# Board of Director’s Meeting Agenda

**Meeting Date/Time:** February 22, 2024 - 6:30 – 9:00pm

**Members:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Julie Grand, Monica Ross-Williams, Susan Pollay, Kyra Sims

**Location:** Riverside Arts Center, Ypsilanti (4th Floor)
Virtual attendance available via Zoom
Passcode: 983308

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<td>10.4 Adjournment</td>
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* M = Monitoring, D = Decision Preparation, O = Other
If additional policy development is desired:

Discuss in Board Agenda Item 3.0 Policy Monitoring and Development. It may be appropriate to assign a committee or task force to develop policy language options for board to consider at a later date.

Emergent Topics

Policy 3.1.3 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attainment of those effects.” Policy 3.1.3.1 specifies that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

1. What is the nature of the issue? Is the issue within the scope of the agency?
2. What is the value [principle] that drives the concern?
3. Whose issue is this? Is it the Board’s [Policy, 3.0 and 4.0] or the CEO’s [running the organization, 1.0 and 2.0]?
4. Is there already a Board policy that adequately covers the issue? If so, what has the Board already said on this subject and how is this issue related? Does the Board wish to change what it has already said?
Board of Director’s Meeting Minutes

Meeting Date/Time: January 25, 2024 - 6:30 – 9:00pm

Members: Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Susan Pollay, Kyra Sims

Location: Ann Arbor District Library (4th Floor)
Virtual attendance available via Zoom

Chairwoman called the meeting to order at 6:30pm

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<td><strong>1.1 Approve Agenda</strong></td>
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Mr. Carpenter noted that Mr. Pfeifer was unable to attend the meeting and requested his introduction be removed from the agenda (1.2.1) and will be on the February agenda.

Mr. Allemang motioned to accept the amended agenda, seconded by Mr. Barr.

All in favor of approving the amended agenda:

- Mr. Mike Allemang: Yes
- Mr. Chris Allen: Yes
- Mr. Simi Barr: Yes
- Mr. Rich Chang: Yes
- Mr. Jesse Miller: Yes
- Ms. Susan Pollay: Yes
- Ms. Kyra Sims: Yes
- Chairwoman Kathleen Mozak: Yes

The approval of the amended agenda passed unanimously.

**1.2 Public Comment**

Jim Mogensen shared the University of Michigan had identified challenges with students needing transportation to the airport and in addressing the issue it may impact AirRide for the larger community. He encouraged the organization work with other transit systems in the area to see how they handle extreme weather challenges and in closing noted prior challenges with hybrid buses and funding.

**1.3 General Announcements**

Chairwoman Mozak shared that longtime Local Advisory Council member, Jody Burton Slowins, had passed away in December. Ms. Burton Slowins made many contributions to the community and she will be missed.

**1.2.1 Introduce Jeff Pfeifer**
## 2. CONSENT AGENDA

### 2.1 Board Meeting Minutes December 21, 2023

### 2.2 Committee Meeting Summaries

### 2.3 Policy Monitoring Schedule Clarification

### 2.4 FY 2025 State Application Resolution (Required Approvals)

Mr. Chang motioned to approve the Consent Agenda, seconded by Ms. Sims.

All in favor of approving the Consent Agenda:

- Mr. Mike Allemang: Yes
- Mr. Chris Allen: Yes
- Mr. Simi Barr: Yes
- Mr. Rich Chang: Yes
- Mr. Jesse Miller: Yes
- Ms. Susan Pollay: Yes
- Ms. Kyra Sims: Yes
- Chairwoman Kathleen Mozak: Yes

The approval of the Consent Agenda passed unanimously.

## 3. OWNERSHIP LINKAGE

### 3.1 Open Dialogue Task Force Updates

Mr. Chang shared he is continuing to work on meetings with leadership at the City of Ypsilanti and Ypsilanti Township. He also shared he will be moving forward on a strategy plan for outreach with moral owners which will include utilizing data from a 2021 phone survey.

## 4. MONITORING

### 4.1 Ends (Policy 1.0) Monitoring Report

Mr. Carpenter provided an overview of the Ends Monitoring Report, which is an annual report on meeting the Board’s overall outcomes and goals for the agency, along with the Board survey results. The monitoring report showed overall compliance with notations for partial compliance 1.1, 1.1.2, and 1.2 and 1.2.2 and non-compliance for 1.2.3. Progress on policy 1.2.3 will now be made with the recently filled position for Manager Public Affairs & Engagement as they will be working on advocacy and a legislative agenda.

Mr. Carpenter fielded questions from various board members regarding his interpretations and how evidence was gathered and used within the monitoring report.

After a robust discussion, Mr. Miller motioned to accept the Ends (Policy 1.0) monitoring report as (C) evidence of compliance with a reasonable interpretation for all items except policy items 1.0 and 1.3 where the interpretation is not reasonable, seconded by Mr. Allemang.

Ms. Pollay motioned to amend the motion to include 1.2.3 as partially compliant instead of non-compliant. There was no second to the motion.
All in favor of accepting the Ends (Policy 1.0) monitoring report as (C) evidence of compliance with a reasonable interpretation for all items except policy items 1.0 and 1.3 where the interpretation is not reasonable:

- Mr. Mike Allemang: Yes
- Mr. Chris Allen: No
- Mr. Simi Barr: Yes
- Mr. Rich Chang: No
- Mr. Jesse Miller: Yes
- Ms. Susan Pollay: Yes
- Ms. Kyra Sims: No
- Chairwoman Kathleen Mozak: No

The vote was 4-Yes and 4-No, the motion did not pass.

Ms. Sims motioned to accept the report as (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 items noted in the report, seconded by Mr. Chang.

- Mr. Mike Allemang: No
- Mr. Chris Allen: Yes
- Mr. Simi Barr: Yes
- Mr. Rich Chang: Yes
- Mr. Jesse Miller: No
- Ms. Susan Pollay: No
- Ms. Kyra Sims: Yes
- Chairwoman Kathleen Mozak: Yes

The motion to accept the Ends (Policy 1.0) monitoring report as (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 items noted in the report, passed by a vote of 5-Yes to 3-No.

The Board took a 10 minute recess.

5. POLICY
   5.1 ID & Compensation

Chairwoman Mozak provided an informational overview on usage of Board ID badges, which can be used as bus passes for Board related work but according to bylaws, cannot be used for personal use as it would be considered compensation.

6. OPERATIONAL UPDATES
   6.1 Zero-Emissions Bus Decision

Mr. Carpenter outlined details within the Board packet regarding the request for the Board to authorize to submit grant applications and other funding requests to help purchase 2 hydrogen fuel cell buses / equipment, 1 outdoor hydrogen fuel station, workforce training for staff and up to 8 hybrid buses/year to replace diesel buses. This request is to provide evidence of compliance with Construction Policy 2.10 in future monitoring reports.
Mr. Allemang motioned to authorize the CEO to submit grant applications and funding requests for low and zero emissions bus propulsion systems as outlined in the information provided to the board today attachment presented today and provide the Board monthly updates on project status and what was given to the board today, seconded by Mr. Allen.

All in favor of authorizing the CEO to submit grant applications and funding requests for low and zero emissions bus propulsion systems as outlined in the information provided to the board today attachment presented today and provide the Board monthly updates on project status:

- Mr. Mike Allemang: Yes
- Mr. Chris Allen: Yes
- Mr. Simi Barr: Yes
- Mr. Rich Chang: Yes
- Mr. Jesse Miller: Yes
- Ms. Susan Pollay: Yes
- Ms. Kyra Sims: Yes
- Chairwoman Kathleen Mozak: Yes

The motion to authorize the CEO to submit grant applications and funding requests for low and zero emissions bus propulsion systems as outlined in the information provided to the board today and provide the Board monthly updates on project status passed unanimously.

### 6.2 Weather Related Service Disruptions

Mr. Brooks shared a brief presentation and video ([Board Packet, page 72](#)) related to a snow event on January 12, 2024 which necessitated the suspension of services after weather conditions deteriorated in a short period of time. While service cancellations are rare, the safety of staff and passengers is always the priority consideration when a decision is made.

### 6.3 Audit Update

Ms. Reed shared that the auditors were providing a first draft of financial reports which will be introduced to the Audit Task Force, followed by the Finance Committee. The Board will receive for review and full acceptance at the February Board meeting.

### 6.4 CEO Report

Mr. Carpenter referred to the CEO report in the packet and fielded a question from a Board member to clarify details within the staffing update as it relates to upcoming service enhancements.

### 7. BOARD EDUCATION/DISCUSSION

#### 7.1 Introduce Susan Radwan

Ms. Susan Radwan was introduced as the new Governance consultant. She shared a brief presentation on the Policy Governance method ([Board Packet, page 80](#)).
9.1 Action Item Recap

The Board requested that with the authorization of the zero-emissions grant and funding request applications, they receive regular updates on the process.

9.2 Topics for Next Meetings

Audit Update
Financial Conditions (2.5)
FY24 Q1 Financial Report

9.3 Public Comment

No public commenters.

9.4 Adjournment

Ms. Pollay motioned to adjourn the meeting, seconded by Mr. Barr.

All in favor of adjourning the meeting:

Mr. Mike Allemang: Yes
Mr. Chris Allen: Yes
Mr. Simi Barr: Yes
Mr. Rich Chang: Yes
Mr. Jesse Miller: Yes
Ms. Susan Pollay: Yes
Ms. Kyra Sims: Yes
Chairwoman Kathleen Mozak: Yes

Chairwoman Mozak adjourned the meeting at 9:04 pm.
Governance Committee Meeting Notes

**Meeting Date/Time:** Thursday, February 1, 2024 – 9:00am – 11:00am

**Members:** Kathleen Mozak (Chair), Mike Allemang, Jesse Miller

**Staff:** Matt Carpenter, Dina Reed, George Brooks, Gretchen Johnson, Jeffrey Pfeifer, Rosa-Maria Njuki, Deb Holt

**Location:** REMOTE – Via Zoom

Chairwoman Mozak called the meeting to order at 9:03am

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<td>Chairwoman Mozak requested the addition of adding 2.4.3 Phone Survey – no other changes or additions were noted.</td>
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<td><strong>1.2 Communications</strong></td>
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<tr>
<td>Mr. Carpenter introduced to the committee Mr. Pfeifer, the new Manager of Public Affairs and Engagement (formerly Community Relations).</td>
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<td>The committee is working on coordinating a rescheduled date for the February 27th Governance Committee meeting and will be coordinating with staff.</td>
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<td><strong>2. BOARD DEVELOPMENT</strong></td>
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<td><strong>2.1 Recruitment / Training / Attendance</strong></td>
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<td>Chairwoman Mozak provided an update on the newest Board member, Ms. Grand who will be on-boarding prior to the February Board meeting. She also noted that a local university student has expressed interest in Board and LAC participation. She also shared a brief overview on Board and Committee meeting attendance and participation.</td>
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<td><strong>2.2 Task Force Coordination (ODTF, Audit)</strong></td>
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<td>The Audit Committee Task Force will be meeting with the Auditors on February 12th. ODTF is working to begin reaching out to moral owners in the community as well.</td>
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2.3 Governance Consultant Discussion

New Governance consultant, Susan Radwan attended the January Board meeting and looks forward to her work with board members. Chairwoman Mozak requested scheduling a meeting between Ms. Radwan and Governance Committee members to discuss policy 3.0.

2.4 Annual Plan of Work

The committee discussed the annual plan of work and prioritization of topics in the plan. Policy / decision and education topics are still being developed with Board input.

2.4.1 Advocacy

Mr. Carpenter shared that Mr. Pfeifer is working on the first legislative agenda with a plan to be shared with the Board by June.

2.4.2 Ridership

A ridership presentation will be presented to the Board at the February Board meeting and an innovation presentation is due in March. Mr. Carpenter noted that the innovation presentation will also include post-pandemic trends.

2.4.3 Phone Survey

At the January Board meeting Mr. Chang had inquired about a phone survey that had been done in 2021 by CJI Research as the information would be beneficial with ODTF work. The committee discussed adding a placeholder for CJI to present at the April Board meeting. There is information that could be used for the Board future planning and policy creation.

3. POLICY MONITORING & DEVELOPMENT

3.1 Board Management Delegation (Policies 4.0-4.4)

Committee members discussed the report and positive comments made on the report. High survey participation was noted. The committee determined that the matter of “reasonableness of interpretation” for the survey could be a future educational topic to discuss with the Governance consultant. Committee members noted the short turnaround for participation and requested that staff send out the survey with two week notice.

4. STRATEGY & OPERATIONAL UPDATES: CEO

4.1 ZEB Updates

Mr. Carpenter shared after the Board’s unanimous approval (at the January Board meeting) to move forward with the ZEB process, work on the grant application process has begun. The FTA will be providing a note of funding opportunities soon and opportunities for a joint regional grant application are being explored.
5. CLOSING ITEMS

5.1 Committee Agendas

Mr. Miller had no changes to the Service Committee agenda. Mr. Carpenter shared that Financial Conditions (Policy 2.5) monitoring report data was not yet fully gathered from the audit process. The committee agreed the monitoring report would be moved the March agendas for the Finance Committee and Board Meeting. Mr. Alleman noted no other changes to the Finance Committee agenda.

5.2 Action Item Recap

Rescheduled February 27th Governance, schedule meeting with Governance consultant and Governance Committee, Add placeholder for CJI to present at April Board Meeting, forward CJI phone survey report to committee. Agenda changes were noted in 5.1.

5.3 Topics for Next Meeting

ZEB Updates
Board Annual Plan of Work
Review Global Executive Limitations (2.0)
Parliamentary Procedure Education

5.4 Adjournment

Chairwoman Mozak thanked the committee and staff and adjourned the meeting at 10:57 am.

