

**ANN ARBOR AREA
TRANSPORTATION
AUTHORITY**

Year Ended
December 31, 2023
and 2022

**Financial
Statements**

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ann Arbor Area Transportation Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Ann Arbor Area Transportation Authority (the "Authority") as of September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Ann Arbor Area Transportation Authority, as of September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024, on our consideration of Ann Arbor Area Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ann Arbor Area Transportation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ann Arbor Area Transportation Authority's internal control over financial reporting and compliance.

UHY LLP

Ann Arbor, Michigan
February 14, 2024

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

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

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, 2023 and 2022 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, 2022 have been audited and are included herein for comparative purposes.

Financial Highlights

The Authority's total assets increased from the prior year by \$10.0 million (10.2%), primarily due to an increase of \$10.0 million (22.3%) in total cash and investments. The increase in cash and investments reflects the board adopted strategy during FY 2021 to create a capital reserve for future community capital needs and increase in net position during FY 2023.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

Total net position increased by \$10.2 million (11.1%) as the unrestricted net position increased by \$10.4 million (20.8%) offset by a decrease net investment in capital assets of \$0.2 million (1%) .

Total operating revenues is comprised of passenger fares and special fares, where someone other than the passenger pays the fare. These increased about \$1.3 million (44.2%) as the result of services resuming full operation after lower ridership during the pandemic period.

Total non-operating revenues includes federal, state and local funding. These increased \$2.6 million (4.5%) mostly due increase in investment income of \$1.7 million with improved market, as well as an increase in current state operating assistance of \$1 million and prior year settlements of \$1.6 million from the State of Michigan. This is offset by a decrease in federal revenue of \$3 million as a result of more funding in prior year for ARP and CARES ACT.

Total operating expenses increased \$4.5 million (7.8%) primarily due the Authority getting back to full operations after the pandemic lowered most operation costs in prior years as well as increased activities related to the D2A2 line and RTA grants.

Authority's Net Position

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

A summary of the Authority's assets, liabilities and net position at September 30, 2023, 2022 and 2021 follows (in thousands):

	Net Position		
	2023	2022	2021
Assets			
Current assets	\$ 66,497	\$ 56,338	\$ 46,187
Noncurrent assets	56	21	41
Capital assets, net	41,125	41,319	46,420
	<u>107,678</u>	<u>97,678</u>	<u>92,648</u>
Deferred outflows of resources	<u>148</u>	<u>141</u>	<u>27</u>
Liabilities			
Other liabilities	4,260	4,063	4,838
Noncurrent liabilities, including OPEB	1,408	1,730	1,578
	<u>5,668</u>	<u>5,793</u>	<u>6,416</u>
Deferred inflows of resources	<u>649</u>	<u>683</u>	<u>640</u>
Net position			
Net investment in capital assets	41,125	41,319	46,420
Restricted	-	21	41
Unrestricted	60,384	50,003	39,158
	<u>101,509</u>	<u>91,343</u>	<u>85,619</u>
Total net position	\$ 101,509	\$ 91,343	\$ 85,619

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

At September 30, 2023, the Authority's net position was \$101.5 million, compared to \$91.3 million at September 30, 2022.

Beginning in 2021, the Authority established a capital projects reserve, an operating reserve requirement and a workers' compensation insurance reserve. The total net position includes an unrestricted net position of \$60.4 million of which \$46.6 million is committed to reserves, leaving \$13.8 million uncommitted. Of the committed unrestricted net position, the funds are reserved as follows (in millions):

Capital Projects	\$	33
Operating Reserve Requirement		13
Worker's Compensation Agreements		<u>1</u>
	<u>\$</u>	<u>47</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 overfunded actuarial accrued asset for the Plan was \$56,322 as of September 30, 2023, based on the most recent measurement date. This asset increased about \$76 thousand or 100% from the prior year, which reflected a liability of \$19,947, because of an investment portfolio change by the trust administrator (MERS) that increased the long-term expected rate of return. See Note 15 for more information.

The total assets and deferred outflows of the Authority exceeded its total liabilities and deferred inflows by \$101.5 million (net position) as of September 30, 2023. Of this amount, \$60.4 million (unrestricted net position) may be used to fund future operations and meet future obligations of the Authority. The July 1, 2023 property tax levies of about \$20.6 million have been included in nonoperating revenues for the year ended September 30, 2023, even though three quarters of them will be needed to help fund operations from October 1, 2023 to June 30, 2024.

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, 2023, 2022 and 2021 is as follows (in thousands):

	Change in Net Position		
	2023	2022	2021
Operating revenues	\$ 4,315	\$ 2,994	\$ 1,624
Operating expenses	(61,821)	(57,356)	(46,697)
Operating loss	(57,506)	(54,362)	(45,073)
Nonoperating revenues	61,391	58,767	53,413
Change in net position before capital contributions	3,885	4,405	8,340
Net capital contributions	6,281	1,319	6,059
Change in net position	10,166	5,724	14,399
Net position, beginning of year	91,343	85,619	71,220
Net position, end of year	\$ 101,509	\$ 91,343	\$ 85,619

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

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

Total operating expenses of \$61.8 million include operations (\$42.2 million), fleet and facility maintenance (\$8.2 million) and general administration (\$11.4 million). The largest portion of all expenses is employee wages and fringe benefits of about \$29.4 million, 47.6% 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 2023 and 2022, the Authority used approximately \$2.9 million and \$2.4 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 facilities and equipment. In 2023, the Authority continued building rehabilitation for the operations facility. The Authority's largest capital investments include vehicles and related equipment, net of depreciation, of \$22.0 million in 2023 and \$21.0 million in 2022 and the land and buildings, net of depreciation, of \$15.6 million in 2023 and \$16.4 million in 2022.

Economic Factors and Next Year's Budget (Fiscal Year 2024)

For fiscal year 2024, the Board of Directors adopted a \$61.4 million operating budget and a \$26.4 million capital budget. The operating budget is balanced with no surplus.

The most significant initiatives impacting the FY2024 operating budget are the implementation of services promised in the 2022 millage proposal (the millage). In August 2022 the communities we serve supported a new millage that addressed funding challenges faced by the agency for years, which were exacerbated by impacts of the pandemic. The millage also included funding for the first phase of the Long-Range Plan approved in 2022, which includes expanded services to begin in August 2024. The approved millage was approved for 2024 through 2028. The funding will provide continued restoration of ridership through growth in service opportunities and investing in organizational efficiencies and will start impacting the Authority FY2025 budget.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

The coronavirus pandemic significantly impacted the world, our state, and communities directly beginning in March 2020. Financial and operating impacts were unparalleled, with fare revenue and transit ridership losses in the millions. The current presidential administration acknowledged the impacts of these challenges in the transportation industry and provided new sources of operational funding. The FY2024 budget assumes that federal pandemic relief funds will be used to the full extent possible for eligible expenses.

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.

