,114	2,562,888	3,084,422	2,359,421
Materials and supplies	-	16,153	24,260	488,486	2,800,781	3,329,681	3,266,158
Utilities	-	-	-	126,325	549,936	676,261	601,093
Casualty and liability costs	-	-	15,346	245,628	1,053,950	1,314,924	1,114,209
Purchased transportation	349,939	65,780	2,034,125	3,087,736	405,963	5,943,543	8,473,491
Other	-	-	14,874	100,552	422,862	538,288	265,734
Leases and rentals	-	-	-	27,225	82,712	109,937	99,397
Depreciation and amortization	-	-	-	1,151,453	5,499,490	6,650,943	6,787,242
TOTAL OPERATING EXPENSES	<u>\$ 349,939</u>	<u>\$ 185,780</u>	<u>\$ 2,290,990</u>	<u>\$ 10,014,571</u>	<u>\$ 33,856,184</u>	<u>\$ 46,697,464</u>	<u>\$ 47,927,283</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2021

Code	Description	Fixed-route	Demand-response	Total Urban
401 :	Farebox Revenue			
40100	Passenger Fares	\$ 721,451	\$ 263,905	\$ 985,356
40200	Contract Fares	579,036		579,036
406 :	Auxiliary Transit Revenue			
40615	Advertising Revenue	152,865	-	152,865
407 :	NonTransit Revenue			
40799	Gain on Sale/Disposal of Equipment	36,179	-	36,179
40799	Other Revenue	110,614	-	110,614
408 :	Local Revenue			
40800	Taxes Levied Directly for Transit Agency	13,943,272	4,048,047	17,991,318
409 :	Local Revenue			
40910	Local Operating Assistance	624,727	181,371	806,098
40999	Other Local - Local Match	15,267	-	15,267
40999	Other Local Contracts	-	704,000	704,000
411 :	State Formula and Contracts			
41101	State Operating Assistance	8,683,983	2,575,034	11,259,017
41101	Prior Year Formula Adjustments	811,614	235,630	1,047,244
41199	Enhanced Mobility (Section 5310)	-	27,015	27,015
41199	State Mobility Challenge	1,859	-	1,859
413 :	Federal Contracts			
41302	Operating Assistance (Sec 5307)	1,350,000	-	1,350,000
41312	Unified Planning (Sec 5303)	158,273	-	158,273
41361	CARES Act	17,100,201		17,100,201
41399	Enhanced Mobility (Section 5310)	-	114,430	114,430
414 :	Other Revenue			
41400	Interest Revenue	11,207	-	11,207
Total		\$ 44,300,548	\$ 8,149,431	\$ 52,449,979

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

Code	Description	Fixed-route	Demand-response	Total
501:	Labor			
50101	Operators Salaries & Wages	\$ 6,490,185	\$ 1,374,037	\$ 7,864,222
50102	Other Salaries & Wages	5,160,298	1,081,693	6,241,991
502:	Fringe Benefits			
50200	Other Fringe Benefits	7,285,922	1,690,418	8,976,340
50210	Defined Contribution Pension	1,123,869	121,096	1,244,965
50240	Defined Contribution OPEB	417,328	44,808	462,136
503:	Services			
50302	Advertising Fees	39,090	7,118	46,208
50305	Audit Costs	31,470	5,730	37,200
50399	Other Services	2,492,328	462,266	2,954,594
504:	Materials and Supplies			
50401	Fuel & Lubricants	1,091,096	126,259	1,217,355
50402	Tires & Tubes	122,639	21,479	144,118
50499	Other Materials & Supplies	1,587,046	340,749	1,927,795
505:	Utilities			
50500	Utilities	549,936	126,325	676,261
506:	Insurance			
50603	Liability Insurance	720,676	165,546	886,222
50699	Other Insurance	333,274	80,081	413,355
508:	Purchased Transportation			
50800	Purchased Transportation	405,963	3,087,736	3,493,699
509:	Miscellaneous Expenses			
50902	Travel, Meeting & Training	26,892	6,177	33,069
50903	Association Dues & Subscriptions	65,344	15,010	80,354
50999	Other Misc. Expenses	330,624	79,365	409,989
512:	Operating Leases & Rentals			
51200	Operating Leases & Rentals	82,712	27,225	109,937
513:	Depreciation and Amortization			
51300	Depreciation and amortization	5,499,490	1,151,453	6,650,943
Total Urban Expenses		\$ 33,856,183	\$ 10,014,571	\$ 43,870,753
550:	Ineligible Expenses			
55005	Ineligible Local Contracts		704,000	704,000
55007	Ineligible Depreciation and amortization	5,034,609	784,679	5,819,288
55008	Ineligible other (bad debt/employee events)	305,646	-	305,646
55009	Ineligible Association Dues	7,738	-	7,738
55010	Ineligible Non-transportation Revenue	3,783	-	3,783
570:	Ineligible Expenses			
57099	Ineligible - State Operating Prior Year Amount	811,614	235,630	1,047,244
57602	Ineligible - Unified Planning (Sec 5303)	193,370	-	193,370
57602	Ineligible - State Demo Planning	1,859	-	1,859
57604	Ineligible - Enhanced Mobility (Sec 5310)	-	141,445	141,445
580:	Ineligible Expenses			
58050	Ineligible - Postretirement Benefit Accrual	106,831	-	106,831
58050	Ineligible - Postretirement Benefits Paid	(90,136)	-	(90,136)
Total Ineligible Expenses		\$ 6,375,314	\$ 1,865,754	\$ 8,241,068
		Fixed-route	Demand-response	Total
Total Expenses		\$ 33,856,183	\$ 10,014,571	\$ 43,870,753
Total Ineligible Expenses		(6,375,314)	(1,865,754)	(8,241,068)
Total Eligible Expenses		\$ 27,480,869	\$ 8,148,817	\$ 35,629,686