Respectfully Submitted by Deborah Holt
Service Committee Meeting Notes

Meeting Date/Time: February 6, 2024, 9:00-11:00am

Members: Jesse Miller (Chair), Simi Barr, Rich Chang, Susan Pollay

Staff: Matt Carpenter, Dina Reed, George Brooks, Gretchen Johnson, Jeffrey Pfeifer

Location: REMOTE – Via Zoom

Mr. Miller called the meeting to order at 9:00am

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<tr>
<td>No additions or changes were noted to the agenda.</td>
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<tr>
<td>1.2 Communications</td>
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<tr>
<td>Mr. Miller introduced Sue Radwan, Governance Consultant, who joined to participate in discussion with agenda item 2.1.</td>
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<tr>
<td><strong>2. POLICY MONITORING &amp; DEVELOPMENT</strong></td>
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<tr>
<td>2.1 Public Safety Policy</td>
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<td>At Ms. Radwan’s suggestion, the committee discussed how a public safety policy might be placed under Ends policies as an expectation from the board. The committee also discussed the differences between operational safety and a broader view of safety that would encompass personal and psychological safety. They also discussed aspects of creating measurable monitoring goals/targets and how progress is gathered, assessed and interpreted.</td>
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<td>Mr. Miller will be sharing an overview of the committee’s conversation with the Governance Committee to determine whether to move forward with drafting policy language.</td>
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<tr>
<td><strong>3. STRATEGY &amp; OPERATIONAL UPDATES: CEO</strong></td>
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<tr>
<td>3.1 ZEB Updates</td>
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<tr>
<td>Mr. Carpenter shared an update on the ZEB process with staff beginning to work on the grant application process and will be providing the board updates each month. FTA will be providing a note of funding opportunities soon and opportunities for a joint regional grant application are being explored.</td>
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<td>Committee members discussed with Mr. Carpenter the continuity of federally funded programs with consideration to the upcoming elections. There was also discussion on the creation of a fleet transition plan and incorporating all organizational vehicles into that plan.</td>
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4. CLOSING ITEMS

4.1 Action Item Recap

Mr. Miller will share the Public Safety Policy discussion with the Governance Committee and determine next steps with policy drafting.

4.2 Topics for the Next Meeting

- ZEB Updates
- FY24 Q1 Service Report
- Millage service enhancement updates

4.3 Adjournment

Mr. Miller thanked the committee and staff and adjourned the meeting at 10:30am.

Respectfully Submitted by Deborah Holt
Finance Committee Meeting Notes

Meeting Date/Time: February 13, 2024, 3:00 – 5:00pm

Members: Mike Allemang (Chair/Treasurer), Kyra Sims, Chris Allen, Julie Grand

Staff: Matt Carpenter, Dina Reed, Gretchen Johnson, Yvette Washington, Vivi Nguyen, Deb Holt

Location: REMOTE – Via Zoom

Mr. Allemang called the meeting to order at 3:02 pm

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<tr>
<td>1.2 Communications</td>
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<tr>
<td>No new communications.</td>
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<tr>
<td>2. POLICY MONITORING &amp; DEVELOPMENT</td>
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<tr>
<td>3. STRATEGY AND OPERATIONAL UPDATES</td>
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<tr>
<td>3.1 Audit Report</td>
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<td>Ms. Reed introduced guests Yllka Manushi and Michael Santicchia, auditors from UHY. They presented the FY 2023 Audit draft report to the committee and will be presenting the final version to the Board at the February 22nd Board meeting.</td>
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<tr>
<td>3.2 FY24 Q1 Financial Report</td>
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<td>Ms. Reed presented an overview of the FY24 Q1 Financial report to the committee. There were two favorable budget variances on the income statement related to fares/contracts and revenue from property taxes which had been estimated to be lower. These two favorable variances are expected to continue during the rest of the year. Also noted was an increase in investment interest income in the CDARS and ICS account. She shared that expenses related to salaries/wages/benefits are currently lower than projected but will be increasing throughout the next 3 quarters due to increased hiring with service expansions. Pandemic relief funds are projected to be depleted at the end of Q3 which coincides with the inflow of millage funding. The operating reserve balance is being maintained as planned. The capital reserve balance is $33 million, which is slightly higher than had been predicted during budget planning.</td>
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3.3 ZEB Updates

Mr. Carpenter shared that last week the FTA had released a notice of funding opportunity. Ms. Reed is working with a grant writing team on the Lo-No Grant which has a deadline of April 25th. As a part of the grant application process, the Board will be required to approve a transition plan at the March or April Board meeting. In addition to the Lo-No grant, other grant opportunities are being pursued.

4 CLOSING ITEMS

4.1 Action Item Recap

The final audit report and Q1 Financial reports will be presented at the February Board meeting.

4.2 Topics for Next Meeting

- ZEB Updates
- Financial Conditions (2.5)
- Cash & Investments (2.6)

4.3 Adjournment

Mr. Allemang thanked the committee and staff and adjourned the meeting at 3:46pm.
# Audit Task Force / Audit Report

**Finance Committee Meeting Date:** February 13, 2024  
**Board Meeting Date:** February 22, 2024

## RECOMMENDED ACTION(S):  
By Motion, vote to receive as information the annual audit in support of policy 3.8.1.2.

## PRIOR RELEVANT BOARD ACTIONS & POLICIES

- Policy 2.5.3, “the CEO shall not … receive, process, or disburse funds under controls that are insufficient to meet the Board-appointed auditor’s standards.”
- Policy 2.5.4, “the CEO shall not … compromise the independence of the Board’s audit …”.
- Policy 3.7.5 establishes the Board’s Audit Task Force to conduct the annual financial audit.
- Representatives from UHY LLC (the auditors) and staff presented the results of the FY2023 Annual Audit to the Audit Task Force (task force) on February 12, 2024. The Audit Task Force included Board Members Kathleen Mozak, Susan Pollay and Simi Barr. The same presentation was provided to the Finance Committee on February 13, 2024.

## ISSUE SUMMARY:
Financial auditors have completed the audit for FY2023. In summary, financial statements present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of AAATA as of September 30, 2023, and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. (Audit 2023, p. 1)

## BACKGROUND:
Attached to this Issue Brief is a draft of the auditor’s report (Audit 2023). The report is still being finalized and the final report will be provided in advance of the Board Meeting. The financial statements and audit findings are complete in and no substantive changes are expected in the final report; the draft report will be finalized when official reviews and attachments are completed and provided by the auditor.

AAATA ended the year with favorable financial results, as presented in the financial statements. Financial highlights for FY2023 compared to FY2022 are as follows (Audit 2023, pp. 4-5):

- Assets increased from the prior year by $10.0 million (10.2%)
- Total net position increased by $10.2 million (11.1%)
- Operating revenues increased by $1.3 million (44.2%)
- Operating expenses increased $4.5 million (7.8%) primarily due to resuming full operations.

As indicated in the Summary of Auditor’s Results (Audit 2023, pp. 59-60), the auditors issued an “Unmodified” report, which is the highest rating for the audit. And, while they “do not express an opinion on the effectiveness of” internal controls (Audit 2023, pp. 52-53), they do report upon any material weaknesses or deficiencies they find in accounting, financial reporting, and internal controls. As shared in the report, there were no findings...
for the Single Audit, and one significant deficiency (lowest level) finding in the financial statements. The cause of the finding is that the Authority made several adjusting entries during the audit process. All the adjustments were normal adjusting entries, but they were not all completed at the beginning of the audit process. This was not a repeat finding and audited financial statements as presented are accurate. Additionally, there were no deficiencies in internal control over compliance noted. A detailed explanation is provided in the audit report (Audit 2022, pp. 59-60).

**IMPACTS OF RECOMMENDED ACTION(S):**
- Governance: Supports Board in financial oversight/fiduciary responsibility.

**ATTACHMENTS:**
1. Official Draft of the Audited Financial Statements as of September 30, 2023
ANN ARBOR AREA TRANSPORTATION AUTHORITY

Year Ended December 31, 2023 and 2022

Financial Statements
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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
Ann Arbor Area Transportation Authority

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

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

Ann Arbor, Michigan

DATE
ANN ARBOR AREA TRANSPORTATION AUTHORITY

Management’s Discussion and Analysis

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

Five-Year Transit Improvement Plan

In January 2014, the Board of Directors adopted the Five-Year Transit Improvement Plan (SYTIP) for the Urban Core of Washtenaw County. Funding for this plan included a five-year property tax millage, which was approved by the voters of the Cities of Ann Arbor and Ypsilanti and Ypsilanti Township on May 6, 2014. The first 0.7 mill property tax was levied on July 1, 2014, which raised about $4.5 million per year. These funds have been used to provide additional local transit service and buy 15 buses to provide the service. The rollout of all the additional services was completed in January 2020. On May 8, 2019, the 0.7 mill property tax was renewed for five years and will be levied on July 1, 2020 to 2023, inclusive.

Governance of the Authority

In 2013, the Authority and the City of Ann Arbor approved the City of Ypsilanti’s and the Charter Township of Ypsilanti’s requests to become members of the Authority, creating a three-member authority. The Board of Directors expanded from seven directors to ten directors, by adding one director each from the City of Ann Arbor, the City of Ypsilanti and the Charter Township of Ypsilanti.

Overview of the Financial Statements and Financial Analysis

The discussion is intended to present an overview of the Authority’s financial performance for the years ended September 30, 2023 and 2022 and does not purport to make any statement regarding the future operations of the Authority. While the Authority is an instrumentality of the State of Michigan, it is not a component of the State as defined by the Governmental Accounting Standards Board (GASB).

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

The basic financial statements for the year ended September 30, 2022 have been audited and are included herein for comparative purposes.

Financial Highlights

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

**Management’s Discussion and Analysis**

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

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

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

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

**Authority’s Net Position**

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

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

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

Management’s Discussion and Analysis

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

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

<table>
<thead>
<tr>
<th>Capital Projects</th>
<th>$33</th>
</tr>
</thead>
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<tr>
<td>Operating Reserve Requirement</td>
<td>13</td>
</tr>
<tr>
<td>Worker’s Compensation Agreements</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$47</strong></td>
</tr>
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</table>

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

The Authority maintains a postretirement healthcare plan and life insurance plan (the “Plan”) and adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This Standard requires the Authority to recognize the expense related to these healthcare and life insurance benefits on an actuarially determined basis to better match the expense of the benefits with the period in which employees earn the benefit instead of a “pay as you go” basis. The overfunded actuarial accrued asset for the Plan was $56,322 as of September 30, 2023, based on the most recent measurement date. This asset increased about $76 thousand or 100% from the prior year, which reflected a liability of $19,947, because of an investment portfolio change by the trust administrator (MERS) that increased the long-term expected rate of return. See Note 15 for more information.

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

Statement of Revenues, Expenses and Changes in Net Position

A summary of the Authority’s revenues, expenses and changes in net position for the years ended September 30, 2023, 2022 and 2021 is as follows (in thousands):

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

Management’s Discussion and Analysis

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

Total operating expenses of $61.8 million include operations ($42.2 million), fleet and facility maintenance ($8.2 million) and general administration ($11.4 million). The largest portion of all expenses is employee wages and fringe benefits of about $29.4 million, 47.6% of all expenses.

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

Capital contributions represent federal, state and local grants for the purchase of new capital assets. A portion of Federal formula dollars (Section 5307) can be used as operating assistance. In 2023 and 2022, the Authority used approximately $2.9 million and $2.4 million, respectively for Federal operating assistance, such as operating assistance, planning, preventive maintenance, and capital cost of contracting.

Notes to the Financial Statements

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

Capital Assets

The Authority continues to invest in facilities and equipment. In 2023, the Authority continued building rehabilitation for the operations facility. The Authority’s largest capital investments include vehicles and related equipment, net of depreciation, of $22.0 million in 2023 and $21.0 million in 2022 and the land and buildings, net of depreciation, of $15.6 million in 2023 and $16.4 million in 2022.

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

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

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

Management's Discussion and Analysis

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

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

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

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

Requests for Information

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

This year and prior year audited financial statements are also available on the State of Michigan’s website at https://treas-secure.state.mi.us/LAFDocSearch/. Once there, select “Washtenaw County” for County, select the year “2023” (or a previous year as far back as 2004) for the Year and “Authority, Drain District” for the municipality Type. Then you can select the “Ann Arbor Area Transportation Authority” for the municipality.
## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Statements of Net Position

<table>
<thead>
<tr>
<th>September 30,</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$34,771,313</td>
<td>$25,427,695</td>
</tr>
<tr>
<td>Investments</td>
<td>19,858,794</td>
<td>19,228,868</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,611,047</td>
<td>1,034,961</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>5,529,395</td>
<td>6,824,020</td>
</tr>
<tr>
<td>Other receivables, net</td>
<td>1,241,097</td>
<td>884,967</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,380,675</td>
<td>1,201,703</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,104,445</td>
<td>1,734,772</td>
</tr>
<tr>
<td>Total current assets</td>
<td>66,496,766</td>
<td>56,336,986</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>-</td>
<td>21,431</td>
</tr>
<tr>
<td>Net OPEB asset</td>
<td>56,322</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and improvements</td>
<td>2,270,821</td>
<td>2,270,821</td>
</tr>
<tr>
<td>Park and Ride lot construction</td>
<td>5,759,849</td>
<td>5,759,849</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>30,488,353</td>
<td>30,410,185</td>
</tr>
<tr>
<td>Equipment and other</td>
<td>77,606,225</td>
<td>72,676,879</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>356,753</td>
<td>189,206</td>
</tr>
<tr>
<td>Total capital assets</td>
<td>116,482,001</td>
<td>111,306,940</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>75,356,626</td>
<td>69,987,607</td>
</tr>
<tr>
<td>Net capital assets</td>
<td>41,125,375</td>
<td>41,319,333</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>41,181,697</td>
<td>41,340,764</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>107,678,463</td>
<td>97,677,750</td>
</tr>
<tr>
<td><strong>Deferred outflow of resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred OPEB amounts</td>
<td>148,237</td>
<td>141,091</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>3,502,966</td>
<td>3,074,212</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>442,422</td>
<td>516,638</td>
</tr>
<tr>
<td>Accrued compensated absences, current portion</td>
<td>174,009</td>
<td>208,640</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>33,182</td>
<td>137,194</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>107,689</td>
<td>125,745</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>4,260,268</td>
<td>4,062,429</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>1,407,886</td>
<td>1,710,295</td>
</tr>
<tr>
<td>Net OPEB liability</td>
<td>-</td>
<td>19,947</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>1,407,886</td>
<td>1,730,242</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,668,154</td>
<td>5,792,671</td>
</tr>
<tr>
<td><strong>Deferred inflows of resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred OPEB amounts</td>
<td>649,075</td>
<td>683,374</td>
</tr>
<tr>
<td><strong>Net position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in capital assets</td>
<td>41,125,375</td>
<td>41,319,333</td>
</tr>
<tr>
<td>Restricted</td>
<td>-</td>
<td>21,431</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>60,384,096</td>
<td>50,002,032</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$101,509,471</td>
<td>$91,342,796</td>
</tr>
</tbody>
</table>

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

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

The accompanying notes are an integral part of these financial statements.
ANN ARBOR AREA TRANSPORTATION AUTHORITY

