

**Monitoring Report:
Financial Condition & Activities (Policy 2.5)
Monitoring Period: Fiscal Year 2022**

Finance Committee Meeting Review Date: June 13, 2023

Board of Directors Meeting Review Date: June 22, 2023

INFORMATION TYPE
Monitoring
RECOMMENDED ACTION(S)
<p>That the Board review this REVISED monitoring report and consider accepting it as:</p> <p>(A) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations.</p> <p>(B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO’s stated non-compliance with item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance.is making reasonable progress towards compliance.</p> <p>(C) 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation 2. For policy items x.x.x – the interpretation is not reasonable 3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance 4. For policy items x.x.x – the Board acknowledges and accepts the CEO’s stated non-compliance and the proposed dates for compliance</p>
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<p>Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:</p> <ol style="list-style-type: none"> 1. CEO sends Monitoring Report to all board members 2. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)
ISSUE SUMMARY
<p>TheRide’s Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This</p>

monitoring report provides the CEO's interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board's written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.

Per Appendix A of the Board Policy Manual, this report was scheduled for monitoring in June and was submitted in June.

I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.

CEO's Signature



Date

6/16/2023

ATTACHMENTS

1. Monitoring report for Financial Condition & Activities (Policy 2.5)

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 Fully Compliant
  Partially Compliant
  Non-Compliant

Preliminary CEO Interpretations and Evidence

POLICY 2.5
With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:
Degree of Compliance: Compliant
Interpretation
<p><u>Measure/Standard & Level of Achievement</u> Compliance with policies 2.5.1 – 2.5.11.2 will demonstrate compliance with this policy.</p> <p><u>Rationales</u> This is reasonable because the Board has fully articulated its expectations in the policies below.</p>
Evidence
Policies 2.5.1 through 2.5.11.2 are compliant, and hence this policy is compliant.

POLICY 2.5.1
Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.
Degree of Compliance: Compliant
Interpretation
I interpret this to mean that we are required to 1) have policies and procedures in place and 2) that they are followed.
<p><u>Measure/Standard & Level of Achievement</u> Compliance will be demonstrated when:</p> <ol style="list-style-type: none"> 1. TheRide maintains a financial <i>Internal Control System Manual (ICSM)</i> which is consistently reviewed, updated and followed. 2. Within six months after the end of each fiscal year, an external audit firm completes an independent audit report and single audit review of TheRide’s financial statements using

auditing standards generally accepted in the United States of America, and Board policies, and which achieves the following:

- a. “Unmodified” opinion of the financial statements presented 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, and Government Auditing Standards for internal control and compliance.
- b. No repeat findings and no compliance findings in the financial statement findings.

Rationales

This is reasonable because:

1. The ICSM includes detailed financial management, cash handling, and accounting policies and procedures that are compliant with GASB and Government Auditing Standards. Staff are required to follow the ICSM. The ICSM is updated as processes are updated.
2. Six months is reasonable because the State of Michigan Office of Management and Budget requires a completed audit be provided by six months after the end of the fiscal year.
3. An “Unmodified” opinion indicates that financial statements are accurate and complete as presented with the audit.
4. No repeat findings indicates that any weaknesses are promptly resolved in a manner that was satisfactory with the independent auditor.
5. No compliance findings indicate that any audit findings did not result in misreporting or compliance issues with regulatory agencies.

Evidence

1. A review of records (Reed, 6/7/2023) found that TheRide’s *Internal Control System Manual* was adopted by the CEO in 2019 and was updated in October 2021 by Finance staff to reflect routine process and terminology changes.
2. The external audit firm of UHY, LLC. Completed an independent financial audit of TheRide’s financial statements and internal control and compliance testing for FY2022 and provided a completed audit document with financial statements on March 30, 2023. As indicated in the Summary of Auditor’s Results (Audit 2022, pp. 59-61), the auditors issued an “Unmodified” report, which is the highest rating for the audit. While there was one material weakness, the finding was not a repeat finding and the finding did not result in misreporting or compliance issues with regulatory agencies. A detailed explanation is provided in the audit report as indicated.