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

The 0.7 mill property tax levy, which funds the additional 5YTIP service, was originally levied from July 1, 2014 to July 1, 2018, inclusive. In May 2018, the 0.7 mill property tax was renewed by voters of the Cities of Ann Arbor and Ypsilanti, and Ypsilanti Township. The property tax is scheduled to be levied from July 1, 2019 to 2023 to continue to fund the additional services. As mentioned previously, a new millage for 2.38 mill has already been approved and will begin in 2024. The new millage replaces the 0.7 mill property tax levy ending in 2023.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the transit provider's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, Ann Arbor Area Transportation Authority, 2700 South Industrial Highway, Ann Arbor, Michigan 48104. The Authority's website at www.theride.org 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 "2023" (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,	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,771,313	\$ 25,427,695
Investments	19,858,794	19,228,868
Accounts receivable, net	1,611,047	1,034,961
Grants receivable	5,529,395	6,824,020
Other receivables, net	1,241,097	884,967
Inventory	1,380,675	1,201,703
Prepaid expenses	2,104,445	1,734,772
Total current assets	<u>66,496,766</u>	<u>56,336,986</u>
Noncurrent assets:		
Restricted cash	-	21,431
Net OPEB asset	56,322	-
Capital assets		
Land and improvements	2,270,821	2,270,821
Park and Ride lot construction	5,759,849	5,759,849
Buildings and improvements	30,488,353	30,410,185
Equipment and other	77,606,225	72,676,879
Construction in progress	356,753	189,206
Total capital assets	116,482,001	111,306,940
Less accumulated depreciation	75,356,626	69,987,607
Net capital assets	<u>41,125,375</u>	<u>41,319,333</u>
Total noncurrent assets	<u>41,181,697</u>	<u>41,340,764</u>
Total assets	<u>107,678,463</u>	<u>97,677,750</u>
Deferred outflow of resources		
Deferred OPEB amounts	<u>148,237</u>	<u>141,091</u>
Liabilities		
Current liabilities:		
Accounts payable	3,502,966	3,074,212
Accrued payroll	442,422	516,638
Accrued compensated absences, current portion	174,009	208,640
Other accrued expenses	33,182	137,194
Unearned revenue	107,689	125,745
Total current liabilities	<u>4,260,268</u>	<u>4,062,429</u>
Noncurrent liabilities:		
Accrued compensated absences	1,407,886	1,710,295
Net OPEB liability	-	19,947
Total noncurrent liabilities	<u>1,407,886</u>	<u>1,730,242</u>
Total liabilities	<u>5,668,154</u>	<u>5,792,671</u>
Deferred inflows of resources		
Deferred OPEB amounts	<u>649,075</u>	<u>683,374</u>
Net position		
Investment in capital assets	41,125,375	41,319,333
Restricted	-	21,431
Unrestricted	<u>60,384,096</u>	<u>50,002,032</u>
Total net position	<u>\$ 101,509,471</u>	<u>\$ 91,342,796</u>

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

	For the Years Ended September 30,	
	2023	2022
Operating revenues	\$ 4,315,606	\$ 2,993,557
Operating expenses		
Operations	42,231,006	40,168,913
Maintenance	8,229,355	6,762,436
General administration	<u>11,360,713</u>	<u>10,424,702</u>
Total operating expenses	<u>61,821,074</u>	<u>57,356,051</u>
Operating loss	<u>(57,505,468)</u>	<u>(54,362,494)</u>
Nonoperating revenues		
Local	24,287,587	21,319,767
State	17,989,845	15,264,462
Federal	<u>19,113,527</u>	<u>22,182,528</u>
Total nonoperating revenues	<u>61,390,959</u>	<u>58,766,757</u>
Change in net position before capital contributions	3,885,491	4,404,263
Capital contributions - federal, state and local	<u>6,281,184</u>	<u>1,319,263</u>
Change in net position	10,166,675	5,723,526
Net position, beginning of year	<u>91,342,796</u>	<u>85,619,270</u>
Net position, end of year	<u>\$ 101,509,471</u>	<u>\$ 91,342,796</u>

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Cash Flows

	For the Years Ended September 30,	
	2023	2022
Cash flows from operating activities		
Receipts from transit operations	\$ 2,717,819	\$ 2,081,429
Payments for salaries and wages and fringe benefits	(30,062,832)	(28,283,660)
Payments to suppliers	(10,774,201)	(9,657,840)
Payments for claims and insurance	(2,481,051)	(2,273,203)
Payments for purchased transportation	<u>(11,674,129)</u>	<u>(11,684,613)</u>
Net cash used in operating activities	<u>(52,274,394)</u>	<u>(49,817,887)</u>
Cash flows from noncapital financing activities		
Nonoperating revenues:		
Local	24,146,354	22,069,133
State	16,531,929	17,084,630
Federal	<u>21,866,068</u>	<u>20,522,099</u>
Net cash provided by noncapital financing activities	<u>62,544,351</u>	<u>59,675,862</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(6,366,075)	(1,370,507)
Capital contributed by state and federal grants	6,281,184	1,345,664
Proceeds from sales of equipment	<u>-</u>	<u>7,450</u>
Net cash used in capital and related financing activities	<u>(84,891)</u>	<u>(17,393)</u>
Cash flows from investing activities		
Purchase of investment securities	(3,284,615)	(14,643,295)
Proceeds from sale and maturities of investment securities	1,500,000	6,513,094
Interest income	<u>921,736</u>	<u>79,083</u>
Net cash used in investing activities	<u>(862,879)</u>	<u>(8,051,118)</u>
Net change in cash and cash equivalents	9,322,187	1,789,464
Cash and cash equivalents, beginning of year	<u>25,449,126</u>	<u>23,659,662</u>
Cash and cash equivalents, end of year	<u>\$ 34,771,313</u>	<u>\$ 25,449,126</u>
Cash and cash equivalents from Statements of Net Position:		
Cash and cash equivalents	\$ 34,771,313	\$ 25,427,695
Restricted cash and cash equivalents for capital acquisitions	<u>-</u>	<u>21,431</u>
Total cash and cash equivalents	<u>\$ 34,771,313</u>	<u>\$ 25,449,126</u>

continued...

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Cash Flows

	For the Years Ended September 30,	
	2023	2022
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (57,505,468)	\$ (54,362,494)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	6,560,033	6,471,482
Changes in assets and liabilities which provided by (used in) cash:		
Accounts receivable	(576,086)	(37,996)
Inventory	(178,972)	(100,597)
Deferred outflows	(7,146)	(113,796)
Prepaid expenses	(369,673)	(1,196,961)
Payables	428,754	(46,099)
Accrued payroll	(74,216)	(642,667)
Other accrued expenses	(551,620)	211,241
Net cash used in operating activities	<u>\$ (52,274,394)</u>	<u>\$ (49,817,887)</u>
Supplemental cash flows disclosures:		
Noncash transactions:		
Subcontracted revenue - urban demand response (Note 13)	186,625	163,799
Nonurban - passenger fares and other governmental sources	835,076	710,933
	<u>\$ 1,021,701</u>	<u>\$ 874,732</u>
Noncash investing and capital and related financing activities:		
Increase (decrease) in fair value of investments	<u>\$ 232,953</u>	<u>\$ (618,306)</u>

concluded

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND

STATEMENTS OF FIDUCIARY NET POSITION

AS OF SEPTEMBER 30, 2023

	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash	\$ -	\$ -
Investments	850,370	761,927
Total assets	<u>850,370</u>	<u>761,927</u>
LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION		
Restricted for Retiree Healthcare and Life Insurance Fund	<u>\$ 850,370</u>	<u>\$ 761,927</u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023	2022
ADDITIONS:		
Employer contributions	\$ 31,526	\$ 64,403
Employee contributions	-	1,911
Investment (Loss) Income	90,047	(118,319)
Total additions	<u>121,573</u>	<u>(52,005)</u>
DEDUCTIONS:		
Benefit Payments	31,526	66,314
Administrative expenses	1,604	1,540
Total deductions	<u>33,130</u>	<u>67,854</u>
NET (DECREASE) INCREASE IN NET POSITION	88,443	(119,859)
NET POSITION, BEGINNING OF YEAR	<u>761,927</u>	<u>881,786</u>
NET POSITION, END OF YEAR	<u><u>\$ 850,370</u></u>	<u><u>\$ 761,927</u></u>

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF THE ORGANIZATION

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Compensated Absences - The Authority records the expense for vacation and sick pay benefits when earned by the employees. The portion of the accrual for unused vacation and sick leave that is reported as a current liability is based on an estimate of the amount employees are expected to use in the upcoming year. The remainder of the accrual is reported as a noncurrent liability. The accrual for compensated absences amounts to \$1,581,895 and \$1,918,935 for the years ended September 30, 2023 and 2022,

Inventory is stated at the average weighted cost or market.