**Statements of Cash Flows**

For the Years Ended September 30, 2023 2022

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from transit operations</td>
<td>$2,717,819</td>
<td>$2,081,429</td>
</tr>
<tr>
<td>Payments for salaries and wages and fringe benefits</td>
<td>(30,062,832)</td>
<td>(28,283,660)</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(10,774,201)</td>
<td>(9,657,840)</td>
</tr>
<tr>
<td>Payments for claims and insurance</td>
<td>(2,481,051)</td>
<td>(2,273,203)</td>
</tr>
<tr>
<td>Payments for purchased transportation</td>
<td>(11,674,129)</td>
<td>(11,684,613)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(52,274,394)</td>
<td>(49,817,887)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from noncapital financing activities</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonoperating revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>24,146,354</td>
<td>22,069,133</td>
</tr>
<tr>
<td>State</td>
<td>16,531,929</td>
<td>17,084,630</td>
</tr>
<tr>
<td>Federal</td>
<td>21,866,068</td>
<td>20,522,099</td>
</tr>
<tr>
<td><strong>Net cash provided by noncapital financing activities</strong></td>
<td>62,544,351</td>
<td>59,675,862</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from capital and related financing activities</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition and construction of capital assets</td>
<td>(6,366,075)</td>
<td>(1,370,507)</td>
</tr>
<tr>
<td>Capital contributed by state and federal grants</td>
<td>6,281,184</td>
<td>1,345,664</td>
</tr>
<tr>
<td>Proceeds from sales of equipment</td>
<td>-</td>
<td>7,450</td>
</tr>
<tr>
<td><strong>Net cash used in capital and related financing activities</strong></td>
<td>(84,891)</td>
<td>(17,393)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investment securities</td>
<td>(3,284,615)</td>
<td>(14,643,295)</td>
</tr>
<tr>
<td>Proceeds from sale and maturities of investment securities</td>
<td>1,500,000</td>
<td>6,513,094</td>
</tr>
<tr>
<td>Interest income</td>
<td>921,736</td>
<td>79,083</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(862,879)</td>
<td>(8,051,118)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net change in cash and cash equivalents</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>25,449,126</td>
<td>23,659,662</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td>$34,771,313</td>
<td>$25,449,126</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and cash equivalents from Statements of Net Position:</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$34,771,313</td>
<td>$25,427,695</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents for capital acquisitions</td>
<td>-</td>
<td>21,431</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td>$34,771,313</td>
<td>$25,449,126</td>
</tr>
</tbody>
</table>

continued...
ANN ARBOR AREA TRANSPORTATION AUTHORITY

Statements of Cash Flows

For the Years Ended September 30,

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$(57,505,468)</td>
<td>$(54,362,494)</td>
</tr>
</tbody>
</table>

Adjustments to reconcile operating loss to net cash used in operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>6,560,033</td>
<td>6,471,482</td>
</tr>
<tr>
<td>Changes in assets and liabilities which provided by (used in) cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(576,086)</td>
<td>(37,996)</td>
</tr>
<tr>
<td>Inventory</td>
<td>(178,972)</td>
<td>(100,597)</td>
</tr>
<tr>
<td>Deferred outflows</td>
<td>(7,146)</td>
<td>(113,796)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(369,673)</td>
<td>(1,196,961)</td>
</tr>
<tr>
<td>Payables</td>
<td>428,754</td>
<td>(46,099)</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>(74,216)</td>
<td>(642,667)</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>(551,620)</td>
<td>211,241</td>
</tr>
</tbody>
</table>

Net cash used in operating activities: $ (52,274,394) $ (49,817,887)

Supplemental cash flows disclosures:

Noncash transactions:

<p>| Nonurban - passenger fares and other governmental sources | 835,076     | 710,933     |</p>
<table>
<thead>
<tr>
<th>Subcontracted revenue - urban demand response (Note 13)</th>
<th>186,625</th>
<th>163,799</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1,021,701</td>
<td>$ 874,732</td>
</tr>
</tbody>
</table>

Noncash investing and capital and related financing activities:

<table>
<thead>
<tr>
<th>Increase (decrease) in fair value of investments</th>
<th>232,953</th>
<th>(618,306)</th>
</tr>
</thead>
</table>

concluded

The accompanying notes are an integral part of these financial statements.
ANN ARBOR AREA TRANSPORTATION AUTHORITY

OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND
STATEMENTS OF FIDUCIARY NET POSITION
AS OF SEPTEMBER 30, 2023

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Investments</td>
<td>850,370</td>
<td>761,927</td>
</tr>
<tr>
<td>Total assets</td>
<td>850,370</td>
<td>761,927</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for Retiree Healthcare and Life Insurance Fund</td>
<td>$850,370</td>
<td>$761,927</td>
</tr>
</tbody>
</table>

See notes to financial statements.
ANN ARBOR AREA TRANSPORTATION AUTHORITY

OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<table>
<thead>
<tr>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS:</strong></td>
<td></td>
</tr>
<tr>
<td>Employer contributions</td>
<td>$ 31,526</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>-</td>
</tr>
<tr>
<td>Investment (Loss) Income</td>
<td>90,047</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>121,573</td>
</tr>
<tr>
<td><strong>DEDUCTIONS:</strong></td>
<td></td>
</tr>
<tr>
<td>Benefit Payments</td>
<td>31,526</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>1,604</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>33,130</td>
</tr>
<tr>
<td><strong>NET (DECREASE) INCREASE IN NET POSITION</strong></td>
<td>88,443</td>
</tr>
<tr>
<td><strong>NET POSITION, BEGINNING OF YEAR</strong></td>
<td>761,927</td>
</tr>
<tr>
<td><strong>NET POSITION, END OF YEAR</strong></td>
<td>$ 850,370</td>
</tr>
</tbody>
</table>

See notes to financial statements.
ANN ARBOR AREA TRANSPORTATION AUTHORITY

Notes to Financial Statements

1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF THE ORGANIZATION

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.
The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

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

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

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

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

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

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

Inventory is stated at the average weighted cost or market.

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

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

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

<table>
<thead>
<tr>
<th>Asset Description</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park and ride lot construction</td>
<td>10 to 40</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>3 to 40</td>
</tr>
<tr>
<td>Vehicles and related equipment</td>
<td>3 to 12</td>
</tr>
<tr>
<td>Radio and telephone systems</td>
<td>5 to 10</td>
</tr>
<tr>
<td>Fare collection equipment</td>
<td>5 to 10</td>
</tr>
<tr>
<td>Maintenance equipment</td>
<td>3 to 10</td>
</tr>
<tr>
<td>Office equipment and furniture</td>
<td>3 to 10</td>
</tr>
<tr>
<td>Passenger shelters</td>
<td>5 to 10</td>
</tr>
<tr>
<td>Advanced operating system</td>
<td>3 to 6</td>
</tr>
</tbody>
</table>

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.

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

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

Net Position is displayed in three components as follows:

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

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

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

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

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

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

3. CASH AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2023 and 2022:

<table>
<thead>
<tr>
<th>Statements of Position:</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$34,771,313</td>
<td>$25,427,695</td>
</tr>
<tr>
<td>Investments</td>
<td>$19,858,794</td>
<td>$19,228,868</td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>-</td>
<td>21,431</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$54,630,107</strong></td>
<td><strong>$44,677,994</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deposits and Investments:</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank deposits (checking, savings and certificates of deposit)</td>
<td>$34,767,267</td>
<td>$25,445,836</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>$19,858,794</td>
<td>$19,228,868</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>4,046</td>
<td>3,290</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$54,630,107</strong></td>
<td><strong>$44,677,994</strong></td>
</tr>
</tbody>
</table>

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

- Certificates of deposit with funds initially invested through a Federal Deposit Insurance Corporation (FDI) financial institution that maintains a principal office or branch office located in the State of Michigan. This financial institution, acting as custodian, may arrange the investment of funds in certificates of deposit in one or more FDIC insured depository institutions throughout the United States if the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States. The total investment (exclusive of checking accounts) in any one financial institution shall not exceed the lesser of 20% of that financial institution’s capital and surplus or $4,000,000. The Authority had no certificates of deposits as of September 30, 2023 and 2022.

- Bonds and other direct obligations of the United States or any agency thereof with a maturity of three years or less.

- Governmental (Govt.) Mutual Funds operated by any of the banks listed above which invest only in authorized investments for local units of Government under State Law and which offer daily liquidity.

As of September 30, 2023, the Authority had the following investments.

<table>
<thead>
<tr>
<th>Investment</th>
<th>Maturity</th>
<th>Interest Rate</th>
<th>Fair Value</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Govt. Agency Bonds</td>
<td>11/6/23-11/24/2025</td>
<td>.23-.55%</td>
<td>17,666,802</td>
<td>Moody’s AAA</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>6/30/24</td>
<td>3.00%</td>
<td>1,963,672</td>
<td>Moody’s AAA</td>
</tr>
<tr>
<td>U.S. Govt. Money Market</td>
<td>N/A</td>
<td>5.21%</td>
<td>228,320</td>
<td>Moody’s AAA</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>19,858,794</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Investment and Deposit Risk**

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

At September 30, 2023, the Authority had the following investments and maturities:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Carrying Value</th>
<th>0-1 Year</th>
<th>1-3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Govt. Agency Bonds</td>
<td>$ 17,666,802</td>
<td>$ 8,043,705</td>
<td>$ 9,623,097</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>$ 1,963,672</td>
<td>$ 1,963,672</td>
<td>$ -</td>
</tr>
</tbody>
</table>
Notes to Financial Statements

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of September 30, 2023, $3,191,911 of the Authority’s bank balance of $35,568,568 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

4. FAIR VALUE MEASUREMENTS

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.
The Authority has the following recurring fair value measurements as of September 30, 2023 and 2022:

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

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

### 5. GRANTS RECEIVABLES

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

<table>
<thead>
<tr>
<th>Michigan Department of Transportation:</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating assistance</td>
<td>$805,336</td>
<td>$134,112</td>
</tr>
<tr>
<td>Capital cost of contracting</td>
<td>298,143</td>
<td>114,096</td>
</tr>
<tr>
<td>Planning</td>
<td>16,778</td>
<td>44,586</td>
</tr>
<tr>
<td>Preventive maintenance</td>
<td>10,000</td>
<td>11,526</td>
</tr>
<tr>
<td>Buses and related equipment</td>
<td>1,058,995</td>
<td>315,934</td>
</tr>
<tr>
<td>Computer hardware and software</td>
<td>51,844</td>
<td>99,220</td>
</tr>
<tr>
<td>Passenger shelters</td>
<td>500</td>
<td>2,315</td>
</tr>
<tr>
<td>Facilities</td>
<td>5,010</td>
<td>66,901</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Federal Transit Administration:</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating assistance</td>
<td>2,396,373</td>
<td>5,599,206</td>
</tr>
<tr>
<td>Capital cost of contracting</td>
<td>621,280</td>
<td>-</td>
</tr>
<tr>
<td>Planning</td>
<td>40,000</td>
<td>-</td>
</tr>
<tr>
<td>Facilities</td>
<td>44,532</td>
<td>104,264</td>
</tr>
<tr>
<td>Enhanced Mobility (Section 5310)</td>
<td>19,375</td>
<td>118,730</td>
</tr>
<tr>
<td>Job Access/Reverse Commute</td>
<td>-</td>
<td>48,464</td>
</tr>
<tr>
<td>Planning</td>
<td>128,037</td>
<td>45,137</td>
</tr>
<tr>
<td>Computer hardware and software</td>
<td>33,192</td>
<td>119,529</td>
</tr>
</tbody>
</table>

**Grants Receivable**

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,529,395</td>
<td>$6,824,020</td>
</tr>
</tbody>
</table>
### Notes to Financial Statements

#### 6. OTHER RECEIVABLES

Other receivables consist of the following amounts:

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

Draft
### 7. CAPITAL ASSETS

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

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

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

<table>
<thead>
<tr>
<th>September 30, 2021</th>
<th>Additions/ Reclassifications</th>
<th>Deletions/ Reclassifications</th>
<th>September 30, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital assets, not being depreciated:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and improvements</td>
<td>$ 2,270,821</td>
<td>$ -</td>
<td>$ 2,270,821</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,324,360</td>
<td>129,680</td>
<td>1,264,834</td>
</tr>
<tr>
<td><strong>Total capital assets not being depreciated</strong></td>
<td>3,595,181</td>
<td>129,680</td>
<td>1,264,834</td>
</tr>
</tbody>
</table>

| **Capital assets, being depreciated:** | | | |
| Park and ride lot construction | 5,759,849 | - | - | 5,759,849 |
| Buildings | 30,091,428 | 318,757 | - | 30,410,185 |
| Vehicles and related equipment | 60,001,415 | 116,442 | 355,788 | 59,762,069 |
| Radio and telephone equipment | 290,848 | - | - | 290,848 |
| Fare collection equipment | 1,041,909 | - | - | 1,041,909 |
| Maintenance equipment | 821,550 | 39,386 | - | 860,936 |
| Office equipment and furniture | 3,243,260 | 1,997,504 | 346,382 | 4,894,382 |
| Passenger shelters | 1,686,192 | 33,571 | - | 1,719,763 |
| Other | 783,812 | - | - | 783,812 |
| Advanced operating system | 3,323,160 | - | - | 3,323,160 |
| **Total capital assets being depreciated** | 107,043,423 | 2,505,660 | 702,170 | 108,846,913 |

Less accumulated depreciation for:

| | 2,614,759 | 126,934 | - | 2,741,693 |
| Buildings | 18,485,882 | 782,616 | - | 19,268,498 |
| Vehicles and related equipment | 34,653,649 | 4,450,411 | 355,788 | 38,748,272 |
| Radio and telephone equipment | 228,531 | 21,685 | - | 250,216 |
| Fare collection equipment | 1,011,926 | 5,587 | - | 1,017,513 |
| Maintenance equipment | 593,781 | 38,745 | - | 632,526 |
| Office equipment and furniture | 1,903,177 | 547,170 | 346,382 | 2,103,955 |
| Passenger shelters | 1,356,257 | 83,886 | - | 1,440,143 |
| Other | 585,480 | 64,326 | - | 649,806 |
| Advanced operating system | 2,784,853 | 350,132 | - | 3,134,985 |
| **Total accumulated depreciation** | 64,218,295 | 6,471,482 | 702,170 | 69,987,607 |

**Total capital assets being depreciated, net** | 42,825,128 | (3,965,822) | - | 38,859,306 |

**Total capital assets, net** | $ 46,420,309 | $ (3,836,142) | $ 1,264,834 | $ 41,319,333 |
8. UNEARNED REVENUE

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

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal capital</td>
<td>$68,451</td>
<td>$68,451</td>
</tr>
<tr>
<td>State capital</td>
<td>15,863</td>
<td>37,294</td>
</tr>
<tr>
<td>Ypsilanti DDA - Ypsilanti Transit Center Renovations</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Corporate Partnerships</td>
<td>3,375</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$107,689</strong></td>
<td><strong>$125,745</strong></td>
</tr>
</tbody>
</table>

9. EMPLOYEES’ PENSION PLAN

The Authority provides pension benefits for substantially all of its full-time employees through a defined contribution plan called the Ann Arbor Area Transportation Authority Employees’ Pension Plan (“Plan”). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Non-bargaining unit employees are eligible to participate the first of the month following the date of hire as of January 1, 2021. Bargaining unit employees are eligible to participate after one year of employment. The Authority’s contributions for each employee and investment earnings allocated to the employee’s account are fully vested after five years of employment. Authority contributions for, and investment earnings forfeited by, employees who leave employment before five years of service are used to reduce the Authority’s current year contribution requirement. Employees contribute 5% of their gross earnings to the plan. Employee contributions amounted to $898,944 and $800,287 for the years ended September 30, 2023 and 2022. The Authority’s contribution to the plan is 9% of the employees’ gross earnings, less forfeitures. Authority contributions amounted to $1,625,400 and $1,630,908 for the years ended September 30, 2023 and 2022, respectively. Total payroll and covered payroll was $21,242,580 and $18,060,000 for 2023 and $20,142,534 and $18,121,207 for 2022.