POLICY 2.5.2

Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.

Degree of Compliance: Compliant

Interpretation

Measure/Standard & Level of Achievement

Compliance will be demonstrated when TheRide operates in compliance with the following regulatory requirements:

1. Within six months after the end of each fiscal year, an external firm provides an independent audit report indicating an “Unmodified” opinion of TheRide’s major federal programs using generally accepted accounting standards and audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
2. The FTA Triennial Review is completed as indicated with a closeout letter from the FTA.
3. Michigan Department of Transportation (MDOT) agreements are executed as required, as follows:
 - a. Master Agreement, executed every five (5) years, and
 - b. Annual grant agreements are executed annually.
4. TheRide maintains an approved *Procurement Manual* that is accepted by the FTA as determined in the Triennial Review.

Rationales

This is reasonable because:

1. Generally accepted accounting principles in the United States and standards applicable to financial audits contained in *Government Auditing Standards* are issued by the Comptroller General of the United States. Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is the Uniform Guidance (set of standards) provided by the Federal Government pertaining directly to agencies receiving federal awards.
2. TheRide’s largest source of grant funding is the Urbanized Area Formula Grant program. Compliance with this and other capital programs are monitored by the FTA primarily through the Triennial Review Process. Compliance with the Triennial Review process is required to maintain access to grant funding. FTA is responsible for conducting oversight activities to ensure that recipients of grants use the funds in a manner consistent with their intended purpose and in compliance with regulatory and statutory requirements. A satisfactory closeout letter demonstrates any review issues have been resolved and TheRide is compliant with FTA grant program requirements.
3. A signed master agreement must be on file with the Michigan Department of Transportation (MDOT) Office of Passenger Transportation (OPT) must be on file before any federal or state grant funds can be made available to the agency. Further, the OPT master agreement contains all the information that is required for purchasing, billings, payments, audits,

budget adjustments, revisions, and amendments that the transit agency needs to maintain compliance with MDOT.

4. Procurement thresholds established in federal regulations and Board policy provide the framework for processes and procedures described in detail in TheRide’s *Procurement Manual*. The Procurement Manual complies with federal and state requirements and is followed by staff as verified through the FTA Triennial Review process.

Evidence

1. The external audit firm of UHY, LLC. completed an independent financial audit of TheRide’s major federal programs for FY2022 and provided a completed audit document with financial statements on March 30, 2023. The audit reported provided an “Unmodified” opinion and stated that AAATA “complied, in all material respects, with the types of compliance requirements ... that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022” (Audit, p. 54).
2. The FTA FY2022 Triennial Review closeout letter was provided on January 3, 2023 and indicated that all deficiencies identified in the FTA FY 2022 Triennial Review were resolved and the report is closed.
3. The Master Agreement with MDOT OPT was executed on April 7, 2022. Annual grant agreements from the Michigan Department of Transportation are fully awarded and executed for FY2022 and for FY2023, with no findings of non-compliance reported by MDOT.
4. TheRide’s Procurement Manual was updated and adopted by the CEO in FY2021. Procurement thresholds established in federal regulations and Board policy were updated to reflect improved processes and procedures, and current terminology and references. The Board was provided information regarding updated manual in the CEO Report of the September 23, 2021 Board Meeting. There have been no further updates to the Procurement Manual. The FTA FY2022 Triennial Review indicated no open issues with the Procurement Manual; the document is FTA compliant.

POLICY 2.5.3

Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.

Degree of Compliance: Compliant

Interpretation

Measure/Standard & Level of Achievement

I interpret this to mean that internal controls, policies and procedures are in place and followed to provide reasonable assurance that funds are collected, managed and spent for purposes and in a

manner that is consistent with Board policies and are found by an auditor to prevent deficiencies in internal control over compliance.

Compliance will be demonstrated when:

1. TheRide maintains a financial *Internal Control System Manual (ICSM)* which is consistently reviewed and followed and includes receipt, processing, and disbursement of funds control procedures.
2. Internal controls are reviewed and tested by an external audit firm annually as described in Policy 2.5.1, and the independent audit report identifies no deficiencies in the audit report.