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2021

Code	Description	Total Nonurban
401 :	Farebox Revenue	
40100	Passenger Fares	\$ 60,110
40200	Contract Fares	-
406 :	Auxiliary Transit Revenue	
40615	Advertising	-
407 :	Non-Transit Revenue	
40799	Gain (Loss) on Sale of Equipment	-
40799	Other Revenue	-
408 :	Local Revenue	
40800	Taxes Levied Directly for Transit Agency	-
409 :	Local Revenue	
40910	Local Operating Assistance	347,342
40999	Other Local	-
411 :	State Formula and Contracts	
41101	State Operating Assistance	859,923
411	Prior Year Formula Adjustments	-
413 :	Federal Contracts	
41301	Federal Section 5311	1,023,615
414 :	Other Revenue	
41400	Interest Revenue	-
	Other	-
Total		\$ 2,290,990

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES YEAR ENDED SEPTEMBER 30, 2021

Code	Description	Demand Response Total
501: Labor		
50102	Other Salaries & Wages	\$ 95,624
502: Fringe Benefits		
50200	Other Fringe Benefits	50,168
50210	Defined Contribution Pension	8,070
50240	Defined Contribution OPEB	2,103
503: Services		
50305	Other Services	46,420
504: Materials and Supplies		
50499	Other Materials & Supplies	24,260
506: Insurance		
50699	Other Insurance	15,346
508: Purchased Transportation		
50800	Purchased Transportation	2,034,125
509: Miscellaneous Expenses		
50999	Other Misc. Expenses	14,874
550: Ineligible Expenses		-
570: Ineligible Expenses		-
	Total Expenses	\$ 2,290,990
	Total Ineligible Expenses	-
	Total Eligible Expenses	\$ 2,290,990

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - URBAN AND NONURBAN SERVICE NONFINANCIAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2021**

PUBLIC SERVICE - URBAN FIXED-ROUTE

Code	Description	Total
610	Vehicle Hours	235,009
611	Vehicle Miles	4,025,193

PUBLIC SERVICE - URBAN DEMAND RESPONSE

Code	Description	Total
610	Vehicle Hours	54,274
611	Vehicle Miles	667,986

PUBLIC SERVICE - NONURBAN DEMAND RESPONSE

Code	Description	Total
610	Vehicle Hours	35,500
611	Vehicle Miles	660,760

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION YEAR ENDED SEPTEMBER 30, 2021

	Urban		Nonurban
	Fixed-Route	Demand Response	
Total Expenses	\$ 33,856,184	\$ 10,014,571	\$ 2,290,990
Less Ineligible Expenses:			
Federal Planning (Section 5303, w/Local Match)	193,370	-	
Federal and State Depreciation Expense	5,034,609	784,679	
Federal Enhanced Mobility (Section 5310)		114,430	
State Enhanced Mobility (Section 5310)	-	27,015	
State Demonstration (Mobility Challenge)	1,859	-	
State Operating Prior-Year Formula Adjustment	811,614	235,630	
Post-Retirement Medical Benefits Accrual	106,831	-	
Post-Retirement Medical Benefits Paid	(90,136)	-	
Other Local Contracts	-	704,000	
Other revenue	3,783	-	
Other expenses (bad debts, ineligible interest)	305,646	-	
Association Dues (Ineligible Portion)	7,738	-	
Total Ineligible Expenses	\$ 6,375,314	\$ 1,865,754	\$ -
Total State Eligible Expenses	\$ 27,480,870	\$ 8,148,818	\$ 2,290,990