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

10. PROPERTY TAXES

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

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

Notes to Financial Statements

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

11. PROPERTY TAX ABATEMENTS

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

12. RISK MANAGEMENT

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

13. SUBCONTRACT SERVICE

The Authority subcontracts with other transportation companies to provide certain services. The Authority pays the companies fees based on the level of service provided, and the companies collect and retain the passenger fares as an advance against the monthly billings. Operating revenues and operating expenses include approximately $186,625 and $163,799 of fares for these services in the years ended September 30, 2023 and 2022, respectively. These amounts are disclosed as noncash transactions on the Statements of Cash Flows.

14. COST ALLOCATION PLANS

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

Notes to Financial Statements

15. POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

<table>
<thead>
<tr>
<th>Health</th>
<th>Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current retirees and spouses</td>
<td>9</td>
</tr>
<tr>
<td>Current Active members</td>
<td>0</td>
</tr>
<tr>
<td>Total plan members</td>
<td>9</td>
</tr>
</tbody>
</table>
Notes to Financial Statements

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

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

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

<table>
<thead>
<tr>
<th>Changes in Net OPEB (Asset) Liability:</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total OPEB Liability</td>
</tr>
<tr>
<td>Balance at October 1, 2022</td>
<td>$781,874</td>
</tr>
<tr>
<td>Changes for the year:</td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>8,260</td>
</tr>
<tr>
<td>Interest</td>
<td>50,334</td>
</tr>
<tr>
<td>Contributions - Employer</td>
<td>-</td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td>(99,448)</td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>84,554</td>
</tr>
<tr>
<td>Difference between projected and actual earnings</td>
<td>-</td>
</tr>
<tr>
<td>Net investment earnings</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments, including refunds</td>
<td>(31,526)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-</td>
</tr>
<tr>
<td>Net Changes</td>
<td>12,174</td>
</tr>
<tr>
<td>OPEB obligation, end of year</td>
<td>$794,048</td>
</tr>
</tbody>
</table>

The plan’s fiduciary net position represents 107% of the total OPEB liability.
OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended September 30, 2023, the Authority recognized an OPEB income of $90,330.

<table>
<thead>
<tr>
<th>Description</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between expected and actual experience</td>
<td>$18,711</td>
<td>$249,814</td>
</tr>
<tr>
<td>Changes in assumption</td>
<td>72,923</td>
<td>399,261</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings</td>
<td>56,603</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$148,237</td>
<td>$649,075</td>
</tr>
</tbody>
</table>

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

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

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

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

**Notes to Financial Statements**

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

Single Equivalent Interest Rate (SEIR):
- Long-term expected rate of return: 6.50%
- Municipal bond index rate*: 4.87%
- Administrative Expenses Paid from the Trust: 0.18%
- Fiscal year in which fiduciary net position is projected to be depleted: N/A
- Single Equivalent interest rate: 6.50%
- *(S&P Municipal Bond 20-year high grade rate index)

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

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

<table>
<thead>
<tr>
<th>Target Allocation</th>
<th>Inflation</th>
<th>Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>60%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>20%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Private Investments</td>
<td>20%</td>
<td>2.50%</td>
</tr>
</tbody>
</table>
The portfolio allocation and assumptions stated above was at the time of plan measurement date (September 30, 2023).

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

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease</th>
<th>Current 6.5%</th>
<th>1% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net OPEB Liability</td>
<td>$36,825</td>
<td>$(56,322)</td>
<td>$(133,999)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease</th>
<th>Current 5.5%</th>
<th>1% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net OPEB Liability</td>
<td>$(78,153)</td>
<td>$(56,322)</td>
<td>$(32,230)</td>
</tr>
</tbody>
</table>

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

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

### 16. HEALTH CARE SAVINGS PLAN

Effective January 1, 2008, the Authority established a defined contribution Health Care Savings Plan (HCSP) under Internal Revenue Code. The HCSP is a public employer-sponsored program administered by the Municipal Employees Retirement System of Michigan (MERS) that allows employees to save pretax money to pay postemployment medical expenses and/or health insurance premiums. Virtually all full-time active employees participate and vested funds that accumulate in the plan shall become accessible to the employee upon employee’s separation from employment, due to retirement, resignation, termination or any other reason. Employees are vested in employer contributions after five years of service.
For each employee who was actively employed as of January 1, 2008, the Authority made a one-time lump-sum contribution on a graduated scale between $100 and $150 per month into each employee’s HCSP account based upon their accumulated months of service. The total of this one-time contribution was approximately $3,442,000. Of this total, approximately $1,714,000 was funded from the accrued postretirement benefit obligation as of September 30, 2007 and the remaining amount of approximately $1,728,000 was expensed as a fringe benefit in the year ended September 30, 2008.

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

17. NEW ACCOUNTING STANDARD

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

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

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

19. SUBSEQUENT EVENTS

The Authority has performed a review of events subsequent to the statements of net position date through ____________, 2024, the date the financial statements were available to be issued.
REQUIRED SUPPLEMENTARY INFORMATION
## ANN ARBOR AREA TRANSPORTATION AUTHORITY

GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

<table>
<thead>
<tr>
<th></th>
<th>9/30/2023</th>
<th>9/30/2022</th>
<th>9/30/2021</th>
<th>9/30/2020</th>
<th>9/30/2019</th>
<th>9/30/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total OPEB Liability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$8,260</td>
<td>$7,699</td>
<td>$14,567</td>
<td>$19,247</td>
<td>$18,778</td>
<td>$4,640</td>
</tr>
<tr>
<td>Interest</td>
<td>50,334</td>
<td>61,403</td>
<td>51,532</td>
<td>68,575</td>
<td>68,282</td>
<td>27,287</td>
</tr>
<tr>
<td>Benefit payments, including refunds</td>
<td>(31,526)</td>
<td>(64,403)</td>
<td>(90,136)</td>
<td>(61,831)</td>
<td>(98,450)</td>
<td>(117,666)</td>
</tr>
<tr>
<td>Differences between expected and actual experience</td>
<td>(99,448)</td>
<td>(113,364)</td>
<td>31,587</td>
<td>(152,039)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>84,554</td>
<td>(78,633)</td>
<td>(303,122)</td>
<td>(303,061)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Change in Total OPEB Liability</strong></td>
<td>12,174</td>
<td>(187,298)</td>
<td>(295,572)</td>
<td>(429,109)</td>
<td>(11,390)</td>
<td>(85,739)</td>
</tr>
<tr>
<td><strong>Total OPEB Liability - Beginning of year</strong></td>
<td>781,874</td>
<td>969,172</td>
<td>1,264,744</td>
<td>1,693,853</td>
<td>1,705,243</td>
<td>1,790,982</td>
</tr>
<tr>
<td><strong>Total OPEB Liability - End of Year</strong></td>
<td>$794,048</td>
<td>$781,874</td>
<td>$969,172</td>
<td>$1,264,744</td>
<td>$1,693,853</td>
<td>$1,705,243</td>
</tr>
</tbody>
</table>

|                      |           |           |           |           |           |           |
| **Plan Fiduciary Net Position** |           |           |           |           |           |           |
| Net investment income | $90,047   | $(118,319)| $72,716   | $37,321   | $6,555    | $2,757    |
| Employer contributions | 31,526    | 64,403    | 90,136    | 61,831    | 758,450   | 117,666   |
| Benefit payments      | (31,526)  | (64,403)  | (90,136)  | (61,831)  | (98,450)  | (117,666) |
| Administrative expenses | (1,604)   | (1,540)   | (1,545)   | (1,424)   | (231)     | (258)     |
| **Net Change in Plan Fiduciary Net Position** | 88,443    | (119,859) | 71,171    | 35,897    | 666,324   | 2,499     |
| **Plan Fiduciary Net Position - Beginning of year** | 761,927   | 881,786   | 810,615   | 774,718   | 108,394   | 105,895   |
| **Plan Fiduciary Net Position - End of year** | $850,370  | $761,927  | $881,786  | $810,615  | $774,718  | $108,394  |

|                      |           |           |           |           |           |           |
| **Net OPEB (Asset) Liability - End of Year** |           |           |           |           |           |           |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 107.09%   | 97.45%    | 90.98%    | 64.09%    | 45.74%    | 6.36%     |
| Covered Employee     | $21,242,580 | $16,075,956 | $16,579,071 | $15,718,897 | $16,826,037 | $16,567,739 |
| Net OPEB (Asset) Liability as a Percentage of Covered Payroll | -0.27%    | 0.12%     | 0.53%     | 2.89%     | 5.46%     | 9.64%     |

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplemental information.
## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION

#### SCHEDULE OF OPEB CONTRIBUTIONS - LAST TEN FISCAL YEARS

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

### Notes to Schedule of Contributions

**Actuarial valuation information relative to the determination of contributions:**

**Valuation Date**: September 30, 2023

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

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

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

See notes to required supplemental information.
ANN ARBOR AREA TRANSPORTATION AUTHORITY

GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB INVESTMENT RETURNS - LAST TEN FISCAL YEARS

<table>
<thead>
<tr>
<th>For Fiscal Year Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2023</td>
</tr>
<tr>
<td>Annual money-weighted rate of return - Net of investment expense</td>
</tr>
</tbody>
</table>

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplemental information.
ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

YEAR ENDED SEPTEMBER 30, 2023

A. CHANGES IN PLAN PROVISIONS SINCE PRIOR VALUATION

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

B. CHANGES IN ASSUMPTIONS

   - Municipal bond index rate increased from 4.77% to 4.87%.
   - Mortality improvement scale was changed from Scale MP-2021 to MP-2019.
ADDITIONAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2023
## ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

<table>
<thead>
<tr>
<th>Years Ended September 30,</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOCAL OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger fares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban fixed route</td>
<td>$1,676,750</td>
<td>$1,304,163</td>
</tr>
<tr>
<td>Urban demand response</td>
<td>276,532</td>
<td>249,879</td>
</tr>
<tr>
<td>Nonurban demand response</td>
<td>143,419</td>
<td>143,419</td>
</tr>
<tr>
<td>Special fares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Ann Arbor - DDA (go!pass)</td>
<td>350,546</td>
<td>274,319</td>
</tr>
<tr>
<td>City of Ann Arbor - DDA (NightRide)</td>
<td>1,902</td>
<td>2,466</td>
</tr>
<tr>
<td>Ann Arbor Public Schools</td>
<td>56,784</td>
<td>46,884</td>
</tr>
<tr>
<td>Eastern Michigan University</td>
<td>16,110</td>
<td>9,551</td>
</tr>
<tr>
<td>University of Michigan (Mride)</td>
<td>1,793,563</td>
<td>962,876</td>
</tr>
<tr>
<td><strong>Total Local Operating Revenues</strong></td>
<td>$4,315,606</td>
<td>$2,993,557</td>
</tr>
</tbody>
</table>

| **LOCAL NONOPERATING REVENUES:** |      |      |
| Purchase of service agreements: |      |      |
| Pittsfield Township | $686,734 | $639,160 |
| Scio Township | 468,875 | 446,902 |
| Superior Township | 100,038 | 95,632 |
| D2A2 | 140,119 | 90,852 |
| **Total purchase of service agreements** | 1,395,766 | 1,272,546 |
| City of Ann Arbor - property tax levy | 18,859,391 | 17,970,195 |
| City of Ypsilanti - property tax levy | 620,347 | 564,260 |
| Ypsilanti Township - property tax levy | 1,141,863 | 1,063,542 |
| City of Ann Arbor - Downtown Development Authority (GetDowntown) | 53,939 | 25 |
| Non-urban - Other governmental and local sources | 809,361 | 566,914 |
| Corporate Partnerships | - | - |
| Interest Income (Loss) | 1,154,689 | (539,223) |
| Advertising income | 129,140 | 292,430 |
| Other revenue | 32,761 | 23,890 |
| Post-Retirement actuary adjustment | 90,330 | 97,738 |
| Gain (loss) on sale of equipment | - | 7,450 |
| **Total local nonoperating revenues** | 24,287,587 | 21,319,767 |
| **Total local operating and nonoperating revenues** | 28,603,193 | 24,313,324 |

| **STATE OF MICHIGAN NONOPERATING REVENUES:** |      |      |
| Formula operating assistance - urban (Act 51) | 14,323,324 | 13,365,679 |
| Formula operating assistance - nonurban (Act 51) | 1,137,362 | 986,529 |
| Prior years formula adjustments - urban and nonurban | 2,127,794 | 570,987 |
| Capital cost of contracting/Planning | 152,000 | 91,500 |
| Preventive maintenance | 99,284 | - |
| Job Access/Reverse Commute (State Match) | 10,000 | 7,500 |
| Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310 - State Match) | - | 73,394 |
| Specialized services | 29,501 | 58,293 |
| **Total state nonoperating revenues** | 17,989,845 | 15,264,462 |

| **FEDERAL NONOPERATING REVENUES:** |      |      |
| Operating Assistance (Section 5307) | - | - |
| Unified planning program passed through SEMCOG (Section 5303/PL112) | 97,935 | 108,116 |
| Capital cost of contracting (Section 5307) | 608,000 | 366,000 |
| Preventive maintenance (Section 5307) | 40,000 | 30,000 |
| RTA D2A2 program | 2,291,503 | 2,027,473 |
| Federal operating assistance - nonurban (Act 5311) - passed through the State | 890,737 | 956,124 |
| Job Access/Reverse Commute | - | 73,395 |
| Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310) | 144,352 | 222,511 |
| ARP/CARES ACT | 15,041,000 | 18,398,909 |
| **Total federal nonoperating revenues** | 19,113,527 | 22,182,528 |
| **TOTAL NONOPERATING REVENUES** | $61,390,959 | $58,766,757 |
## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES

#### YEAR ENDED SEPTEMBER 30, 2023 WITH COMPARATIVE TOTALS FOR 2022

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

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDDED SEPTEMBER 30, 2023**

<table>
<thead>
<tr>
<th>Grantor/Program Title</th>
<th>CFDA Number</th>
<th>N/A</th>
<th>N/A</th>
<th>Program or Award</th>
<th>Current Year’s Expenditures</th>
<th>Prior Years’ Expenditures</th>
<th>Amount Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal and State Grantor/Pass-Through</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Michigan Department of Transportation (State):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct assistance - Capital grants:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital (Section 5339 Match) (FY 2013)</td>
<td>N/A</td>
<td>2012-0033/P8</td>
<td></td>
<td>$54,274</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Capital (FY 2016 and FY 2017)</td>
<td>N/A</td>
<td>2012-0033/P24</td>
<td></td>
<td>1,385,880</td>
<td>58</td>
<td>0</td>
<td>58</td>
</tr>
<tr>
<td>Capital (FY 2018)</td>
<td>N/A</td>
<td>2017-0008/P5</td>
<td></td>
<td>1,052,781</td>
<td>4,039</td>
<td>0</td>
<td>4,039</td>
</tr>
<tr>
<td>Capital (FY 2019)</td>
<td>N/A</td>
<td>2017-0008/P13</td>
<td></td>
<td>1,527,141</td>
<td>119,985</td>
<td>0</td>
<td>119,985</td>
</tr>
<tr>
<td>Capital (Section 5310 Match) (FY 2019)</td>
<td>N/A</td>
<td>2017-0008/P14</td>
<td></td>
<td>46,000</td>
<td>6,000</td>
<td>0</td>
<td>6,000</td>
</tr>
<tr>
<td>Capital (Section 5307-STP) (FY 2019)</td>
<td>N/A</td>
<td>2017-0008/P15</td>
<td></td>
<td>1,5046</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capital (FY 2020)</td>
<td>N/A</td>
<td>2017-0008/P17</td>
<td></td>
<td>1,735,404</td>
<td>179,991</td>
<td>0</td>
<td>179,991</td>
</tr>
<tr>
<td>Capital (Section 5310 Match) (FY 2020)</td>
<td>N/A</td>
<td>2017-0008/P18</td>
<td></td>
<td>33,200</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capital (Section 5310 Match) (FY 2021)</td>
<td>N/A</td>
<td>2017-0008/P24</td>
<td></td>
<td>2,700</td>
<td>1,555</td>
<td>0</td>
<td>1,555</td>
</tr>
<tr>
<td>Capital (FY 19 and 20 State Service Initiatives)</td>
<td>N/A</td>
<td>2017-0008/P12</td>
<td></td>
<td>1,020,000</td>
<td>99,284</td>
<td>0</td>
<td>99,284</td>
</tr>
<tr>
<td>Capital (MI Mobility Challenge) (FY 2019)</td>
<td>N/A</td>
<td>2017-0008/P8</td>
<td></td>
<td>120,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capital (Section 5307)(FY 2022) (80/20)</td>
<td>N/A</td>
<td>2021-2022/P3</td>
<td></td>
<td>3,606,834</td>
<td>951,782</td>
<td>0</td>
<td>951,782</td>
</tr>
<tr>
<td><strong>Subtotal - Direct State Capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct assistance - Operating grants:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating assistance - Act 51 Urban</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td>$14,323,324</td>
<td>$0</td>
<td>0</td>
<td>$14,323,324</td>
</tr>
<tr>
<td>Operating assistance - Act 51 Nonurban</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td>1,137,362</td>
<td>1,137,362</td>
<td>0</td>
<td>1,137,362</td>
</tr>
<tr>
<td>Prior year formula adjustments</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
<td>2,127,794</td>
<td>2,127,794</td>
<td>0</td>
<td>2,127,794</td>
</tr>
<tr>
<td>Capital Cost of Contracting (FY 2020)</td>
<td>N/A</td>
<td>2017-0008/P17</td>
<td></td>
<td>152,000</td>
<td>152,000</td>
<td>0</td>
<td>152,000</td>
</tr>
<tr>
<td>Preventive Maintenance (FY 2020)</td>
<td>N/A</td>
<td>2017-0008/P17</td>
<td></td>
<td>10,000</td>
<td>10,000</td>
<td>0</td>
<td>10,000</td>
</tr>
<tr>
<td>Enhanced Mobility (Section 5310) (FY 2018)</td>
<td>N/A</td>
<td>2017-0008/P6</td>
<td></td>
<td>2,750</td>
<td>13,750</td>
<td>0</td>
<td>13,750</td>
</tr>
<tr>
<td>Enhanced Mobility (Section 5310) (FY 2021)</td>
<td>N/A</td>
<td>2017-0008/P24</td>
<td></td>
<td>10,000</td>
<td>8,196</td>
<td>0</td>
<td>8,196</td>
</tr>
<tr>
<td>Specialized Services (FY 2020 &amp; 2021)</td>
<td>N/A</td>
<td>2022-0006/P6</td>
<td></td>
<td>110,584</td>
<td>110,584</td>
<td>0</td>
<td>110,584</td>
</tr>
<tr>
<td>Operating (MI Mobility Challenge) (FY 2019)</td>
<td>N/A</td>
<td>2017-0008/P6</td>
<td></td>
<td>3,700</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Subtotal - Direct State Operating</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DIRECT STATE EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>STATE FUNDS PASSED BY AAATA TO SUBRECIPIENTS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialized Services (FY 2020 &amp; 2021)</td>
<td>N/A</td>
<td>2022-0006/P1</td>
<td></td>
<td>96,440</td>
<td>96,440</td>
<td>0</td>
<td>96,440</td>
</tr>
<tr>
<td><strong>Total - State Pass-through Specialized Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Federal and State Grantor/Pass-Through

#### Grantor/Program Title

<table>
<thead>
<tr>
<th>U.S. Department of Transportation (Federal):</th>
<th>Federal</th>
<th>Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Assistance - Capital Grants:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital (Section 5307) (FY 2016 &amp; 2017) (80/20)</td>
<td>MI-2016-X26-01</td>
<td>M990-X778</td>
</tr>
<tr>
<td>Capital (Section 5307) (FY 2018) (80/20)</td>
<td>MI-2018-X28-00</td>
<td>M90-0082</td>
</tr>
<tr>
<td>Capital (Section 5307) (FY 2019) (80/20)</td>
<td>MI-2019-X34-00</td>
<td>M90-X822</td>
</tr>
<tr>
<td>Capital (Section 5307) (FY 2019) (80/20)</td>
<td>MI-2019-X35-00</td>
<td>M95-4001</td>
</tr>
<tr>
<td>Capital (Section 5307) (FY 2020) (80/20)</td>
<td>MI-2020-X38-00</td>
<td>M90-X840</td>
</tr>
<tr>
<td>Capital (Section 5307-CMAQ) (FY 2020) (80/20)</td>
<td>MI-2020-X38-00</td>
<td>M90-X840</td>
</tr>
<tr>
<td>Capital (Section 5339) (FY 2020) (80/20)</td>
<td>MI-2020-X38-00</td>
<td>M90-X840</td>
</tr>
<tr>
<td>Capital (Section 5310) (FY 2020) (80/20)</td>
<td>MI-2020-X38-00</td>
<td>M90-X840</td>
</tr>
<tr>
<td>Capital (Section 5339) (FY 2021) (80/20)</td>
<td>MI-2020-X38-00</td>
<td>M90-X840</td>
</tr>
<tr>
<td>Capital (Section 5339) (FY 2022) (80/20)</td>
<td>MI-2020-X38-00</td>
<td>M90-X840</td>
</tr>
<tr>
<td>Capital (Section 5310) (FY 2020) (80/20)</td>
<td>MI-2020-X38-00</td>
<td>M90-X840</td>
</tr>
<tr>
<td>Capital (Section 5310) (FY 2021) (80/20)</td>
<td>MI-2020-X38-00</td>
<td>M90-X840</td>
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<td>Capital (Section 5310) (FY 2022) (80/20)</td>
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<tr>
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<td>M90-X840</td>
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<tr>
<td>Capital (Section 5310) (FY 2021) (80/20)</td>
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<td>M90-X840</td>
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<td>Capital (Section 5310) (FY 2022) (80/20)</td>
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</tr>
<tr>
<td>Capital (Section 5310) (FY 2016 &amp; 2017) (80/20)</td>
<td>MI-2016-X40-01</td>
<td>M16-X019</td>
</tr>
<tr>
<td>Capital (Section 5310) (FY 2018) (80/20)</td>
<td>MI-2018-X31-00</td>
<td>M16-X035</td>
</tr>
<tr>
<td>Capital (Section 5310) (FY 2019) (80/20)</td>
<td>MI-2019-X39-00</td>
<td>M16-X039</td>
</tr>
<tr>
<td>Capital (Section 5310) (FY 2020) (80/20)</td>
<td>MI-2020-X66-00</td>
<td>M16-X033</td>
</tr>
<tr>
<td>Capital (Section 5310) (FY 2021) (80/20)</td>
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<td>M16-X038</td>
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<td>Capital (Section 5310) (FY 2022) (80/20)</td>
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<td>M16-X033</td>
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<tr>
<td>Capital (Section 5310) (FY 2021) (80/20)</td>
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<td>M16-X038</td>
</tr>
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<td>Capital (Section 5310) (FY 2022) (80/20)</td>
<td>MI-2022-050-00</td>
<td>M16-X033</td>
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<td>Capital (Section 5310) (FY 2016 &amp; 2017) (80/20)</td>
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<td>M16-X019</td>
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<td>Capital (Section 5310) (FY 2018) (80/20)</td>
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<td>Capital (Section 5310) (FY 2019) (80/20)</td>
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<td>Capital (Section 5310) (FY 2020) (80/20)</td>
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<tr>
<td>Capital (Section 5310) (FY 2022) (80/20)</td>
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<td>M16-X033</td>
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</table>

#### Federal and State Grantor/Pass-Through

<table>
<thead>
<tr>
<th>Passed Through Regional Transit Authority of Southeast Michigan:</th>
<th>Federal</th>
<th>Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTA CMAQ D2A2 Service</td>
<td>M2022-06</td>
<td>M2022-06</td>
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<tr>
<td>RTA CMAQ D2A2 Service</td>
<td>M2023-01</td>
<td>M2023-01</td>
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<tr>
<td>Passed Through Michigan Department of Transportation:</td>
<td>M2020-008-007</td>
<td>M2020-008-007</td>
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</tbody>
</table>

#### Passed Through Southeast Michigan Council of Governments: | Federal |

| Passed Through Southeast Michigan Council of Governments: | Federal |

| Unified Planning (Section 5303)(81.85/18.15) | M2001 | 57,852 |
| Unified Planning (Section 5303)(81.85/18.15) | M2005 | 10,500 |
| Unified Planning (Section 5303)(81.85/18.15) | M2005 | 0 |

**TOTAL FEDERAL EXPENDITURES**

| $79,318,970 | $24,160,572 | $24,138,855 | $21,717 | $20,408,146 | $25,771,969 |
ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>Specialized Services</th>
<th>Nonurban Operations</th>
<th>Urban Operations</th>
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<tr>
<td></td>
<td>2022-0006/P1</td>
<td>Sec. 5311: 2022-0006 P3</td>
<td>Demand-response</td>
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<td>Labor</td>
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<td>$ 41,075</td>
<td>$ 3,146,567</td>
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<tr>
<td>Fringe benefits</td>
<td>-</td>
<td>24,045</td>
<td>1,989,214</td>
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<tr>
<td>Services</td>
<td>-</td>
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<td>702,624</td>
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<tr>
<td>Materials and supplies</td>
<td>-</td>
<td>16,508</td>
<td>799,245</td>
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<tr>
<td>Utilities</td>
<td>-</td>
<td>-</td>
<td>143,916</td>
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<tr>
<td>Casualty and liability costs</td>
<td>-</td>
<td>10,845</td>
<td>312,838</td>
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<td>Purchased transportation</td>
<td>110,580</td>
<td>3,164,206</td>
<td>6,277,072</td>
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<tr>
<td>Other</td>
<td>-</td>
<td>3,376</td>
<td>79,585</td>
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<tr>
<td>Leases and rentals</td>
<td>-</td>
<td>-</td>
<td>28,644</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>1,135,715</td>
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<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>$ 110,580</strong></td>
<td><strong>$ 3,288,609</strong></td>
<td><strong>$ 14,615,420</strong></td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
<td>Fixed-route</td>
<td>Demand-response</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------</td>
<td>-------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>401</td>
<td>Farebox Revenue</td>
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<td></td>
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<tr>
<td>40100</td>
<td>Passenger Fares</td>
<td>$1,676,750</td>
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<td>Contract Fares</td>
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<tr>
<td>406</td>
<td>Auxiliary Transit Revenue</td>
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<td></td>
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<tr>
<td>40615</td>
<td>Advertising</td>
<td>129,140</td>
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</tr>
<tr>
<td>407</td>
<td>NonTransit Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40799</td>
<td>Gain on Sale/Disposal of Equipment</td>
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<td></td>
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<tr>
<td>40799</td>
<td>Other NonTransportation Revenue</td>
<td>123,091</td>
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<td>408</td>
<td>Local Revenue</td>
<td></td>
<td></td>
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<tr>
<td>40800</td>
<td>Taxes Levied Directly for Transit Agency</td>
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<td>4,639,860</td>
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<td>409</td>
<td>Local Revenue</td>
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<tr>
<td>40910</td>
<td>Local Operating Assistance</td>
<td>1,081,719</td>
<td>314,047</td>
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<tr>
<td>40999</td>
<td>Other Local - Local Match</td>
<td>53,939</td>
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<tr>
<td>411</td>
<td>State Formula and Contracts</td>
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<td></td>
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<tr>
<td>41101</td>
<td>State Operating Assistance</td>
<td>10,562,620</td>
<td>3,760,704</td>
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<tr>
<td>41111</td>
<td>Preventive Maintenance (20% State Share)</td>
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<tr>
<td>41112</td>
<td>Planning/Capital Cost of Contracting</td>
<td>251,284</td>
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<tr>
<td>41199</td>
<td>Enhanced Mobility (Section 5310)</td>
<td></td>
<td>29,501</td>
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<tr>
<td>413</td>
<td>Federal Contracts</td>
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<td></td>
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<tr>
<td>41311</td>
<td>Preventive Maintenance (80% Federal Share)</td>
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<tr>
<td>41312</td>
<td>Unified Planning/Capital Cost of Contracting (Sec 5303)</td>
<td>97,935</td>
<td>608,000</td>
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<tr>
<td>41361</td>
<td>ARP Act</td>
<td>13,536,900</td>
<td>1,504,100</td>
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<td>41399</td>
<td>Enhanced Mobility (Section 5310)</td>
<td></td>
<td>144,352</td>
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<tr>
<td>41399</td>
<td>Other - RTA</td>
<td>2,291,503</td>
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<tr>
<td>414</td>
<td>Other Revenue</td>
<td></td>
<td></td>
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<tr>
<td>41400</td>
<td>Interest Income</td>
<td>1,154,689</td>
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<tr>
<td>550</td>
<td>Ineligible Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55005</td>
<td>Net unrealized and realized investment gains</td>
<td>(232,953)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$48,725,978</td>
<td>$11,528,381</td>
</tr>
</tbody>
</table>
### Code Description