Rationales

This is reasonable because the ICSM includes detailed financial management, cash handling, and accounting policies and procedures that are compliant with GASB and Government Auditing Standards and are followed by Finance staff.

Evidence

A review of records (Reed, 6/7/2023) found that TheRide’s *Internal Control System Manual* was updated and adopted by the CEO in FY2019. Subsequent updates by staff had no material impact on controls that required additional CEO approval.

Internal controls regarding internal controls were reviewed and tested as described by the FY2022 Audit report and no findings or repeat findings were identified. The section of the report “Report on Internal Control over Compliance” states that “...during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness...” (Audit, p. 56).

POLICY 2.5.4

Compromise the independence of the Board’s audit or other external monitoring or advice.

Degree of Compliance: Compliant

Interpretation

Measure/Standard & Level of Achievement

Compliance will be demonstrated when groups the Board uses to assist them with oversight or advice (e.g. auditors, legal counsel, governance consultants, etc) provide written confirmation of the following:

1. The Board has direct and unfettered access to the auditing firm through the firm’s pre-audit communication and a post-audit communication, and
2. The auditor provides an independent audit report in writing and through presentation to the Board at a public meeting.
3. The CEO or staff have not interfered with the relationship of other groups providing independent monitoring or advice to the Board.

Rationales

This is reasonable because the independent confirmation from the outside groups is conclusive, and because these groups are hired by the Board itself, the CEO is unable to unduly influence their response.

Evidence

A review of records (Reed, 6/6/2023) indicates that the following firms have provided written confirmation indicating agreement with the points outlined in the interpretation, as applicable:

- The Governance Coach (Mercier, June 2023) – Governance consultant
- UHY, LLC. (Beach, June 2023) – Auditors
- Dykema (Muskovitz, June 2023) - Corporate Counsel

POLICY 2.5.4.1

Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.

Degree of Compliance: Compliant

Interpretation

I interpret this to mean the Board wants to quickly be notified regarding *significant* instances of actual or suspected financial fraud, embezzlement or staff errors.

Measure/Standard & Level of Achievement

Compliance will be demonstrated when the Board, Governance Committee or Treasurer are notified of a significant incident within five business days after the CEO or Deputy CEO becomes aware.

I define *significant* to mean impacts that:

1. Jeopardizes, or could jeopardize, continuity of services to customers,
2. Causes significant financial harm (defined as over \$250,000),
3. Involves a person in a position of authority and involves embezzlement for personal reasons, and/or
4. Could harm public credibility for the organization.

Rationales

These interpretations are reasonable because:

1. Low-level fraud and attempted fraud are an unfortunate reality and are too numerous or unimportant to spend Board time on. Most are addressed through disciplinary or law enforcement measures.
2. Minor staff errors are addressed through HR processes for performance management.

3. The definition of significance ensures that the Board will be notified or incident that are truly serious.
4. \$250,000 represents a significant amount of funds but only 0.45% of the FY2023 operating budget.
5. Five business days is an appropriate time for senior staff to confirm the nature of an incident and prepare information for the Board.
6. Depending on the issue it may be appropriate to notify the Chair (policy 3.5), Governance Committee (3.7.1), or Treasurer (Bylaws, Art II, sec 5) prior to notifying the full Board.
7. Staff immediately take steps to stop any financial loses without further direction from the Board so loses are minimized.

Evidence

On October 23, 2021, TheRide was a victim of a cyberattack, which involved attempted extortion and had significant impacts on the agency. The agency became aware of the attack on October 23, 2021. A review of email records (Reed, 6/6/2023) found that the Governance committee was notified approximately 5 hours after staff were aware (email from Carpenter, 10/23/2021, 12:37 p.m.), well within the five day limit. The Board was briefed throughout the year, including regular updates in committee meetings and Board meetings, and a closed session review of the incident.

A review of records by the CEO and CFO (Carpenter, Reed; 6/1/2023) verified that there are no other significant instances of fraud, attempted fraud, or financial mismanagement within the fiscal year.

POLICY 2.5.4.2

Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.