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

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

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

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

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

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.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

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

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

Net Position is displayed in three components as follows:

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

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

Unrestricted – This consists of the net position that does not meet the definition of “net investment in capital assets.”

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

2. STATE OF MICHIGAN OPERATING ASSISTANCE FUNDS

Under Act 51 of the Public Acts of 1951, as amended, the State of Michigan makes distributions of funds that have been appropriated for mass transit operating assistance. As indicated in Note 1, the RTA is the designated recipient of such funds and the Authority is a subrecipient of the RTA. The Authority has recorded operating grant revenue under Act 51 based on a formula that takes into account the eligible costs incurred by the Authority and preliminary information made available by the Michigan Department of Transportation (MDOT) as to the eligible expenses reimbursement percentage for the fiscal year ended September 30, 2023.

The latest “final” determination of State of Michigan operating assistance allocable to the Authority in accordance with the Act 51 funding formula was for the fiscal year ended September 30, 2020. The resulting increase in revenue has been finalized with the State and has been received by the Authority. Furthermore, the Authority awaits the “final” determination for the years ended September 30, 2021 and 2022. The Authority has not recorded any estimated aggregate receivable or liability as of September 30, 2023 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, 2023 and 2022:

	2023	2022
Statements of Position:		
Cash	\$ 34,771,313	\$ 25,427,695
Investments	19,858,794	19,228,868
Restricted Cash	-	21,431
Total	<u>\$ 54,630,107</u>	<u>\$ 44,677,994</u>
Deposits and Investments:		
Bank deposits (checking, savings and certificates of deposit)	\$ 34,767,267	\$ 25,445,836
U.S. Treasury securities	19,858,794	19,228,868
Cash on hand	4,046	3,290
Total	<u>\$ 54,630,107</u>	<u>\$ 44,677,994</u>

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

The Authority had no certificates of deposits as of September 30, 2023 and 2022.

- 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, 2023, the Authority had the following investments.

Investment	Maturity	Interest Rate	Fair Value	Rating
U.S. Govt. Agency Bonds	11/6/23-11/24/2025	.23-5.50%	\$ 17,666,802	Moody's AAA
U.S. Treasury Notes	6/30/24	3.00%	1,963,672	Moody's AAA
U.S. Govt. Money Market	N/A	5.21%	<u>228,320</u>	Moody's AAA
		Total	<u>\$ 19,858,794</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, 2023, the Authority had the following investments and maturities:

	Carrying Value	0-1 Year	1-3 Years
U.S. Govt. Agency Bonds	\$ 17,666,802	\$ 8,043,705	\$ 9,623,097
U.S. Treasury Notes	\$ 1,963,672	\$ 1,963,672	\$ -

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at September 30, 2023.

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, 2023, \$3,191,911 of the Authority's bank balance of \$35,568,568 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

4. FAIR VALUE MEASUREMENTS

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

The Authority has the following recurring fair value measurements as of September 30, 2023 and 2022:

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

In addition, the Other Postemployment Trust (Fiduciary) Fund holds shares or interest in an investment pool (MERS Total Market Portfolio), whereby the value of the investments is measured in a recurring basis using net asset value (NAV) per share (or its equivalent). As of September 30, 2023 and 2022, the fair value of the assets was \$850,370 and \$761,927, respectively. The Michigan Municipal Employees' Retirement Systems (MERS), as a governmental plan, is exempt by state and federal law from registration with the Securities Exchange Commission (SEC).

5. GRANTS RECEIVABLES

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

	2023	2022
Michigan Department of Transportation:		
Operating assistance	\$ 805,336	\$ 134,112
Capital cost of contracting	298,143	114,096
Planning	16,778	44,586
Preventive maintenance	10,000	11,526
Buses and related equipment	1,058,995	315,934
Computer hardware and software	51,844	99,220
Passenger shelters	500	2,315
Facilities	5,010	66,901
Federal Transit Administration:		
Operating assistance	2,396,373	5,599,206
Capital cost of contracting	621,280	-
Planning	40,000	-
Facilities	44,532	104,264
Enhanced Mobility (Section 5310)	19,375	118,730
Job Access/Reverse Commute	-	48,464
Planning	128,037	45,137
Computer hardware and software	33,192	119,529
Grants Receivable	<u>\$ 5,529,395</u>	<u>\$ 6,824,020</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

6. OTHER RECEIVABLES

Other receivables consist of the following amounts:

	2023	2022
City of Ann Arbor - property tax levy	\$ 828,132	\$ 832,015
City of Ypsilanti - property tax levy	491,960	83,711
Charter Township of Ypsilanti - property tax levy	131,878	155,812
	<u>1,451,970</u>	<u>1,071,538</u>
Less allowance for doubtful accounts	(210,873)	(186,571)
	<u>\$ 1,241,097</u>	<u>\$ 884,967</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

7. CAPITAL ASSETS

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

8. UNEARNED REVENUE

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

	2023	2022
Federal capital	\$ 68,451	\$ 68,451
State capital	15,863	37,294
Ypsilanti DDA - Ypsilanti Transit Center Renovations	20,000	20,000
Corporate Partnerships	3,375	-
	<hr/>	<hr/>
Total	<u>\$ 107,689</u>	<u>\$ 125,745</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 \$898,944 and \$800,287 for the years ended September 30, 2023 and 2022. The Authority's contribution to the plan is 9% of the employees' gross earnings, less forfeitures. Authority contributions amounted to \$1,625,400 and \$1,630,908 for the years ended September 30, 2023 and 2022, respectively. Total payroll and covered payroll was \$21,242,580 and \$18,060,000 for 2023 and \$20,142,534 and \$18,121,207 for 2022.

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

10. PROPERTY TAXES

In 1974, voters in the City of Ann Arbor approved a 2.5 mills property tax dedicated to public transportation. Through the Headlee Amendment (1978) to the State of Michigan Constitution, the property tax millage has been reduced and is currently 1.9321 mills. In 2010, voters in the City of Ypsilanti approved a 0.8890 mill property tax dedicated to public transportation and is currently 0.9424 mills (Headlee). In May 2014 and May 2018, voters in the three member communities (cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti) approved a 0.7 mill property tax dedicated to public transportation (reduced to 0.6805 due to the Headlee Amendment).