#### Fixed-route  | Demand-response | Total
---|---|---
501: Labor  |  |  |
50101 Operators Salaries & Wages  | $7,833,625 | $1,657,661 | $9,491,286
50102 Other Salaries & Wages  | $6,990,320 | $1,488,906 | $8,479,226
502: Fringe Benefits  |  |  |
50200 Other Fringe Benefits  |  |  |  
50210 Defined Contribution Pension  | $1,366,446 | $148,421 | $1,514,867
50240 Defined Contribution OPEB  | $406,207 | $44,075 | $450,282
503: Services  |  |  |
50302 Advertising Fees  | $64,099 | $12,039 | $76,138
50305 Audit Costs  | $69,792 | $13,108 | $82,900
50399 Other Services  | $3,578,526 | $677,477 | $4,256,003
504: Materials and Supplies  |  |  |
50401 Fuel & Lubricants  | $2,541,393 | $294,083 | $2,835,476
50402 Tires & Tubes  | $170,317 | $30,794 | $201,111
50499 Other Materials & Supplies  | $2,249,136 | $474,368 | $2,723,504
505: Utilities  |  |  |
50500 Utilities  | $626,511 | $143,916 | $770,427
506: Insurance  |  |  |
50603 Liability Insurance  | $828,488 | $190,312 | $1,018,800
50699 Other Insurance  | $590,211 | $122,526 | $712,737
508: Purchased Transportation  |  |  |
50800 Purchased Transportation  | $2,968,165 | $6,277,072 | $9,245,237
509: Miscellaneous Expenses  |  |  |
50902 Travel, Meeting & Training  | $79,974 | $16,303 | $96,277
50903 Association Dues & Subscriptions  | $82,211 | $16,759 | $98,970
50999 Other Miscellaneous Expenses  | $224,843 | $46,523 | $271,366
512: Operating Leases & Rentals  |  |  |
51200 Operating Leases & Rentals  | $79,529 | $28,644 | $108,173
513: Depreciation  |  |  |
51300 Depreciation  | $5,424,319 | $1,135,715 | $6,560,034

**Total Urban Expenses** $43,806,465 $14,615,420 $58,421,885

#### Ineligible Expenses

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Fixed-route</th>
<th>Demand-response</th>
<th>Total</th>
</tr>
</thead>
</table>
5507 | Ineligible Depreciation  | $5,011,029 | $803,104 | $5,814,133 |
5508 | Ineligible other (bad debt/employee events)  | $62,823 | - | $62,823 |
5509 | Ineligible Association Dues  | $8,397 | - | $8,397 |
5510 | Ineligible Non-transportation Revenue  | $32,761 | - | $32,761 |
5511 | Ineligible Preventive Maintenance  | $50,000 | - | $50,000 |
5709 | Ineligible - Federal RTA D2A2  | $2,291,503 | - | $2,291,503 |
5702 | Ineligible - Capital Cost of Contracting  | - | $760,000 | $760,000 |
5702 | Ineligible - Unified Planning (Sec 5303)  | $119,652 | - | $119,652 |
5704 | Ineligible - Enhanced Mobility (Sec 5310)  | - | $173,853 | $173,853 |
5805 | Ineligible - Postretirement Benefit Revenue  | $90,330 | - | $90,330 |
5805 | Ineligible - Postretirement Benefits Paid  | $(31,526) | - | $(31,526) |

**Total Ineligible Expenses** $7,634,969 $1,736,957 $9,371,926

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Fixed-route</th>
<th>Demand-response</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Expenses</td>
<td>$43,806,465</td>
<td>$14,615,420</td>
<td>$58,421,885</td>
</tr>
<tr>
<td></td>
<td>Total Ineligible Expenses</td>
<td>$(7,634,969)</td>
<td>$(1,736,957)</td>
<td>$(9,371,926)</td>
</tr>
<tr>
<td></td>
<td>Total Eligible Expenses</td>
<td>$36,171,496</td>
<td>$12,878,463</td>
<td>$49,049,959</td>
</tr>
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</table>
### ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES

**YEAR ENDED SEPTEMBER 30, 2023**

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Total Nonurban</th>
</tr>
</thead>
<tbody>
<tr>
<td>401</td>
<td>Farebox Revenue</td>
<td></td>
</tr>
<tr>
<td>40100</td>
<td>Passenger Fares</td>
<td>$ 143,419</td>
</tr>
<tr>
<td>40200</td>
<td>Contract Fares</td>
<td></td>
</tr>
<tr>
<td>406</td>
<td>Auxiliary Transit Revenue</td>
<td></td>
</tr>
<tr>
<td>40615</td>
<td>Advertising</td>
<td></td>
</tr>
<tr>
<td>407</td>
<td>Non-Transit Revenue</td>
<td></td>
</tr>
<tr>
<td>40799</td>
<td>Gain (Loss) on Sale of Equipment</td>
<td></td>
</tr>
<tr>
<td>40799</td>
<td>Other Revenue</td>
<td></td>
</tr>
<tr>
<td>408</td>
<td>Local Revenue</td>
<td></td>
</tr>
<tr>
<td>40800</td>
<td>Taxes Levied Directly for Transit Agency</td>
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</tr>
<tr>
<td>409</td>
<td>Local Revenue</td>
<td></td>
</tr>
<tr>
<td>40910</td>
<td>Local Operating Assistance</td>
<td>$ 809,361</td>
</tr>
<tr>
<td>40999</td>
<td>Other Local</td>
<td></td>
</tr>
<tr>
<td>411</td>
<td>State Formula and Contracts</td>
<td></td>
</tr>
<tr>
<td>41101</td>
<td>State Operating Assistance</td>
<td>$ 1,137,362</td>
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<tr>
<td>411</td>
<td>Prior Year Formula Adjustments</td>
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<tr>
<td>413</td>
<td>Federal Contracts</td>
<td></td>
</tr>
<tr>
<td>41301</td>
<td>5311</td>
<td>$ 890,737</td>
</tr>
<tr>
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<td>Other Revenue</td>
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</tr>
<tr>
<td>41400</td>
<td>Interest Revenue</td>
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</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td>$ 2,980,879</td>
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## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES

YEAR ENDED SEPTEMBER 30, 2023

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Demand Response</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>501:</td>
<td>Labor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50102</td>
<td>Other Salaries &amp; Wages</td>
<td>$ 41,075</td>
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<tr>
<td>502:</td>
<td>Fringe Benefits</td>
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<tr>
<td>50200</td>
<td>Other Fringe Benefits</td>
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<tr>
<td>50210</td>
<td>Defined Contribution Pension</td>
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<tr>
<td>50240</td>
<td>Defined Contribution OPEB</td>
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<tr>
<td>503:</td>
<td>Services</td>
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<tr>
<td>50305</td>
<td>Other Services</td>
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</tr>
<tr>
<td>504:</td>
<td>Materials and Supplies</td>
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</tr>
<tr>
<td>50499</td>
<td>Other Materials &amp; Supplies</td>
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<tr>
<td>506:</td>
<td>Insurance</td>
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<tr>
<td>50699</td>
<td>Other Insurance</td>
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</tr>
<tr>
<td>508:</td>
<td>Purchased Transportation</td>
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<tr>
<td>50800</td>
<td>Purchased Transportation</td>
<td>3,164,206</td>
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<tr>
<td>509:</td>
<td>Miscellaneous Expenses</td>
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<tr>
<td>50999</td>
<td>Other Misc. Expenses</td>
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<tr>
<td>550:</td>
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<tr>
<td>570:</td>
<td>Ineligible Expenses</td>
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Total Expenses $ 3,288,609

Total Ineligible Expenses -

Total Eligible Expenses $ 3,288,609
### PUBLIC SERVICE - URBAN FIXED-ROUTE

<table>
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<tr>
<th>Code</th>
<th>Description</th>
<th>Total</th>
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<tr>
<td>610</td>
<td>Vehicle Hours</td>
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<tr>
<td>611</td>
<td>Vehicle Miles</td>
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### PUBLIC SERVICE - URBAN DEMAND RESPONSE

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<th>Code</th>
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<tr>
<td>611</td>
<td>Vehicle Miles</td>
<td>856,068</td>
</tr>
</tbody>
</table>

### PUBLIC SERVICE - NONURBAN DEMAND RESPONSE

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>610</td>
<td>Vehicle Hours</td>
<td>53,466</td>
</tr>
<tr>
<td>611</td>
<td>Vehicle Miles</td>
<td>731,774</td>
</tr>
</tbody>
</table>
## ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION

### YEAR ENDED SEPTEMBER 30, 2023

#### Urban

<table>
<thead>
<tr>
<th></th>
<th>Fixed-Route</th>
<th>Demand Response</th>
<th>Nonurban</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 43,806,465</td>
<td>$ 14,615,420</td>
<td>$ 3,288,609</td>
</tr>
</tbody>
</table>

#### Less Ineligible Expenses:

<table>
<thead>
<tr>
<th>Ineligible Expenses</th>
<th>Urban</th>
<th>Demand Response</th>
<th>Nonurban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Planning (Section 5303, w/Local Match)</td>
<td>119,652</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal and State Depreciation Expense</td>
<td>5,011,029</td>
<td>803,104</td>
<td>-</td>
</tr>
<tr>
<td>Federal Enhanced Mobility (Section 5310)</td>
<td>-</td>
<td>144,352</td>
<td>-</td>
</tr>
<tr>
<td>State Enhanced Mobility (Section 5310)</td>
<td>-</td>
<td>29,501</td>
<td>-</td>
</tr>
<tr>
<td>Federal and State Preventive Maintenance</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal and State Capital Cost of Contracting</td>
<td>-</td>
<td>760,000</td>
<td>-</td>
</tr>
<tr>
<td>Federal RTA D2A2</td>
<td>2,291,503</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Post-Retirement Medical Benefits Accrual</td>
<td>90,330</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Post-Retirement Medical Benefits Paid</td>
<td>(31,526)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other revenue</td>
<td>32,761</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses (bad debts, ineligible interest)</td>
<td>62,823</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Association Dues (Ineligible Portion)</td>
<td>8,397</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Ineligible Expenses</strong></td>
<td>$ 7,634,969</td>
<td>$ 1,736,957</td>
<td>-</td>
</tr>
</tbody>
</table>

| **Total State Eligible Expenses**                         | $ 36,171,496 | $ 12,878,463   | $ 3,288,609 |

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

#### Total Federal Eligible Expenses

| Eligible Expenses for Federal Reimbursement               | $ 3,288,609 |
| x Reimbursement Percentage                                | 36%         |
| **Eligible expenses**                                     | 1,183,899   |
| Less expenses over the capped funding                     | (293,162)   |
| **Federal Operating Assistance (Section 5311)**           | $ 890,737   |
A. ITEMS REIMBURSED BY FEDERAL GRANTS

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

B. FEDERAL AND STATE DEPRECIATION AND AMORTIZATION EXPENSE

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

C. POSTRETIREMENT MEDICAL BENEFITS PLAN EXPENSE

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

D. OTHER REVENUES

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

E. ADVERTISING

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

F. OTHER EXPENSE

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

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

H. MILEAGE INFORMATION

The methodology used for compiling mileage and other nonfinancial information used to allocate costs has been reviewed and found to be an adequate and reliable method.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Ann Arbor Area Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of the Ann Arbor Area Transportation Authority (the “Authority”) as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated [REPORT DATE].

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.
To the Board of Directors  
Ann Arbor Area Transportation Authority

Report on Compliance and Other Matters

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

The Authority’s Response to Findings

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

Purpose of this Report

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

Farmington Hills, Michigan

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

To the Board of Directors
Ann Arbor Area Transportation Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Authority’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over compliance. Accordingly, no such opinion is expressed.
To the Board of Directors  
Ann Arbor Area Transportation Authority

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

**Report on Internal Control over Compliance**

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

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

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

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

Farmington Hills, Michigan

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

See Notes to Schedule of Expenditures of Federal Awards
NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Ann Arbor Area Transportation Authority (the “Authority”) under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the “Uniform Guidance”). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting as the financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE – 3 SUB-RECIPIENTS

The Authority provided federal awards to sub-recipients in the amount of $956,089 as presented in the Schedule.

