

Ann Arbor Area
Transportation
Authority



Year Ended
September 30,
2024 and 2023

Financial
Statements

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ANN ARBOR AREA TRANSPORTATION AUTHORITY

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Independent Auditor's Report

To the Board of Directors
Ann Arbor Area Transportation Authority

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Report on Prior Year Financial Statements

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

Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Supplementary Information

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

Additional Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2025 on our consideration of the Ann Arbor Area Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ann Arbor Area Transportation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ann Arbor Area Transportation Authority's internal control over financial reporting and compliance.



February 5, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

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

Governance of the Authority

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

Summary of The State of TheRide in 2024

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

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

Overview of the Financial Statements and Financial Analysis

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

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

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

Financial Highlights

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

Authority's Net Position

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

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

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

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

Notes to the Financial Statements

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

Capital Assets

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management's Discussion and Analysis

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

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

Requests for Information

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

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

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BASIC FINANCIAL STATEMENTS

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Net Position

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Cash Flows

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

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ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Cash Flows

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Fiduciary Net Position

Other Postemployment Trust Fund - Fiduciary Fund

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

See notes to financial statements.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Changes in Fiduciary Net Position

Other Postemployment Trust Fund - Fiduciary Fund

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

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

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

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

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

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

Significant Accounting Policies

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

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

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

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

Net Position is displayed in three components as follows:

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

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

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

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

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

2. STATE OF MICHIGAN OPERATING ASSISTANCE FUNDS

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

3. CASH AND INVESTMENTS

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

Investment and Deposit Risk

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

5. GRANTS RECEIVABLES

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

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

6. OTHER RECEIVABLES

Other receivables consist of the following amounts at September 30:

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

7. CAPITAL ASSETS

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

	September 30, 2022	Additions/ Reclassifica- tions	Deletions/ Reclassifica- tions	September 30, 2023
Capital assets, not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	189,206	262,782	95,235	356,753
Total capital assets not being depreciated	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

8. UNEARNED REVENUE

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

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

9. EMPLOYEES' PENSION PLAN

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

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

10. PROPERTY TAXES

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

11. PROPERTY TAX ABATEMENTS

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

12. RISK MANAGEMENT

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

13. SUBCONTRACT SERVICE

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

14. COST ALLOCATION PLANS

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

15. POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

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

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

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

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

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

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

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

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

16. HEALTH CARE SAVINGS PLAN

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

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

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

17. NEW ACCOUNTING STANDARD

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

18. UPCOMING ACCOUNTING AND REPORTING CHANGES

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

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

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

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

19. SUBSEQUENT EVENTS

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



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REQUIRED SUPPLEMENTARY INFORMATION

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplementary information.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date September 30, 2024

Methods and assumptions used to determine contribution rates:

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

See notes to required supplemental information.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplemental information.

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

YEAR ENDED SEPTEMBER 30, 2024

A. CHANGES IN PLAN PROVISIONS SINCE PRIOR VALUATION

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

B. CHANGES IN ASSUMPTIONS

FY 2024

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

FY 2023

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

FY 2022

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

FY 2021

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

FY 2020

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

FY 2019

- No change in assumptions.



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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

Code	Description	Total Nonurban
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	1,493,740
40999	Other Local	
411 :	State Formula and Contracts	
41101	State Operating Assistance	1,630,417
411	Prior Year Formula Adjustments	
413 :	Federal Contracts	
41301	5311	429,694
414 :	Other Revenue	
41400	Interest Revenue	-
	Other	-
Total		\$ 3,697,270

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

PUBLIC SERVICE - URBAN FIXED-ROUTE

Code	Description	Total
610	Vehicle Hours	345,334
611	Vehicle Miles	6,177,800

PUBLIC SERVICE - URBAN DEMAND RESPONSE

Code	Description	Total
610	Vehicle Hours	61,559
611	Vehicle Miles	857,656

PUBLIC SERVICE - NONURBAN DEMAND RESPONSE

Code	Description	Total
610	Vehicle Hours	68,278
611	Vehicle Miles	833,486

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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

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

Total Federal Eligible Expenses

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

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

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.