Property tax revenues received by the Authority for the years ended September 30, 2023 and 2022 totaled approximately \$20,621,601 and \$19,597,997 respectively.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

11. PROPERTY TAX ABATEMENTS

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

12. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to vehicle liability, property loss, torts, errors and omissions, underground storage tanks and employee injuries (workers' compensation). The Authority 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 \$186,625 and \$163,799 of fares for these services in the years ended September 30, 2023 and 2022, respectively. These amounts are disclosed as noncash transactions on the Statements of Cash Flows.

14. COST ALLOCATION PLANS

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

15. POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

Contributions. The Authority contributes 100 percent of the actual monthly costs for current benefits and administrative expenses to the plan (pay-as-you-go funding). For the fiscal year ended September 30, 2023, the Authority paid postemployment health care benefit premiums and life insurance premiums of \$31,526.

Net OPEB Liability. The net OPEB liability was measured as of September 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. See 'Assumption Changes' below.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB (Asset) Liability
Changes in Net OPEB (Asset) Liability:			
Balance at October 1, 2022	\$ 781,874	\$ 761,927	\$ 19,947
Changes for the year:			
Service Cost	8,260	-	8,260
Interest	50,334	-	50,334
Contributions - Employer	-	31,526	(31,526)
Difference between expected and actual experience	(99,448)	-	(99,448)
Changes in assumptions	84,554	-	84,554
Difference between projected and actual earnings	-	40,574	(40,574)
Net investment earnings	-	49,473	(49,473)
Benefit payments, including refunds	(31,526)	(31,526)	-
Administrative expenses	-	(1,604)	1,604
Net Changes	12,174	88,443	(76,269)
OPEB obligation, end of year	\$ 794,048	\$ 850,370	\$ (56,322)

The plan's fiduciary net position represents 107% of the total OPEB liability.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended September 30, 2023, the Authority recognized an OPEB income of \$90,330.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,711	\$ 249,814
Changes in assumption	72,923	399,261
Net difference between projected and actual earnings	<u>56,603</u>	<u>-</u>
 Total	 <u>\$ 148,237</u>	 <u>\$ 649,075</u>

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

Year Ending September 30:	
2024	\$ (99,369)
2025	(98,564)
2026	(90,822)
2027	(125,938)
2028	(74,151)
2029 and years after	<u>(11,994)</u>
Total	<u>\$ (500,838)</u>

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

Actuarial valuation date	September 30, 2022
Actuarial cost method	Individual Entry Age Normal as a Level % of Payroll
Asset valuation method	Market value of assets
Discount rate - measurement period ending September 30, 2022 and 2023	6.50%
Annual wage increases	3.00%
Price inflation	2.50%
Investment rate of return	6.50%
Health care cost trend rate	5.5% for 2022, declining .25% from 2023 to 2025, then 4.5% thereafter
Mortality	Pub-2010 General Mortality Table with rates multiplied by 106% and using Scale MP-2019 Based on an experience study conducted from 2014-2018

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

Single Equivalent Interest Rate (SEIR):

Long-term expected rate of return	6.50%
Municipal bond index rate*	4.87%
Administrative Expenses Paid from the Trust	0.18%
Fiscal year in which fiduciary net position is projected to be depleted	N/A
Single Equivalent interest rate	6.50%

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

Based on those assumptions, the OPEB plan’s fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments of 6.5% with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 4.87%.

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

The portfolio allocation and assumptions stated above was at the time of plan measurement date (September 30, 2023).

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

	1% Decrease	Current 6.5%	1% Increase
Net OPEB Liability	\$ 36,825	\$ (56,322)	\$ (133,999)

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

	1% Decrease	Current 5.5%	1% Increase
Net OPEB Liability	\$ (78,153)	\$ (56,322)	\$ (32,230)

Assumption Changes. Changes in assumptions for the OPEB Plan as of September 30, 2023 (measurement date) from the valuation date of September 30, 2022, are as below:

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

16. HEALTH CARE SAVINGS PLAN

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

Effective April 1, 2022, the Authority made pretax contributions of \$175 each month into each eligible employee's HCSP account. From January 1, 2021 to March 31, 2022, the Authority made pretax contributions of \$155 each month into each eligible employee's HCSP account. The employees shall make a mandatory monthly pretax contribution of \$10 per pay period. Employees may make voluntary pre-tax contributions to the HCSP to the extent allowable by the HCSP or by law. Employer contributions amounted to \$574,525 and \$522,930 for the years ended September 30, 2023 and 2022, respectively. Employee contributions amounted to \$97,232 and \$100,572 for the years ended September 30, 2023 and 2022, respectively.

17. NEW ACCOUNTING STANDARD

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Authority is currently evaluating the impact of this standard will have on the financial statements when adopted. The provisions of this statement were effective for the Authority's financial statements for the year ending September 30, 2023 and its impact was immaterial to the financial statements as a whole.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

18. UPCOMING ACCOUNTING AND REPORTING CHANGES

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 year.

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

19. SUBSEQUENT EVENTS

The Authority has performed a review of events subsequent to the statements of net position date through February 14, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplemental information.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

Fiscal Year Ending	Actuarially Determined Contribution	Historical Contribution	Contribution Excess (Deficiency)	Covered Employee	Contributions as a Percentage of Covered Employee
9/30/2014	\$ 82,701	\$ 65,687	\$ (17,014)	\$ 91,396	71.87%
9/30/2015	76,321	86,459	10,138	67,196	128.67%
9/30/2016	98,233	67,975	(30,258)	107,142	63.44%
9/30/2017	85,212	84,949	(263)	43,556	195.03%
9/30/2018	85,204	117,666	32,462	16,567,739	0.71%
9/30/2019	127,617	758,450	630,833	16,826,037	4.51%
9/30/2020	130,808	61,831	(68,977)	15,718,897	0.39%
9/30/2021	49,040	90,136	41,096	16,579,071	0.54%
9/30/2022	50,512	64,403	13,891	16,075,956	0.40%
9/30/2023	10,778	31,526	20,748	21,242,580	0.15%

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date September 30, 2023

Methods and assumptions used to determine contribution rates based on measurement as of September 30, 2023

Actuarial cost method	Entry age normal
Amortization period	Level percent of payroll
Asset valuation method	Market
Inflation	2.5 percent
Healthcare cost trend rates	5.50 percent for 2023, declining by .25 percent from 2024 to 2026, then 4.5 percent thereafter
Salary increase	3.0 percent
Investment rate of return	6.5 percent
Discount rate	6.5 percent
Retirement age	59.5 years of age

Mortality Pub-2010 General Mortality Tables with rates multiplied by 106 percent and using Scale MP-2019

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					
	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Annual money-weighted rate of return- Net of investment expense	11.83%	-13.43%	8.98%	4.82%	4.30%	2.61%

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplemental information.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

YEAR ENDED SEPTEMBER 30, 2023

A. CHANGES IN PLAN PROVISIONS SINCE PRIOR VALUATION

No changes to the plan provisions since the prior valuation date of September 30, 2023