Eligible Expenses for State Reimbursement	\$ 27,480,870	\$ 8,148,817	\$ 2,290,990
x Reimbursement Percentage	31.6001%	31.6001%	37.5350%
State Operating Assistance	\$ 8,683,983	\$ 2,575,034	\$ 859,923
Total Operating Assistance - Urban		\$ 11,259,017	

Total Federal Eligible Expenses

Total Eligible Expenses for State Reimbursement	\$ 2,290,990
Less: Ineligible Auditing Expenses	1,025
Eligible Expenses for Federal Reimbursement	\$ 2,289,965
x Reimbursement Percentage	44.7000%
Federal Operating Assistance (Section 5311)	\$ 1,023,615

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - NOTES TO SCHEDULE OF OPERATING ASSISTANCE CALCULATION AND NONFINANCIAL INFORMATION YEAR ENDED SEPTEMBER 30, 2021

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 LOCAL CONTRACTS

Other local contract includes a one-year grant agreement with Toyota to support the FlexRide service.

E. 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.

F. ADVERTISING REVENUES

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.

G. OTHER EXPENSE

Other expenses include 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.

H. ASSOCIATION DUES

The amounts disallowed represent a percentage of the annual dues paid to the American Public Transit Association and the Michigan Public Transit Association. It was determined that these organizations devote a portion of their efforts, 10.0% and 16.75%, respectively, to influencing legislation which is not eligible for reimbursement according to the Uniform Guidance issued by the Office of Management and Budget.

I. 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.

Single Audit for the Year Ended
September 30, 2021

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Ann Arbor Area Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 24, 2022.

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

Ann Arbor, Michigan
February 24, 2022

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Report on Compliance for Each Major Federal Program

We have audited Ann Arbor Area Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Ann Arbor, Michigan
February 24, 2022

ANN ARBOR AREA TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
 Year ended September 30, 2021

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
Department of Transportation:					
<i>Federal Transit Cluster - Direct Awards:</i>					
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Bus Program)	20.526	n/a	MI34-0053	\$ -	\$ 235,799
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Bus Program)	20.526	n/a	MI34-0077	-	84,884
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs (Bus Program)	20.526	n/a	MI34-0086	-	176,000
Subtotal				-	496,683
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-0684	-	13,617
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X778	-	80,000
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI95-0006	-	21,399
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-0082	-	152,267
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X822	-	1,145,488
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI95-0014	-	910,647
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X840	-	2,591,347
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI95-0018	-	759,386
COVID-19 – Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-4006	-	17,100,201
Subtotal				-	22,774,352
Total Federal Transit Cluster				-	23,271,035
<i>Transit Services Programs Cluster - Direct Awards:</i>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-X019	48,745	48,745
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-0039	26,045	50,045
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-X033	39,640	39,640
Subtotal				114,430	138,430
Job Access and Reverse Commute Program	20.516	n/a	MI37-4044	-	32,890
Total Transit Services Programs Cluster				114,430	171,320
<i>Passed Through Michigan Department of Transportation:</i>					
Formula Grants for Rural Areas and Tribal Transit Program	20.509	2017-0008/P19	MI-2020-008-03	365,958	412,194
COVID-19 – Formula Grants for Rural Areas	20.509	2017-0008/P19	MI-2020-015-02(a)	365,958	412,194
COVID-19 – Formula Grants for Rural Areas	20.509	2017-0008/P21	MI-2020-015-02(b)	176,880	199,227
Total				908,796	1,023,615
<i>Passed through Southeastern Michigan Council of Governments (SEMCOG):</i>					
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	21005		-	50,583
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	21001		-	107,690
Total				-	158,273
Total Department of Transportation				1,023,226	24,624,243
Total Expenditures of Federal Award:				\$ 1,023,226	\$ 24,624,243

ANN ARBOR AREA TRANSPORTATION AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2021

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, 2021. 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 \$1,023,226 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 February 24, 2022, 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, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

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

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

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

Identification of major programs:

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2021

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

Current Year – None

Section III – Federal Program Audit Findings

Current Year – None