Degree of Compliance: Compliant

Interpretation

Measure/Standard & Level of Achievement

Compliance will be demonstrated by providing any financial information requested by the Board including internal controls.

Rationales

This is reasonable because the Board already has power to directly inspect any agency record at any time.

Evidence
A review of records by the CEO and CFO (Carpenter, Reed; 6/7/2023) confirms that there have been no requests from the Board for access to this information. There are no motions or resolutions on-record requesting such information.

POLICY 2.5.5
Allow expenditures that exceed the overall Board-approved budget.

Degree of Compliance: Compliant
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Interpretation
I interpret this to mean that the total of actual operating and capital expenses (excluding depreciation) for the fiscal year will not exceed total budgeted operating expenses as approved by the Board.
<u>Measure/Standard & Level of Achievement</u> Compliance will be demonstrated when audited financial statements demonstrate that the actual expenses in the operating and capital budgets at the end of the fiscal year do not exceed the total operating (net of depreciation) and capital expenses set forth in the Board approved budget, including any budget amendments for the fiscal year.
<u>Rationales</u> This is reasonable because audited financial statements are the accepted record of actual expenses for the fiscal year and a budget resolution approved by the Board explicitly provides authorized budgeted operating and capital expenses for the fiscal year. Note: Budgeted operating expenses do not include depreciation.

Evidence
<p>Operating</p> <ul style="list-style-type: none"> For FY2022, the board approved operating expenditures of \$55,765,850 (Resolution 11/2021). As provided in the FY2022 Financial Statements on page 40, total actual operating expenses (before depreciation) are \$50,884,569, which is less than budgeted operating expenses. (Note: Total operating expenses were \$57,356,051 when \$6,471,482 in depreciation expenses were included. the adopted operating budget does not include depreciation). <p>Capital</p> <ul style="list-style-type: none"> For FY2022, the Board adopted a capital budget with a program of projects totaling \$10,840,000 (Resolution 11/2021).

- As provided in the FY2022 Financial Statements on page 11, total actual capital expenses, which are stated in the “Acquisition and construction of capital assets” line are \$1,370,507, which is less than budgeted capital expenses.

POLICY 2.5.5.1
Allow cost overruns on capital projects.

Degree of Compliance: Compliant

Interpretation

I interpret this to mean that I cannot spend more money on capital projects than the amount approved by the Board in annual budgets, including budget amendments. I interpret this policy to apply to projects in the capital budget/amended budgets.

Measure/Standard & Level of Achievement

Compliance will be demonstrated when a comparison of actual expenses that match reporting in financial statements for capital projects listed in the capital plan do not exceed the capital budget approved by the Board, including any budget amendments.

Rationales

This is reasonable because audited financial statements are the accepted record of actual expenses for the fiscal year and a budget resolution approved by the Board explicitly provides authorized budgeted capital expenses for the fiscal year.

Evidence

The table (next page) illustrates that all capital expenditures in FY2022 were within budget for the fiscal year.

FY2022 Capital Budget and Expenditures

Type of Capital Project	Capital Projects	FY2022 Approved Budget	FY2022 Expenditures	Variance from Budget	Cost Overruns?
State of Good Repair	Large Bus Replacement	\$ 4,400,000	\$ 116,442	\$ (4,283,558)	No
	Small/Medium Bus Replacement	420,000	-	(420,000)	No
	Non-Revenue Vehicle Replacement	-	-	-	No
	Bus Components, Tools, Equipment	305,000	-	(305,000)	No
	Facilities Rehabilitation	3,150,000	357,556	(2,792,444)	No
	Architecture and Engineering	250,000	-	(250,000)	No
	Furniture Replacement	40,000	40,057	57	No
	IT Hardware and Software	235,000	768,046	533,046	No
	AOS System Replacement	200,000	-	(200,000)	No
	Maintenance Equipment	100,000	39,386	(60,614)	No
	Communications Equipment	-	-	-	No
Value Added	Rider Amenities/Accessibility	465,000	33,571	(431,429)	No
Expansion	YTC Planning	1,100,000	-	(1,100,000)	No
	BTC A&E	150,000	-	(150,000)	No
Research and Development	R&D Projects	25,000	15,447	(9,553)	No
Total		\$ 10,840,000	\$ 1,370,505	\$ (9,469,495)	No