B. CHANGES IN ASSUMPTIONS

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



**ADDITIONAL INFORMATION FOR THE YEAR ENDED
SEPTEMBER 30, 2023**

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

	Years Ended September 30,	
	2023	2022
LOCAL OPERATING REVENUES:		
Passenger fares:		
Urban fixed route	\$ 1,676,750	\$ 1,304,163
Urban demand response	276,532	249,879
Nonurban demand response	143,419	143,419
Special fares:		
City of Ann Arbor - DDA (go!pass)	350,546	274,319
City of Ann Arbor - DDA (NightRide)	1,902	2,466
Ann Arbor Public Schools	56,784	46,884
Eastern Michigan University	16,110	9,551
University of Michigan (Mride)	1,793,563	962,876
Total Local Operating Revenues	<u>\$ 4,315,606</u>	<u>\$ 2,993,557</u>
LOCAL NONOPERATING REVENUES:		
Purchase of service agreements:		
Pittsfield Township	\$ 686,734	\$ 639,160
Scio Township	468,875	446,902
Superior Township	100,038	95,632
D2A2	140,119	90,852
Total purchase of service agreements	1,395,766	1,272,546
City of Ann Arbor - property tax levy	18,859,391	17,970,195
City of Ypsilanti - property tax levy	620,347	564,260
Ypsilanti Township - property tax levy	1,141,863	1,063,542
City of Ann Arbor - Downtown Development Authority (GetDowntown)	53,939	25
Non-urban - Other governmental and local sources	809,361	566,914
Corporate Partnerships	-	-
Interest Income (Loss)	1,154,689	(539,223)
Advertising income	129,140	292,430
Other revenue	32,761	23,890
Post-Retirement actuary adjustment	90,330	97,738
Gain (loss) on sale of equipment	-	7,450
Total local nonoperating revenues	24,287,587	21,319,767
Total local operating and nonoperating revenues	<u>28,603,193</u>	<u>24,313,324</u>
STATE OF MICHIGAN NONOPERATING REVENUES:		
Formula operating assistance - urban (Act 51)	14,323,324	13,365,679
Formula operating assistance - nonurban (Act 51)	1,137,362	986,529
Prior years formula adjustments - urban and nonurban	2,127,794	570,987
Capital cost of contracting/Planning	152,000	91,500
Planning	99,284	-
Preventive maintenance	10,000	7,500
Job Access/Reverse Commute (State Match)	-	73,394
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310 - State Match)	29,501	58,293
Specialized services	110,580	110,580
Total state nonoperating revenues	17,989,845	15,264,462
FEDERAL NONOPERATING REVENUES:		
Operating Assistance (Section 5307)	-	-
Unified planning program passed through SEMCOG (Section 5303/PL112)	97,935	108,116
Capital cost of contracting (Section 5307)	608,000	366,000
Preventive maintenance (Section 5307)	40,000	30,000
RTA D2A2 program	2,291,503	2,027,473
Federal operating assistance - nonurban (Section 5311) - passed through the State	890,737	956,124
Job Access/Reverse Commute	-	73,395
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310) ARP/CARES ACT	144,352	222,511
	15,041,000	18,398,909
Total federal nonoperating revenues	19,113,527	22,182,528
TOTAL NONOPERATING REVENUES	<u>\$ 61,390,959</u>	<u>\$ 58,766,757</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES YEAR ENDED SEPTEMBER 30, 2023 WITH COMPARATIVE TOTALS FOR 2022

	2023	2022
LABOR:		
Operators' salaries and wages	\$ 9,491,285	\$ 8,753,494
Other salaries and wages	8,520,301	7,111,330
FRINGE BENEFITS		
Fringe wages	3,282,235	4,277,710
Social security payroll taxes	1,542,495	1,488,303
Medical insurance	3,626,838	3,025,648
Pension	1,527,631	1,628,651
Health care savings plan	442,090	522,425
Other fringe benefits	996,975	930,877
SERVICES:		
Advertising fees/promotion media	113,624	412,761
Other services	4,247,071	3,069,813
Auditing fees	82,900	32,880
MATERIALS AND SUPPLIES		
CONSUMED:		
Fuel and lubricants	2,835,476	2,860,719
Tires and tubes	201,111	212,574
Materials and supplies	2,740,012	2,348,564
UTILITIES	770,427	671,415
CASUALTY AND LIABILITY		
COSTS:		
Premiums for public liability and property damage insurance	1,214,926	982,325
Other casualty and liability costs	527,456	501,604
PURCHASED TRANSPORTATION	12,520,026	11,584,568
MISCELLANEOUS EXPENSES:		
Association dues & subscriptions	98,970	84,712
Travel and meetings	96,277	49,882
Other	274,742	254,439
LEASES AND RENTALS	108,173	79,875
DEPRECIATION	<u>6,560,033</u>	<u>6,471,482</u>
TOTAL OPERATING EXPENSES	<u>\$ 61,821,074</u>	<u>\$ 57,356,051</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

YEAR ENDED SEPTEMBER 30, 2023

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Grant or Number	Program or Award Amount	Current Year's Expenditures			Prior Years' Expenditures	Amount Remaining	
				Total	Federal	State			Local
Michigan Department of Transportation (State):									
Direct assistance - Capital grants:									
Capital (Section 5339 Match) (FY 2013)	N/A	2012-0033/P8	\$542,774	\$0	\$0	\$0	\$0	\$519,261	\$23,513
Capital (FY 2016 and FY 2017)	N/A	2012-0033/P24	1,385,880	58	0	58	0	1,385,822	(0)
Capital (FY 2018)	N/A	2017-0008/P5	1,052,781	4,039	0	4,039	0	1,048,742	(0)
Capital (FY 2019)	N/A	2017-0008/P13	1,527,141	119,985	0	119,985	0	1,032,172	374,984
Capital (Section 5310 Match) (FY 2019)	N/A	2017-0008/P14	46,000	6,000	0	6,000	0	18,000	22,000
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	179,991	0	179,991	0	967,092	587,957
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	1,555	0	1,555	0	8,199	17,246
Capital (FY 19 and 20 State Service Initiatives)	N/A	2017-0008/P12	1,020,000	99,284	0	99,284	0	0	920,716
Capital (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	120,000	0	0	0	0	119,110	890
Capital (Section 5307)(FY 2022) (80/20)	N/A	2021-2022/P3	3,606,834	951,782	0	951,782	0	6,261	2,648,791
Subtotal - Direct State Capital			\$11,111,695	\$1,362,694	\$0	\$1,362,694	\$0	\$5,104,659	\$4,644,342
Direct assistance - Operating grants:									
Operating assistance - Act 51 Urban	N/A	N/A	\$14,323,324	\$14,323,324	\$0	\$14,323,324	\$0	\$0	\$0
Operating assistance - Act 51 Nonurban	N/A	N/A	1,137,362	1,137,362	0	1,137,362	0	0	0
Prior year formula adjustments	N/A	N/A	2,127,794	2,127,794	0	2,127,794	0	0	0
Capital Cost of Contracting (FY 2020)	N/A	2017-0008/P17	152,000	152,000	0	152,000	0	0	0
Preventive Maintenance (FY 2020)	N/A	2017-0008/P17	10,000	10,000	0	10,000	0	0	0
Enhanced Mobility (Section 5310) (FY 2018)	N/A	2017-0008/P6	27,500	13,750	0	13,750	0	13,750	0
Enhanced Mobility (Section 5310) (FY 2021)	N/A	2017-0008/P24	10,000	8,196	0	8,196	0	0	1,804
Specialized Services (FY 2020 & 2021)	N/A	2022-0006/P6	110,584	110,584	0	110,584	0	0	0
Operating (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	37,000	0	0	0	0	32,809	4,191
Subtotal - Direct State Operating			\$17,935,564	\$17,883,010	\$0	\$17,883,010	\$0	\$46,559	\$5,995
TOTAL DIRECT STATE EXPENDITURES			\$29,047,259	\$19,245,704	\$0	\$19,245,704	\$0	\$5,151,218	\$4,650,337
STATE FUNDS PASSED BY AAATA TO SUBRECIPIENTS:									
Specialized Services (FY 2020 & 2021)	N/A	2022-0006/P1	96,440	96,440	0	96,440	0	0	0
Total - State Pass-through Specialized Services			\$96,440	\$96,440	\$0	\$96,440	\$0	\$0	\$0