NOTE – 4 INDIRECT COST RATE

The Authority has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE – 5 SUBSEQUENT EVENTS

All subsequent events relative to the major programs were evaluated through Report date, the date the accompanying reports were available to be issued.
Section I – Summary of Auditor's Results

Financial Statements
Type of auditor's report issued: Unmodified

Internal control over financial reporting:
- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified not considered to be material weaknesses? Yes None noted

Noncompliance material to the financial statements noted? Yes No

Federal Awards
Internal control over major programs:
- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified not considered to be material weaknesses? Yes None reported

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

Identification of major program:

<table>
<thead>
<tr>
<th>Assistance</th>
<th>Listing Number</th>
<th>Name of Federal Program or Cluster</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20.507</td>
<td>Federal Transit Cluster</td>
<td>Unmodified</td>
</tr>
<tr>
<td></td>
<td>20.509</td>
<td>CRRSAA – Formula Grants for Rural Areas</td>
<td>Unmodified</td>
</tr>
</tbody>
</table>

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

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

Section II – Financial Statement Audit Findings
Prior Year – Yes
Current Year – Yes

Section III – Federal Program Audit Findings
Prior Year – None
Current Year – None
SECTION II – FINANCIAL STATEMENT FINDINGS

Reference Number Finding
2023-001 Finding Type – Significant Deficiency

Repeat Finding – No

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

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

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

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

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

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

Governance Committee Meeting Date: February 1, 2024

Board of Directors Meeting Date: February 22, 2024

<table>
<thead>
<tr>
<th>INFORMATION TYPE</th>
<th>Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECOMMENDED ACTION(S)</td>
<td>Discuss</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>List of previous Board or Committee discussions or actions, to allow cross referencing and context.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ISSUE SUMMARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every year the Board monitors its own behaviors and compliance with policies pertaining to Board-Management Delegation.</td>
</tr>
<tr>
<td>The Board’s self-assessment is presented in the attachment.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IMPACTS OF RECOMMENDED ACTION(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Budgetary/Fiscal: N/A</td>
</tr>
<tr>
<td>• Social: N/A</td>
</tr>
<tr>
<td>• Environmental: N/A</td>
</tr>
<tr>
<td>• Governance: Board self-monitoring is an important practice.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ATTACHMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Board-Management Delegation Policies 4.0-4.4</td>
</tr>
<tr>
<td>2. Worksheet Results for policies 4.0-4.4</td>
</tr>
</tbody>
</table>
4: BOARD-MANAGEMENT DELEGATION

These policies define how the Board will delegate to its CEO AAATA’s accomplishment of Ends and operation within the Executive Limitations boundaries.

4.0 GLOBAL BOARD-MANAGEMENT DELEGATION

The Board’s sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer (CEO).

4.1 UNITY OF CONTROL

Only officially passed motions of the Board are binding on the CEO.

Accordingly:

4.1.1 Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically authorized such exercise of authority.

4.1.2 In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can defer or refuse such requests that require, in the CEO’s opinion, a material amount of staff time or funds or is disruptive.
4.2 ACCOUNTABILITY OF THE CEO

The CEO is the Board’s only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.

Accordingly:

4.2.1 The Board will never give instructions to persons who report directly or indirectly to the CEO.

4.2.2 The Board will not evaluate, either formally or informally, any staff other than the CEO. Board members are not restricted from expressing any level of satisfaction in a confidential conversation with the CEO.

4.2.3 The Board will view organizational performance as integral to CEO performance and shall consider Board stated Ends and avoidance of Board-proscribed executive limitations as a foundation of successful CEO performance.

4.3 DELEGATION TO THE CEO

The Board will instruct the CEO through officially passed motions of the Board or written policies which prescribe the organizational Ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies.

Accordingly:

4.3.1 The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.

4.3.2 The Board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, active, decisions, and circumstances that would be unacceptable to the Board even if they were effective. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.
4.3.3 As long as the CEO uses *any reasonable interpretation* of the Board’s Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.

4.3.4 The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO’s choices with the boundaries described herein.

4.4 **MONITORING CEO PERFORMANCE**

Organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations shall be evaluated rigorously by the Board and its appointed committees.

Accordingly:

4.4.1 Monitoring is simply to determine the degree to which Board policies are being met. Data which do not do this will not be considered to be monitoring data.

4.4.2 The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.

4.4.3 In every case, the Board will judge the reasonableness of the CEO’s interpretation and whether data demonstrate accomplishment of the interpretation.

4.4.4 The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness, but will always judge with a “reasonable person” test rather than with an interpretation favored by Board members or by the Board as a whole.

4.4.5 All policies which instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (Appendix A).
## WORKSHEET RESULTS:

### Board Management Delegation (Policies 4.0 - 4.4)

**Participants:** 7 Board Members

<table>
<thead>
<tr>
<th>Performance on reasonable interpretation and verifiable evidence</th>
<th>Please provide specific examples to support your response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy 4.0 Global Board-Management Delegation</strong>&lt;br&gt;The Board’s sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer (CEO).</td>
<td>ALWAYS – 4&lt;br&gt;MOST OF THE TIME - 3&lt;br&gt;• We sometimes work directly with the deputy CEOs and other staff on various initiatives.</td>
</tr>
<tr>
<td><strong>Policy 4.1 Unity of Control</strong>&lt;br&gt;Only officially passed motions of the Board are binding on the CEO. Accordingly:</td>
<td>ALWAYS – 6&lt;br&gt;MOST OF THE TIME - 1</td>
</tr>
<tr>
<td><strong>Policy 4.1.1</strong>&lt;br&gt;Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically</td>
<td>ALWAYS – 7</td>
</tr>
</tbody>
</table>
| Policy 4.1.2 | **Policy 4.2** Accountability of the CEO  
The CEO is the Board’s only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO. |
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can defer or refuse such requests that require, in the CEO’s opinion, a material amount of staff time or funds or is disruptive.</td>
<td><strong>Policy 4.2.1</strong> The Board will never give instructions to persons who report directly or</td>
</tr>
</tbody>
</table>
| **ALWAYS – 4**  
**MOST OF THE TIME - 3** | **ALWAYS – 5**  
**MOST OF THE TIME - 2** |
| • Individual Board members and Committees have requested information and I have observed the CEO both honor the request or deny the request as it pertains to this policy.  
• I believe that the CEO is comfortable doing this, but since I am not privy to what goes on at other committees, I am noting “most of the time” | • I am unaware of this occurring. But I ask, how would we know unless the CEO informs the Board.  
• Sometimes it’s fuzzy whether a board member’s comment is a suggestion or an instruction. |

**Worksheet Results: Board Management Delegation (Policies 4.0-4.4)**
<table>
<thead>
<tr>
<th><strong>Worksheet Results: Board Management Delegation (Policies 4.0-4.4)</strong></th>
</tr>
</thead>
</table>
| **Policy 4.2.2**  
The Board will not evaluate, either formally or informally, any staff other than the CEO. Board members are not restricted from expressing any level of satisfaction in a confidential conversation with the CEO. |
| **ALWAYS – 6** |
| **MOST OF THE TIME - 1** |
| **Policy 4.2.3**  
The Board will view organizational performance as integral to CEO performance and shall consider Board stated Ends and avoidance of Board-proscribed executive limitations as a foundation of successful CEO performance. |
| **ALWAYS – 6** |
| **MOST OF THE TIME - 1** |
| **Policy 4.3**  
**Delegation to the CEO**  
The Board will instruct the CEO through officially passed motions of the Board or written policies which prescribe |
| **ALWAYS – 4** |
| **MOST OF THE TIME - 3** |
| • We sometimes work directly with the deputy CEOs and other staff on various initiatives. In those cases we get permission from the CEO. |
| • Board and Staff appear to agree that sometimes it’s appropriate for a board member to say positive things about staff. |
the organizational Ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies. Accordingly:

**Policy 4.3.1**
The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.

| ALWAYS – 4 | MOST OF THE TIME - 3 |
| I’m not sure that all policies have been developed at the broadest possible level. |
| Sometimes cost is not specified. |

**Policy 4.3.2**
The Board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, active, decisions, and circumstances that would be

| ALWAYS – 4 | MOST OF THE TIME - 3 |
| Same comment as above. |
| I’m not sure that all policies have been developed at the broadest possible level. |
| At times, “shall not” policies creep into means. |
unacceptable to the Board even if they were effective. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.

**Policy 4.3.3**
As long as the CEO uses any reasonable interpretation of the Board’s Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.

- **MOST OF THE TIME - 7**
- We don't always accept the CEO's interpretations.

**Policy 4.3.4**
The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between

- **ALWAYS – 3**
- **MOST OF THE TIME - 4**
- Over the past year we have reviewed several policies and made changes as needed. A new Sustainability policy was established. The board has developed a mechanism for policy review by developing a schedule. However, any policy at any time may be changed by the Board if it so choses.
<table>
<thead>
<tr>
<th>Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO’s choices with the boundaries described herein.</th>
<th><img src="image_url" alt="Image" /></th>
<th><img src="image_url" alt="Image" /></th>
</tr>
</thead>
</table>

**Policy 4.4 Monitoring CEO Performance**
Organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations shall be evaluated rigorously by the Board and its appointed committees. Accordingly:

| ALWAYS – 5 | ![Image](image_url) | ![Image](image_url) |
| MOST OF THE TIME - 2 | ![Image](image_url) | ![Image](image_url) |

- Based on deliberations at Board meetings I believe this is occurring. However, I also believe that we can do better by following the Carver guidelines on what makes a report reasonable etc... Sometimes we go too far in the weeds.

**Policy 4.4.1 Monitoring**
Monitoring is simply to determine the degree to which Board policies are being met. Data which do not do this will not be

| ALWAYS – 1 | ![Image](image_url) | ![Image](image_url) |
| MOST OF THE TIME - 6 | ![Image](image_url) | ![Image](image_url) |

- At times, members are not satisfied with the amount of detail in a monitoring report and request more data. Are we serving individual wants over the entire board? What is enough data?
considered to be monitoring data.  

- Monitoring is an evaluation of compliance or achievement. Some monitoring responses are not quantitative, which is what I think this question is solely referring to?

| Policy 4.4.2 |  
| --- | --- |
| The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria. |  
|  
| ALWAYS – 5 | MOST OF THE TIME - 2 |  
|  
| • I can’t recall b or c ever being used. |  

| Policy 4.4.3 |  
| --- | --- |
| In every case, the Board will judge the reasonableness of the CEO’s interpretation and whether data demonstrate accomplishment of the interpretation. |  
|  
| ALWAYS – 5 | MOST OF THE TIME - 2 |  
|  
| • Monitoring report reviews frequently results in diverse opinions and feedback. |
### Policy 4.4.4
The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness, but will always judge with a "reasonable person" test rather than with an interpretation favored by Board members or by the Board as a whole.

<table>
<thead>
<tr>
<th>MOST OF THE TIME – 6</th>
<th>SOME OF THE TIME - 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>• This is an area that the Board struggles with. It seems, at times, that some wish to use the reports as a way to &quot;manage&quot; the CEO.</td>
<td></td>
</tr>
<tr>
<td>• Sometimes our gauge of reasonableness is subjective board member to board member and can cause challenges getting to the &quot;reasonable person&quot; evaluation.</td>
<td></td>
</tr>
<tr>
<td>• Occasionally there are differing opinions on interpretations; however, the Board ultimately speaks as one.</td>
<td></td>
</tr>
</tbody>
</table>

### Policy 4.4.5
All policies which instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (Appendix A).

<table>
<thead>
<tr>
<th>ALWAYS - 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Yes, we have a schedule in place. The current schedule is the result of the work of the Monitoring Task Force. They presented their recommendation to the full Board last fall and it was approved for implementation.</td>
</tr>
</tbody>
</table>
# Additional context questions

## 1. ADDITIONAL CONTEXT ON OVERAL POLICY (OPTIONAL)

- Note about survey request. This survey was sent out the afternoon of January 17, 2024 and board members were given a due date of January 24 noon, effectively 1 week or 5 business days. I am highly disappointed that a report that requires thoughtful consideration was not given at least 2 weeks’ notice for our board members consideration.

## 2. APPROXIMATELY HOW MANY MINUTES DID IT TAKE YOU TO FILL OUT THIS FORM?

- 25, 60, 12, 20, 13, 30
Board Education: Ridership Growth

Meeting: Board of Directors

Meeting Date: February 22, 2024

<table>
<thead>
<tr>
<th>INFORMATION TYPE</th>
<th>Other</th>
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<tbody>
<tr>
<td>RECOMMENDED ACTION(S)</td>
<td>Receive for information as Board Education.</td>
</tr>
<tr>
<td>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</td>
<td>In December 2023 the Board approved its Annual Plan of Work which included an education item for “Ridership”.</td>
</tr>
<tr>
<td>ISSUE SUMMARY</td>
<td>The CEO is making an initial presentation on transit ridership and ridership growth. He will provide background and context, as well as a high-level overview of TheRide’s efforts to increase ridership. He will also ask the Board if further information is desired or if the educational item has been completed. This presentation will segue into a March presentation on innovation and important trends.</td>
</tr>
</tbody>
</table>
| IMPACTS OF RECOMMENDED ACTION(S) | • Budgetary/Fiscal: N/A  
• Social: N/A  
• Environmental: N/A  
• Governance: N/A |
| ATTACHMENTS            | 1. Ridership Presentation |
Transit Ridership Growth

Board Education
Matt Carpenter, CEO
February 2024
The purpose of this presentation is to educate the Board on the business of TheRide. Specially, to provide

1. a high-level, simplified introduction to the subject of growing transit ridership, and
2. An overview of TheRide’s ongoing activities to grow ridership.

We look forward to discussion with the Board and hearing where they would like to go next with this education topic.
After growing slowly since 1969, ridership saw a large jump with the creation of the first MRide program in 2004. This new fare program for UM faculty, staff and students contributed to a 47% increase in ridership by 2009. By 2013 the MRide bump had peaked and ridership stabilized at around 6.5 million trips/year. Being a college town has important implications and TheRide’s ridership is generally higher than national norms.

In 2015 TheRide began implementing new services via the 5-Year Transit Improvement Program (5YTIP), from a 2014 millage. Ridership grew but was likely undercut by ride hailing. Between 2012-2018 bus ridership nationally declined 15%, largely due to ride hailing (ie Uber), which was aggressively capturing market share globally and was heavily subsidized by venture capital firms. The 2020-2022 COVID pandemic hurt ridership significantly, as was true around the world. Today, TheRide has restored 100% of services and has recovered about 70%-75% of pre-pandemic ridership, one of the best recoveries in Michigan (NTD). However, work-from-home and office vacancies have reduced the number of people traveling.

This growth is impressive when seen against the headwinds of declining population and economic activity, and a strong cultural preference for the personal automobile in Michigan. Many mid-west transit agencies were losing ridership during this period.