Note: Capital projects typically span more than one fiscal year. Costs for some large capital purchases were delayed in FY2022 causing actual expenses to be significantly under budget. Approximately \$7 million of budget variance is attributable to delays for two major projects, bus purchases and facilities rehabilitation. The bus purchases (over \$4 million) were delayed due to pandemic related supplier issues. The buses were delivered in October 2022, pushing the expenses into FY2023. The largest facilities rehabilitation project, new HVAC units and a new roof for the maintenance area of the Dawn Gabay Operations Center was delayed due to inflationary cost pressures. The project was moved to the following year and is included in the approved budget for FY2023.

POLICY 2.5.6

Authorize contracts not anticipated in the current budget with a value greater than \$250,000.

Degree of Compliance: Compliant

Interpretation

I interpret this policy to mean that staff must obtain Board approval for single expenditures with a value greater than \$250,000 that are not authorized by the Board in an approved budget document.

Flexibility for smaller unplanned purchases is provided to allow the CEO to deal with emergencies or urgent needs. The policy does *not* give the CEO permission to exceed the total budget amount authorized by the Board. Staff can also accept revenue contracts (incoming funds) at any value without Board approval.

Measure/Standard & Level of Achievement

Compliance will be demonstrated when a review of procurement records demonstrates that no unbudgeted/unauthorized contracts over \$250,000 were awarded during the fiscal year without the Board’s approval.

Rationales

This interpretation is reasonable because procurement records are the definite source of all purchases or services over \$10,000, and any contract award over \$250,000 would appear in these records. The purchase of goods and services without proper authorization, as described in the Procurement Manual, is strictly prohibited.

Evidence

A review of procurement records by the Procurement Manager (Whitlow, February 2023) found no unbudgeted (i.e. Board-approved) contracts greater than \$250,000 were awarded in FY2022.

POLICY 2.5.6.1

Split purchases or contracts into smaller amounts in order to avoid the above limit.

Degree of Compliance: Compliant

Interpretation

I interpret this policy to mean that staff cannot attempt to avoid the requirements of Policy 2.5.6 by splitting expenditures into smaller amounts less than \$250,000.

Measure/Standard & Level of Achievement

Compliance will be demonstrated when a review of procurement records demonstrates that no split contracts (contracts to the same vendor or for the same scope of work) were awarded and exceeded the \$250,000 limit.

Rationales

This interpretation is reasonable because procurement records are the definite source of all purchases or services over \$10,000. The purchase of goods and services without proper authorization, as described in the Procurement Manual, is strictly prohibited.

Evidence

A review of procurement records by the Procurement Manager (Whitlow, February 2023) found no split contracts (contracts to the same vendor or for the same scope of work) to avoid compliance with this policy.

POLICY 2.5.7

Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.

Degree of Compliance: Compliant

Interpretation

I interpret this policy to mean that I must establish appropriate level of operational reserve funding that would insulate the AAATA from financial disruptions or emergencies, and that this reserve fund must remain fully funded and ready to be used if needed.