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Authorization Number	Purchase Order Number	Program or Award Amount	Current Year's Expenditures				Prior Years' Federal Expenditures	Federal Amount Remaining
					Total	Federal	State	Local		
U. S. Department of Transportation (Federal):										
Direct Assistance - Capital Grants:										
Capital (Section 5307) (FY 2016 & 2017) (80/20)	20.507	MI-2016-X26-01	MI90-X778	\$2,209,279	\$234	\$234	\$0	\$0	\$2,209,045	\$0
Capital (Section 5307) (FY 2018) (80/20)	20.507	MI-2018-X28-00	MI90-0082	2,322,400	16,157	16,157	0	0	2,306,243	0
Capital (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	3,608,298	479,946	479,946	0	0	1,616,695	1,511,657
Capital (Section 5307-STP) (FY 2019) (80/20)	20.507	MI-2019-X35-00	MI95-4001	60,184	0	0	0	0	0	60,184
Capital (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	4,689,148	344,043	344,043	0	0	2,827,631	1,517,474
Capital (Section 5307-CMAQ) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI95-0018	1,137,205	377,819	377,819	0	0	759,386	0
Capital (Section 5339) (FY 2020) (80/20)	20.526	MI-2020-X38-00	MI34-0086	1,113,809	0	0	0	0	281,372	832,437
Capital (Section 5310) (FY 2016 & 2017) (80/20)	20.513	MI-2016-X40-01	MI16-X019	118,400	0	0	0	0	86,764	31,636
Capital (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	108,000	0	0	0	0	107,994	6
Capital (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	132,000	0	0	0	0	72,000	60,000
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	148,000	59,512	59,512	0	0	12,286	76,202
CRRSAA (Section 5339)(FY 2022) (80/20)	20.526	MI-2022-050-00	MI22-X050	1,865,339	0	0	0	0	0	1,865,339
CRRSAA (Section 5307)(FY 2022) (80/20)	20.507	MI-2022-050-00	MI22-X050	12,561,997	3,807,129	3,807,129	0	0	25,042	8,729,826
Subtotal - Federal Capital				\$30,206,859	\$5,084,840	\$5,084,840	\$0	\$0	\$10,304,458	\$14,817,561
Direct Assistance - Operating Grants:										
Capital Cost of Contracting (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	608,000	608,000	608,000	0	0	0	0
Preventive Maintenance (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	40,000	40,000	40,000	0	0	0	0
Operating Assistance (Section 5307) (FY 2020) (50/50)	20.507	MI-2020-X38-00	MI90-X840	4,406,790	0	0	0	0	520,000	3,886,790
Enhanced Mobility (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	100,000	24,000	24,000	0	0	48,000	28,000
Enhanced Mobility (Section 5310) (FY 2016 & 2017) (80/20 or 50/50)	20.513	MI-2016-X40-01	MI16-X019	360,984	0	0	0	0	134,631	226,353
Enhanced Mobility (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	110,000	55,000	55,000	0	0	55,000	0
Enhanced Mobility (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	128,800	0	0	0	0	98,074	30,726
Enhanced Mobility (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	96,746	5,840	5,840	0	0	20,510	70,396
ARP Urban Operating Assistance (5307) (FY 2022) (100/0)	20.507	MI-2022-008-00	MI22-X008	22,269,092	6,069,092	6,069,092	0	0	16,200,000	0
CRRSAA Operating Assistance (5307)(FY 2022)(100/0)	20.507	MI-2022-009-01	MI22-X009	15,771,805	8,971,908	8,971,908	0	0	0	6,799,897
Passed Through Regional Transit Authority of Southeast Michigan:										
RTA CMAQ D2A2 Service	20.507	M2022-06	M2022-06	2,108,162	0	0	0	0	2,027,473	80,689
RTA CMAQ D2A2 Service	20.507	M2023-01	M2023-01	2,123,060	2,291,503	2,291,503	0	0	0	-168,443
Passed Through Michigan Department of Transportation:										
Nonurban Operating Assistance (Section 5311) (FY 2023)	20.509	MI-2020-008-007	MI-2020-008-007	890,737	890,737	890,737	0	0	0	0
Passed Through Southeast Michigan Council of Governments:										
Unified Planning (Section 5303) (81.85/18.15)	20.205	23001	23001	47,352	57,852	47,352	0	10,500	0	0
Unified Planning (Section 5303) (81.85/18.15)	20.205	23005	23005	50,583	61,800	50,583	0	11,217	0	0
Subtotal - Federal Operating				\$49,112,111	\$19,075,732	\$19,054,015	\$0	\$21,717	\$19,103,688	\$10,954,408
TOTAL FEDERAL EXPENDITURES				\$79,318,970	\$24,160,572	\$24,138,855	\$0	\$21,717	\$29,408,146	\$25,771,969

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING AND CONTRACT EXPENSES
YEAR ENDED SEPTEMBER 30, 2023, WITH COMPARATIVE TOTALS FOR 2022**

	<u>Specialized Services</u>	<u>Nonurban Operations</u>	<u>Urban Operations</u>		2023	2022
	2022-0006/P1	Sec. 5311: 2022-0006 P3	Demand-response	Fixed-route	Total	Total
OPERATING EXPENSES:						
Labor	\$ -	\$ 41,075	\$ 3,146,567	\$ 14,823,945	\$ 18,011,587	\$ 15,864,824
Fringe benefits	-	24,045	1,989,214	9,405,006	11,418,265	11,873,614
Services	-	28,554	702,624	3,712,417	4,443,595	3,515,454
Materials and supplies	-	16,508	799,245	4,960,846	5,776,599	5,421,857
Utilities	-	-	143,916	626,511	770,427	671,415
Casualty and liability costs	-	10,845	312,838	1,418,699	1,742,382	1,483,929
Purchased transportation	110,580	3,164,206	6,277,072	2,968,165	12,520,023	11,584,568
Other	-	3,376	79,585	387,028	469,989	389,033
Leases and rentals	-	-	28,644	79,529	108,173	79,875
Depreciation	-	-	<u>1,135,715</u>	<u>5,424,319</u>	<u>6,560,034</u>	<u>6,471,482</u>
TOTAL OPERATING EXPENSES	<u>\$ 110,580</u>	<u>\$ 3,288,609</u>	<u>\$ 14,615,420</u>	<u>\$ 43,806,465</u>	<u>\$ 61,821,074</u>	<u>\$ 57,356,051</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE REVENUES
YEAR ENDED SEPTEMBER 30, 2023**