Ann Arbor Area Transportation Authority

Federal Awards Supplementary Information
September 30, 2024

Independent Auditor's Reports

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

Independent Auditor's Report

To the Board of Directors
Ann Arbor Area Transportation Authority

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

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

February 5, 2025

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the enterprise fund and the aggregate remaining fund information of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2024 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 5, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

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

Plante & Moran, PLLC

February 5, 2025

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

Independent Auditor's Report

To the Board of Directors
Ann Arbor Area Transportation Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

To the Board of Directors
Ann Arbor Area Transportation Authority

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

Plante & Moran, PLLC

February 5, 2025

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2024

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
U.S. Department of Transportation:					
Federal Transit Cluster - Direct Awards:					
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	N/A	MI90-X822	\$ -	\$ 321,721
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	N/A	MI90-X840	-	421,295
COVID-19 - CRRSAA - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	N/A	MI22-X050	-	158,137
COVID-19 - CRRSAA Operating Assistance	20.507	N/A	MI22-X009	-	6,799,897
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	N/A	MI34-0086	-	<u>88,815</u>
Subtotal				-	7,789,865
Passed through Regional Transit Authority of Southeast Michigan					
Federal Transit - Formula Grants (RTA CMAQ D2A2 Service)	20.507	M2024-01	M2024-01	-	<u>2,192,216</u>
Total Federal Transit Cluster				-	9,982,081
Transit Services Programs Cluster - Direct Awards:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	MI16-0039	30,385	30,385
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	MI16-0038	99,246	99,246
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	MI16-4008	26,090	26,090
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	MI16-X045	219,254	219,254
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	MI16-4009	25,000	25,000
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	MI16-X019	<u>78,000</u>	<u>78,000</u>
Total Transit Services Programs Cluster				477,975	477,975
Passed through Michigan Department of Transportation -					
Formula Grants for Rural Areas and Tribal Transit Program	20.509	1207-2024-1	1207-2024-1	429,694	429,694
Passed through Southeastern Michigan Council of Governments (SEMCOG):					
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	24001	N/A	-	81,723
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	24005	N/A	-	<u>50,583</u>
Total				-	<u>132,306</u>
Total expenditures of federal awards				<u>\$ 907,669</u>	<u>\$ 11,022,056</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2024

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

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

Schedule of Findings and Questioned Costs

Ann Arbor Area Transportation Authority

Schedule of Findings and Questioned Costs

Year Ended September 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Audit Findings

Finding
None

Section III - Federal Program Audit Findings

Finding	Questioned Costs
None	

February 5, 2025

To the Board of Directors
Ann Arbor Area Transportation Authority

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

Section I - Required Communications with Those Charged with Governance

Section II - Other Recommendations and Related Information

Section III - Legislative and Informational Items

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

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

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

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

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

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

Very truly yours,

Plante & Moran, PLLC



Pamela L. Hill
Partner



Chris Gilbert
Senior Manager

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

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

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

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

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

Planned Scope and Timing of the Audit

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Corrected and Uncorrected Misstatements

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

Significant Findings or Issues

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Section II - Other Recommendations and Related Information

User Access Reviews

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

Section III - Legislative and Informational Items

Inflation Reduction Act (IRA)

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

Cybersecurity and Information Technology Controls

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

OMB Revisions to the Uniform Guidance

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

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

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

Capitalization Thresholds

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

Section III - Legislative and Informational Items (Continued)

Other New Legislation

Upcoming Accounting Standards Requiring Preparation

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

GASB Statement No. 101 - Compensated Absences

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

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

GASB Statement No. 102 - Certain Risk Disclosures

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

GASB Statement No. 103 - Financial Reporting Model Improvements

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

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

GASB Statement No. 104 - Disclosure of Certain Capital Assets

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

Significant GASB Proposals Worth Watching

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

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

February 5, 2025

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

Dear Ms. Dina Reed:

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

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

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

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

- Financial statements
- Single audit report

Single Audit Filing Requirements

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

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

To Ms. Dina Reed
Ann Arbor Area Transportation Authority

February 5, 2025

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

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

Very truly yours,

Plante & Moran, PLLC



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

Phone: 734.973.6500
Fax: 734.973.6338
Online: TheRide.org

January 23, 2025

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

Prior Year Finding Number:

2023-001

Fiscal Year in Which the Finding Initially Occurred:

2023

Federal Program, Assistance Listing Number and Name:

N/A

Original Finding Description:

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

Status/Partial Corrective Action (as applicable):

Fully Corrected

Planned Corrective Action:

N/A

Point of Contact:

Dina Reed dreed@theride.org

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

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

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