Measure/Standard & Level of Achievement

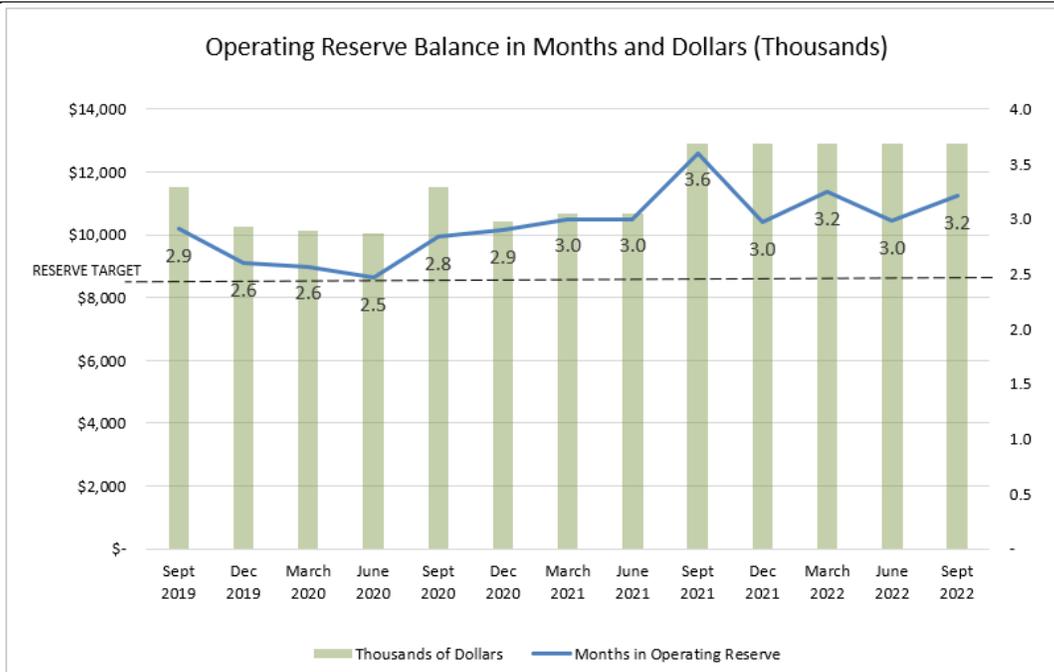
Compliance will be demonstrated when quarterly financial statements demonstrate a reserve balance of at least 2.5 months of quarterly operating expenses for each quarter of the fiscal year.

Rationales

This is reasonable because the Government Finance Officers Association (GFOA), an independent third-party organization that sets industry best practices in public finance, confirms that 2.5 months is a reasonable standard and quarterly financial statements are an accurate representation of the amount of funding available.

Evidence

According to the balance sheet as of September 30, 2022, AAATA ended the year with a reserve balance of \$12.9 million, capital sufficient to support 3.2 months of operations. As demonstrated in the table below, the reserve was above 2.5 months at the end of the fiscal year and has consistently been above the target for 36 continuous months. This information is consistent with all quarterly reports during the period.



POLICY 2.5.8

Adjust tax rates assessed by the Authority.

Degree of Compliance: Compliant

Interpretation

Measure/Standard & Level of Achievement

Compliance will be demonstrated when the annual L-4029 form submitted to taxing collection authorities reflects the rate approved by the Board and voters, and is compliant with all tax laws including the Headlee Amendment.

Rationales

This is reasonable because in Michigan taxes may be changed only with signature of the Board Chair and Secretary on Michigan Form L-4029, which is the form that instructs municipality assessors to levy taxes in accordance with millages approved by voters. Tax proposals and renewals must be approved by boards and voters. The CEO is not legally capable of changing the tax rate by themselves but does ensure the information on the form is correct.

Evidence

A review of records by the CFO (Reed, February 2023) confirms that property taxes levied to support operations in FY2022 were consistent with Board approved millage rates of 0.7 mills, which were authorized in April 2018 (Resolution 8/2018) and effective from 2019 through 2023.

Note: The Board of Directors approved a rate change beginning in FY2024 at a rate of 2.380 mills, which will replace the expiring 0.700 millage levy. The millage was approved by voters on August 2, 2022. However, the new rate will not take place or be monitored until 2024.

POLICY 2.5.9
Acquire, encumber, or dispose of real estate.

Degree of Compliance: Compliant

Interpretation

I interpret this policy to mean that staff are prohibited from purchasing or selling land without prior Board authorization. Furthermore, prohibited encumbrances include saddling real estate with debt or mortgages, leasing or selling rights to AAATA-owned property, and making encumbrances to real estate which would limit or restrict its use by the AAATA.

This policy does not apply to renting property, buildings or facilities needed to facilitate AAATA operations or implementation of agency plans.

Measure/Standard & Level of Achievement
Compliance will be demonstrated when a review of land and transfer records indicates there are no records of real estate transactions that have not been approved by the Board. Compliance will also be demonstrated when a review of audited financial statements confirms real estate has not been encumbered with leasing or selling rights.