Code	Description	Fixed-route	Demand-response	Total Urban
401 : Farebox Revenue				
40100	Passenger Fares	\$ 1,676,750	\$ 276,532	\$ 1,953,282
40200	Contract Fares	2,218,905		2,218,905
406 : Auxiliary Transit Revenue				
40615	Advertising Revenue	129,140	-	129,140
407 : NonTransit Revenue				
40799	Gain on Sale/Disposal of Equipment	-	-	-
40799	Other NonTransportation Revenue	123,091	-	123,091
408 : Local Revenue				
40800	Taxes Levied Directly for Transit Agency	15,981,741	4,639,860	20,621,601
409 : Local Revenue				
40910	Local Operating Assistance	1,081,719	314,047	1,395,766
40999	Other Local - Local Match	53,939	-	53,939
411 : State Formula and Contracts				
41101	State Operating Assistance	10,562,620	3,760,704	14,323,324
41111	Preventive Maintenance (20% State Share)	10,000		10,000
41112	Planning/Capital Cost of Contracting		251,284	251,284
41199	Enhanced Mobility (Section 5310)	-	29,501	29,501
413 : Federal Contracts				
41311	Preventive Maintenance (80% Federal Share)	40,000		40,000
41312	Unified Planning/Capital Cost of Contracting (Sec 5303)	97,935	608,000	705,935
41361	ARP Act	13,536,900	1,504,100	15,041,000
41399	Enhanced Mobility (Section 5310)	-	144,352	144,352
41399	Other - RTA	2,291,503	-	2,291,503
414 : Other Revenue				
41400	Interest Income	1,154,689	-	1,154,689
550: Ineligible Revenue:				
55005	Net unrealized and realized investment gains	(232,953)	-	(232,953)
Total		\$ 48,725,978	\$ 11,528,381	\$ 60,254,359

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE EXPENSES
YEAR ENDED SEPTEMBER 30, 2023**

Code	Description	Fixed-route	Demand-response	Total
501:	Labor			
50101	Operators Salaries & Wages	\$ 7,833,625	\$ 1,657,661	\$ 9,491,286
50102	Other Salaries & Wages	6,990,320	1,488,906	8,479,226
502:	Fringe Benefits			
50200	Other Fringe Benefits	7,632,353	1,796,718	9,429,071
50210	Defined Contribution Pension	1,366,446	148,421	1,514,867
50240	Defined Contribution OPEB	406,207	44,075	450,282
503:	Services			
50302	Advertising Fees	64,099	12,039	76,138
50305	Audit Costs	69,792	13,108	82,900
50399	Other Services	3,578,526	677,477	4,256,003
504:	Materials and Supplies			
50401	Fuel & Lubricants	2,541,393	294,083	2,835,476
50402	Tires & Tubes	170,317	30,794	201,111
50499	Other Materials & Supplies	2,249,136	474,368	2,723,504
505:	Utilities			
50500	Utilities	626,511	143,916	770,427
506:	Insurance			
50603	Liability Insurance	828,488	190,312	1,018,800
50699	Other Insurance	590,211	122,526	712,737
508:	Purchased Transportation			
50800	Purchased Transportation	2,968,165	6,277,072	9,245,237
509:	Miscellaneous Expenses			
50902	Travel, Meeting & Training	79,974	16,303	96,277
50903	Association Dues & Subscriptions	82,211	16,759	98,970
50999	Other Misc. Expenses	224,843	46,523	271,366
512:	Operating Leases & Rentals			
51200	Operating Leases & Rentals	79,529	28,644	108,173
513:	Depreciation			
51300	Depreciation	5,424,319	1,135,715	6,560,034
	Total Urban Expenses	\$ 43,806,465	\$ 14,615,420	\$ 58,421,885
550:	Ineligible Expenses			
55007	Ineligible Depreciation	5,011,029	803,104	5,814,133
55008	Ineligible other (bad debt/employee events)	62,823	-	62,823
55009	Ineligible Association Dues	8,397	-	8,397
55010	Ineligible Non-transportation Revenue	32,761	-	32,761
55011	Ineligible Preventive Maintenance	50,000	-	50,000
570:	Ineligible Expenses			
57099	Ineligible - Federal RTA D2A2	2,291,503	-	2,291,503
57602	Ineligible - Capital Cost of Contracting	-	760,000	760,000
57602	Ineligible - Unified Planning (Sec 5303)	119,652	-	119,652
57604	Ineligible - Enhanced Mobility (Sec 5310)	-	173,853	173,853
580:	Ineligible Expenses			
58050	Ineligible - Postretirement Benefit Revenue	90,330	-	90,330
58050	Ineligible - Postretirement Benefits Paid	(31,526)	-	(31,526)
	Total Ineligible Expenses	\$ 7,634,969	\$ 1,736,957	\$ 9,371,926
		Fixed-route	Demand-response	Total
	Total Expenses	\$ 43,806,465	\$ 14,615,420	\$ 58,421,885
	Total Ineligible Expenses	(7,634,969)	(1,736,957)	(9,371,926)
	Total Eligible Expenses	\$ 36,171,496	\$ 12,878,463	\$ 49,049,959

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2023

Code	Description	Total Nonurban
401 :	Farebox Revenue	
40100	Passenger Fares	\$ 143,419
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	809,361
40999	Other Local	-
411 :	State Formula and Contracts	
41101	State Operating Assistance	1,137,362
411	Prior Year Formula Adjustments	-
413 :	Federal Contracts	
41301	5311	890,737
414 :	Other Revenue	
41400	Interest Revenue	-
	Other	-
Total		\$ 2,980,879

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES YEAR ENDED SEPTEMBER 30, 2023

Code	Description	Demand Response Total
501:	Labor	
50102	Other Salaries & Wages	\$ 41,075
502:	Fringe Benefits	
50200	Other Fringe Benefits	19,472
50210	Defined Contribution Pension	3,860
50240	Defined Contribution OPEB	713
503:	Services	
50305	Other Services	28,554
504:	Materials and Supplies	
50499	Other Materials & Supplies	16,508
506:	Insurance	
50699	Other Insurance	10,845
508:	Purchased Transportation	
50800	Purchased Transportation	3,164,206
509:	Miscellaneous Expenses	
50999	Other Misc. Expenses	3,376
550:	Ineligible Expenses	-
570:	Ineligible Expenses	-
Total Expenses \$		3,288,609
Total Ineligible Expenses		-
Total Eligible Expenses \$		<u>3,288,609</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - URBAN AND NONURBAN SERVICE NONFINANCIAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2023**

PUBLIC SERVICE - URBAN FIXED-ROUTE

Code	Description	Total
610	Vehicle Hours	326,836
611	Vehicle Miles	5,799,291

PUBLIC SERVICE - URBAN DEMAND RESPONSE

Code	Description	Total
610	Vehicle Hours	57,066
611	Vehicle Miles	856,068

PUBLIC SERVICE - NONURBAN DEMAND RESPONSE

Code	Description	Total
610	Vehicle Hours	53,466
611	Vehicle Miles	731,774

ANN ARBOR AREA TRANSPORTATION AUTHORITY

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION
YEAR ENDED SEPTEMBER 30, 2023**

	Urban		Nonurban
	Fixed-Route	Demand Response	
Total Expenses	\$ 43,806,465	\$ 14,615,420	\$ 3,288,609
Less Ineligible Expenses:			
Federal Planning (Section 5303, w/Local Match)	119,652	-	
Federal and State Depreciation Expense	5,011,029	803,104	
Federal Enhanced Mobility (Section 5310)	-	144,352	
State Enhanced Mobility (Section 5310)	-	29,501	
Federal and State Preventive Maintenance	50,000	-	
Federal and State Capital Cost of Contracting	-	760,000	
Federal RTA D2A2	2,291,503		
Post-Retirement Medical Benefits Accrual	90,330	-	
Post-Retirement Medical Benefits Paid	(31,526)	-	
Other revenue	32,761	-	
Other expenses (bad debts, ineligible interest)	62,823	-	
Association Dues (Ineligible Portion)	8,397	-	
Total Ineligible Expenses	\$ 7,634,969	\$ 1,736,957	\$ -
Total State Eligible Expenses	\$ 36,171,496	\$ 12,878,463	\$ 3,288,609

Eligible Expenses for State Reimbursement	\$ 36,171,496	\$ 12,878,463	\$ 3,288,609
x Reimbursement Percentage	29.2015%	29.2015%	34.5849%
State Operating Assistance	\$ 10,562,620	\$ 3,760,704	\$ 1,137,362
Total Operating Assistance - Urban		<u>\$ 14,323,324</u>	

Total Federal Eligible Expenses

Total Eligible Expenses for State Reimbursement	\$ 3,288,609
Less: Ineligible Auditing Expenses	-
Eligible Expenses for Federal Reimbursement	\$ 3,288,609
x Reimbursement Percentage	36%
Eligible expenses	1,183,899
Less expenses over the capped funding	(293,162)
Federal Operating Assistance (Section 5311)	<u>\$ 890,737</u>

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - NOTES TO SCHEDULE OF OPERATING ASSISTANCE CALCULATION AND NONFINANCIAL INFORMATION YEAR ENDED SEPTEMBER 30, 2023

A. ITEMS REIMBURSED BY FEDERAL GRANTS

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

B. FEDERAL AND STATE DEPRECIATION AND AMORTIZATION EXPENSE

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

C. POSTRETIREMENT MEDICAL BENEFITS PLAN EXPENSE

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

D. OTHER REVENUES

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

E. ADVERTISING

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

F. OTHER EXPENSE

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

G. ASSOCIATION DUES

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

H. MILEAGE INFORMATION

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

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

To the Board of Directors
Ann Arbor Area Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2023 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 14, 2024.

Report on Internal Control over Financial Reporting

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

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

To the Board of Directors
Ann Arbor Area Transportation Authority

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The Authority's Response to Findings

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

Purpose of this Report

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

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

Farmington Hills, Michigan
February 14, 2024

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ann Arbor Area Transportation Authority’s (the “Authority”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended September 30, 2023. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

To the Board of Directors
Ann Arbor Area Transportation Authority

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

Report on Internal Control over Compliance

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

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

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

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

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

Farmington Hills, Michigan
February 14, 2024

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

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Project Number	Total Amount Provided to Subrecipients	Federal Expenditures
Department of Transportation:					
<i>Federal Transit Cluster - Direct Awards:</i>					
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X778	\$ -	\$ 234
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-0082	-	16,157
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X822	-	479,946
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI95-0018	-	377,819
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	MI90-X840	-	992,043
CRRSAA - Federal Transit (Urbanized Area Formula Program)	20.507	n/a	MI22-X050	-	3,807,129
ARP Urban Operating Assistance - Federal Transit (Urbanized Area Formula Program)	20.507	n/a	MI22-X008	-	6,069,092
CRSSAA Operating Assistance	20.507	n/a	MI22-X009	-	8,971,908
Subtotal				-	20,714,328
<i>Passed Through Regional Transit Authority of Southeast Michigan</i>					
RTA CMAQ D2A2 Service	20.507	M2023-01	M2023-01	-	2,291,503
Total Federal Transit Cluster				-	23,005,831
<i>Transit Services Programs Cluster - Direct Awards:</i>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-0039	-	24,000
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-0038	65,352	65,352
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	MI16-0035	-	55,000
Total Transit Services Programs Cluster				65,352	144,352
<i>Passed Through Michigan Department of Transportation:</i>					
CRRSAA – Formula Grants for Rural Areas	20.509	MI-2020-008-007	MI-2020-008-007	890,737	890,737
<i>Passed through Southeastern Michigan Council of Governments (SEMCOG):</i>					
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	23005		-	50,583
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	23001		-	47,352
Total				-	97,935
Total Department of Transportation				956,089	24,138,855
Total Expenditures of Federal Awards				\$ 956,089	\$ 24,138,855

ANN ARBOR AREA TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2023

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, 2023. 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 \$956,089 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 14, 2024, 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, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? Yes None noted

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified not considered to be material weaknesses? 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 program:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
20.507	Federal Transit Cluster	Unmodified
20.509	CRRSAA – Formula Grants for Rural Areas	Unmodified

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

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

Section II – Financial Statement Audit Findings

Prior Year – Yes
 Current Year – Yes

Section III – Federal Program Audit Findings

Prior Year – None
 Current Year – None

ANN ARBOR AREA TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended September 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

**Reference
Number**

Finding

2023-001

Finding Type – Significant Deficiency

Repeat Finding – No

Criteria – There should be a system in place to ensure that account balances are reconciled to supporting documentation and the related journal entries are made to the general ledger prior to the start of the audit.

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

Cause – This process led to adjusting journal entries for certain class of transactions, account balances or disclosures that in aggregate had a material impact in the presentation of the financial statements as a whole.

Effect –Numerous adjusting entries were made by the client after the start of the audit process.

Recommendation – We recommend that the Authority perform a review and reconciliation to ensure accuracy of financial data reported.

View of Responsible Officials and Corrective Action Plan – The Authority acknowledges that numerous adjusting entries were made throughout the audit process. While the Authority did communicate progress on pre-audit work and the intent to continue to make adjusting entries to the auditors, the Authority agrees that monthly and annual closing processes need to be improved, resulting in fewer adjusting entries during the audit and a timelier closing process. Although significant progress was made in meeting timelines for closing procedures in the last half of the fiscal year, staff transitions affected the timing of some closing entries. Authority management will improve the closing process by documenting the review of year-end balances, closing procedures and reconciliations to minimize adjusting entries during the audit process.



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February 14, 2023

**FEDERAL AUDIT CLEARINGHOUSE
RE: ANN ARBOR AREA TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED: SEPTEMBER 30, 2023**

FINANCIAL STATEMENT AUDIT FINDING

Finding Number: 2022-001

Fiscal Year in Which the Finding Initially Occurred: 2022

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

Status/Partial Corrective Action (as applicable): Resolved



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February 14, 2024

FEDERAL AUDIT CLEARINGHOUSE

RE: Ann Arbor Area Transportation Authority

CORRECTIVE ACTION PLAN

FISCAL YEAR ENDED: SEPTEMBER 30, 2023

RE: CORRECTIVE ACTION PLAN (CAP)

FINANCIAL STATEMENT AUDIT FINDING

Finding Number: 2023-001

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

Planned Corrective Action: The Authority acknowledges that numerous adjusting entries were made throughout the audit process. While the Authority did communicate progress on pre-audit work and the intent to continue to make adjusting entries to the auditors, the Authority agrees that monthly and annual closing processes need to be improved, resulting in fewer adjusting entries during the audit and a timelier closing process. Although significant progress was made in meeting timelines for closing procedures in the last half of the fiscal year, staff transitions affected the timing of some closing entries. Authority management will improve the closing process by documenting the review of year-end balances, closing procedures and reconciliations to minimize adjusting entries during the audit process.

Anticipated Completion Date: September 30, 2024

Point of Contact: Dina Reed dreed@theride.org

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

Sincerely,

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

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