Rationales
This is reasonable because acquisition and disposal of real estate is a matter of public record and can be verified through the Washtenaw County Clerk’s Office. Further, governmental accounting standards require agencies to disclose and auditors to verify any encumbrances or leases impacting the value of any asset in the financial statements.

Evidence

A search of the online register found no real estate change records to date for the Ann Arbor Area Transportation Authority. Additionally, the following alias names do exist in the register:

- ANN ARBOR TRANSIT AUTHORITY
- ANN ARBOR TRANSPORATION AUTHORITY

- ANN ARBOR TRANSPORTATION AUTHORITY AND
- ANN ARBOR TRANSPORTATION AUTHORITY ET AL

A search of the online register using the alias names produced no change records beyond 2003. (Reed, June 2023)

Additionally, a review of the audited financial statements (Reed, 6/6/2023) confirms no encumbrances or leases to AAATA-owned real estate exist.

POLICY 2.5.10

Encumber the agency with financial debt without previous authorization from the Board.

Degree of Compliance: Compliant

Interpretation

I interpret this policy to mean that I am prohibited from issuing bonds, which is the only legal form of debt financing available to AAATA under Act 55, without Board approval, or acquiring any other means of indebtedness such as bank loans on behalf of the Authority. I understand that this policy does not apply to trade payables or credit card expenses, which are necessary transactions resulting from day-to-day operations.

Measure/Standard & Level of Achievement

Compliance will be demonstrated when the audited financial statements demonstrate no new debt exists during the fiscal year. If debt does appear, compliance will be demonstrated with a Board resolution approving the issuance of bonds in that fiscal year.

Rationales

This is reasonable because audited financial statements are the accepted record of reporting for liabilities, which would include any debt owed by AAATA.

Evidence

As indicated in the FY2022 Audited Financial Statements on page 13, there is no debt reported in financial statements (Statements of Net Position, a.k.a. "balance sheet").

Policy Trendlines

Policies	FY 20	FY 21	FY 22	FY 23
2.5	2	2	2	3
2.5.1	3	3	3	3
2.5.2	3	3	3	3
2.5.3	3	3	3	3
2.5.4	3	3	3	3
2.5.4.1	3	3	1	3
2.5.4.2	3	3	3	3
2.5.5	3	3	3	3
2.5.5.1	3	2	3	3
2.5.6	3	3	3	3
2.5.6.1	3	3	3	3
2.5.7	1	3	3	3
2.5.8	3	3	3	3
2.5.9	3	3	3	3
2.5.10	3	3	3	3

LEGEND	
	Policy is not compliant
	Policy is partially compliant
	Policy is compliant

CEO Notes

Policy 2.5.4, 2.5.4.1 and 2.5.4.2 do not appear to have any relationship. Perhaps each should be policies of the same rank.

Policy 2.5.3 appear to overlap with 2.7.2. This may be a recent error stemming from changes to 2.7. We are suggesting the two be consolidated under policy 2.5.

2.5.4.2 is redundant with policy 4.4.2 because the Board already has the power to directly inspect any element of agency operations. The CEO cannot withhold any information if the Board requests it.

Board's Conclusion on Monitoring Report

Board's conclusion after monitoring the report.

Following the Board's review and discussion with the CEO, the Board finds that the CEO:

- (A) a reasonable interpretation for **all** policy items and that the evidence demonstrates compliance with the interpretations.
- (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO's stated non-compliance with item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance.is making reasonable progress towards compliance.
- (C) 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation
2. For policy items x.x.x – the interpretation is not reasonable
3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance
4. For policy items x.x.x – the Board acknowledges and accepts the CEO's stated non-compliance and the proposed dates for compliance

Board Notes:

6/22/23 - The Board accepted the report as (C) with all policy items accepted except for 2.5.5.1 – the interpretation is reasonable, but the evidence does not demonstrate compliance. The Board requested a revised table with more detailed evidence showing compliance for 2.5.5.1 be provided as a follow up in July.

7/20/23 – The Board received more detailed evidence showing compliance and accepted Policy 2.5.5.1 as fully compliant.