Also, as a “Home Rule” state, Michigan’s tax structure makes funding and expanding transit difficult. Between 1973-2013 tax revenue was limited to a single millage. MRide injected more funds, and supplemental tax millages in 2014, 2018, and 2022 have added resources.
In spite of COVID, by 2023 transit use in the AAATA area was still higher than almost all of southeast Michigan. Transit ridership here includes AAATA and UM bus riders. Globally the midwestern US has a generally very low ridership due to low population density and sprawling land uses, cheap car use, population loss, and weak urban cores. Source SEMCOG.
These charts illustrate mid-pandemic statistics for the percentage of commuters traveling by transit, and by car alone. Nationally, the Ann Arbor/Ypsilanti area’s transit ridership is already relatively high and car use relatively low.

Key observations include:
- A 3% transit mode share (of all commuting trips) may not sound like a lot, but it is pretty good for a small community in the midwest US. We have a higher mode share than many larger cities.
- We also have a much lower share of people driving alone, illustrating how many people walk, bike or take transit.
- These trends are likely related to being a college town but also to the many robust transport alternatives provided in Ann Arbor.
This graph illustrates ridership per capita (trips/population). Data is from the National Transit Database and good only for making broad comparisons. Staff will be updating this preliminary chart with more recent data.

At the national level we can see:
- How most communities have very low rides/capita – a reflection of how auto-oriented the US is. European and even Canadian levels can be much higher due to cultural norms, urban form, and public policies.
- Transit-oriented urban form matters a lot (see NYC vs LA).
- AAATA does pretty well for a small community. Let’s zoom in on the smaller communities...

(The area in red is highlighted on the next page.)
Looking at communities with <500,000 residents:
- With 24 rides/capita (2019), the AAATA (in red) outperforms most communities. There are only two in our population group doing better (Lansing, Madison). Most communities doing better are college towns where the public transit agency carries many more students than AAATA. We may need to combine UM and AAATA ridership to make a fair comparison.
- The UM’s bus service has a very high rides/capita mostly because the population served (UM students + staff) is small (60,000). UM has about as many annual trips as the AAATA.
- There seems to be an threshold (blue line) beyond which there are no communities achieving higher rides/capita. This suggests a limit to reasonable expectations within the current US paradigm of urban form and preferences for cars.
- The AAATA’s long-range plan (in yellow) sees us doubling ridership as the population grows. It is very aggressive but not impossible (more later).

Staff with be reaching out the high-performing agencies to learn what they are doing differently. Madison, Houston and Champaign-Urbana in particular.
Implications

• Low mode share is normal for US cities built around the car
• AAATA ridership is doing pretty well
• We should manage our expectations – rapid growth is unlikely
• Opportunities to grow ridership do exist, but may not be easy or fast
• Higher performing communities should be investigated
Agenda

- Context
- How Ridership Grows
- TheRide’s Approach
- Next Steps & Discussion
Why Does Ridership Increase?

- Demand Increases
  - Pop/Economic growth
  - Pop density/urban form
  - Pricing, marketing, etc
  - Competitiveness of alternatives

- Supply Improves (Services)
  - Quantity and Quality of Service

Transportation is an economic phenomena:
- The **Supply of transportation** is what transit agencies provide. We provide a certain *Level of Service (LOS)* in terms of frequency, hours of operation, etc; and *Quality of Service (QOS)* in terms of reliability, crowding, directness of travel, cleanliness, etc. Increasing the Supply of transportation (eg frequency of service) can attract new riders (ie induce demand).

- The **Demand for Travel** arises from millions of individual human decisions, for example the growth/relocation of populations and economic activity. As a society we then shape the Hows of transportation (competing modes like car, transit, bikes, etc). We all seek to reduce the time and money costs of transportation since it is essentially an unproductive overhead cost we incur to achieve access to the opportunity at a destination (ie derived demand). We then further shape the transport systems to our social preferences in line with what we are willing to pay for. This calculation *should* factor in externalities (a side-effect impacting others) such as air pollution, traffic fatalities, etc, However cultural and political resistance can limit the willingness to acknowledge all costs. For example, American preferences for personal mobility led to the construction of the freeways network and dismantling of streetcar and intercity train networks.

Generally, transit agencies focus on the issues they direction control such as services (supply), fare prices and advertising. Most Demand decisions are made outside transit agencies, are difficult to influence, and overwhelmingly pro-car.
Why Does Ridership Increase?

- Demand Increases
  - Pop/Economic growth
  - Pop density/urban form
  - Pricing, marketing, etc
  - Competitiveness of alternatives

- Supply Improves (Services)
  - Quantity and Quality of Service

- TheRide is working on both sides...

The chief competitor for transit is the personal car. Since 1920, American society has been aggressively rebuilt to promote car use with broad subsidies and supportive public policies. This has been widely embraced by society and has facilitated auto-oriented lifestyle and economy. This is the paradigm in which we still exist and will not be easy to change. Most households have at least one car, and reliance on public transit has been reduced to major cities, people who cannot drive, and spaces where parking is prohibitively expensive.

Building transit ridership is about carving out economic niches in an environment almost entirely dominated by preference for, and support of, the personal automobile. Transit’s main advantage lies in economies of scale and being able to transport large numbers of people in crowded spaces at a lower per trip cost than cars/parking. To grow ridership in an auto-oriented society, TheRide will need to work on both the Supply and the Demand.
Agenda

- Context
- How Ridership Grows
- TheRide’s Approach
- Next Steps & Discussion
TheRide has plans in place to work on both the Supply and Demand sides of growing ridership although Supply has come first in recent years. We have been focused on institutional health, quality, and developing a new vision of transit (long-range plan, TheRide2045). No institution but TheRide is capable of leading that effort since we are also responsible for delivering it. We also needed to get started on major capital projects that will take years to build.

With plans for the Supply now in order, we are able to focus more attention on increasing Demand. An important new area of activity will be advocacy and actively pushing for changes to outside public policies that favor the personal automobile. As with Supply, this will also be a long-term effort. Initial discussions regarding advocacy goals with the Board are anticipated in June 2024. New marketing efforts are also in development.

So let’s discuss the single biggest part of TheRide’s plan to increase ridership – TheRide2045, our long-range plan.
TheRide2045 is a 25-year blueprint for service and infrastructure improvements to increase the Supply (LOS and QOS) of transit services. It intensifies service within the existing service area to complement increasing density. The central argument is that increasing frequency of bus service (departures/hour) is the most important way lure drivers away from their cars because frequency can offer a similar convenience and flexibility to their cars but at a much lower price. These improved services will benefit riders of all types, not just car owners.

It also looks to key commuters markets entering Ann Arbor with regional park n rides.
TheRide2045 addresses dozens of activities and initiatives. But the greatest opportunity involves increasing the frequency of bus service. No other effort is likely to have as much impact on attracting new riders. However, there are barriers to increasing frequency which form a critical path: To increasing frequency, we’ll need more buses. But the current bus garage is full. So we’ll need a new garage first.

Most staff energies have been focused on beginning the efforts to eliminate these specific barriers. These efforts take priority and other initiatives are accommodated as resources permit.

These steps involve expensive fixed assets (buildings) that naturally take time to develop. Since TheRide cannot afford them without a large amount of federal assistance, we must go through time-consuming federal processes (NEPA, competition for grants, etc) that add much more time. The extended duration will require sustained focus and discipline by TheRide over decades.
This chart illustrates projected ridership from the plan. Milestones and major initiatives are also illustrated. As seen in the rides/capita graph earlier, this forecast is aggressive but realistic.

TheRide2045 includes MANY initiatives beyond increasing frequency and is internally organized to implement these in a rational, cost-effective sequence. The 10-year Capital Plan in the annual budget is based largely on the sequence of capital projects from this plan.

Additional efforts focused on advocacy and marketing are now able to begin. Market segmentation gives us another tool for thinking about targeting groups of riders based on differing needs.
We can better understand our potential customers by borrowing a technique from the retail sector, market segmentation. Breaking down the total population into certain groups can help us to better understand what it will take to increase ridership. The broadest distinction can be made between those who cannot drive, sometimes called “Captive Riders”, and those with access to a car called “Discretionary Riders”. Preferences can be further subdivided and targeted for more attractive services, pricing, or information and advertising. This is the lesson of MRide, targeting a particular population that was very large and had economic forces working against car use (costly parking).

Although TheRide has a social mission and will not ignore those who cannot drive, we need to acknowledge that those populations are not large enough to create a lot of new transit trips. According to SEMCOG’s Community Explorer, in Ann Arbor about 88% of households had access to at least one car. In Ypsilanti the figure was 87%. In surrounding townships, 94%-98% of households have a car. While we will continue to serve captive riders, the key to significant increases in ridership may lie in attracting the much large number of car owners away from their cars for some trips. Fortunately, the improvements to services intended to attract car owners will also benefit every other group.

To achieve economies of scale, mass transit works best when numerous groups use the same basic service. It would be cost prohibitive for us to design separate services to appeal to each group.
Advocacy & Outside Policies

- TheRide’s first Advocacy Agenda in development
- Coming to Board for feedback in June
- Likely areas of focus:
  - Land development & parking policies
  - Highways
  - Funding
  - Bus Lanes
- Marketing (advertising) will also evolve

The CEO intends to bring a draft advocacy agenda to the Board by June for feedback. Some initial efforts to influence outside decisions have already begun. Local, regional, state, and federal policies will all be addressed.
Alignment

Organize resources toward agreed-upon goals

- Requires/Encourages focus
- Needed for long-term projects
- Minimizes distractions & waste
- Requires sustained consensus
- May not accommodate everyone

As exciting as these plans are, we can’t do it all at once. TheRide’s organizational capacity is limited. There are also natural sequences where some steps should come first. It becomes essential to prioritize and organize our numerous tasks into multi-year work plans, and then remain focused on these long-term goals. We’d rather do a few things well, than many things poorly.

Page 14 in the 2024 Corporate Business Plan lists 35 different category of tactics under consideration or action. The CEO estimates that there about around 80 change-initiatives presently ongoing within the agency, most focused on riders and building organization capacity. Crucially, all of this is in addition to our core mission of reliably delivering: 5,000 passengers on 1,900 scheduled bus departures daily, 300+ paratransit customers, and numerous other daily tasks. At least 90% of TheRide’s 300 staff and $60 million annual budget are dedicated to delivering daily services.

Alignment is about optimizing resources towards a pre-determined goal. (While increasing ridership is the Board’s primary goal, we shouldn’t forget other goals for social, economic and environmental sustainability.) TheRide is aligning its limited resources to work on both the Supply and Demand sides of the equation. For TheRide, key alignment tools include: Policy Governance, Corporate Business Plan, and the long-range plan. This proactive system is well-suited to maximizing progress on pre-determined priorities. However, if local politics and competing voices lead to reactive behavior, such as constantly shifting priorities or exceeding agency capacity, an agency can become over-extended or unable to make progress on its core mission.
Open to New Ideas

- Staff seek feedback numerous times every year & welcome suggestions
- Every new idea is considered, old ideas are reevaluated
- Useful ideas are incorporated
- Some ideas are discarded

Some of the criteria that staff use to judge ideas can be found on page 38 of the Corporate Business Plan and include: alignment, roles, risks, priority, tradeoffs/affordability, capacity, sequence and readiness, precedents, prior commitment, and impact.

In March the CEO will be presenting on innovation and new efforts underway within TheRide. That presentation will press further into describing How the CEO and staff assess tactics and suggestions. We suggest that those conversation wait until next month.
Closing

- AAATA ridership is already relatively high
- Plans are in place to address Supply and Demand
- Next Steps: Innovation (March)
- Discussion
  - Clarifications?
  - Suggestions?

The Board had specified “Ridership Growth” in its Annual Plan of Work. The CEO would like to know if this presentation satisfies or if the Board would like additional information.
Transit Ridership Growth

Board Education
Matt Carpenter, CEO
February 2024
**FY2024 Q1 Financial Statement**

**Finance Committee Review Date:** February 13, 2024  
**Board Meeting Review Date:** February 22, 2024

<table>
<thead>
<tr>
<th>INFORMATION TYPE:</th>
<th>Receive as CEO operational update.</th>
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<tbody>
<tr>
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<td>Receive as CEO operational update.</td>
</tr>
<tr>
<td>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</td>
<td></td>
</tr>
<tr>
<td>2.10.1.5 CEO shall not…Let the Board be unaware of… incidental information (including) quarterly budget to actual financial reports.</td>
<td></td>
</tr>
<tr>
<td>Appendix A: Informational Reports schedule specifies quarterly Financial Statement reports in November, February, May, and August.</td>
<td></td>
</tr>
<tr>
<td>Policy 2.6 Investments and Appendix F Investment Policy.</td>
<td></td>
</tr>
<tr>
<td>ISSUE SUMMARY:</td>
<td>Staff presents the Preliminary Fourth Quarter Financial Statement with currently available and reportable financial information for the period ending September 30, 2023.</td>
</tr>
<tr>
<td>BACKGROUND:</td>
<td>Financial highlights from the first quarter (October 2023 to December 2023) include:</td>
</tr>
<tr>
<td>TheRide operated within the budget for the first quarter of the year.</td>
<td></td>
</tr>
<tr>
<td>There was an $3.5 million surplus of revenues over expenses. However, we don’t expect any surplus by year-end as we commence expenditures for the upcoming service expansion.</td>
<td></td>
</tr>
<tr>
<td>Expenses were $1.7 million lower than budgeted primarily due to timing of benefits expenditures and unfilled positions.</td>
<td></td>
</tr>
<tr>
<td>Revenues were $0.8 million higher than budgeted driven by timing of revenue collection compared to a straight-line budget. Nevertheless, there are two exceptions: Property Taxes and Other revenue. Both are expected to continue to trend over budget throughout the year.</td>
<td></td>
</tr>
<tr>
<td>The current balances for the three board-approved reserves are as follows: operating reserve at $12.9 million or 2.9 months, based on year-to-date expenses, capital reserve of $33.2 million, and insurance reserve at $0.5 million.</td>
<td></td>
</tr>
<tr>
<td>$54.2 million in Federal pandemic relief revenue (CARES, ARP, CRRSAA) has been used to date to support operations. The remaining balance is $4.5 million.</td>
<td></td>
</tr>
<tr>
<td>Cash flow was adequate to cover expenses; Q1 2024 ended at $51.9 million in cash and investments.</td>
<td></td>
</tr>
</tbody>
</table>
• Investments are stable. One treasury bond matured during the quarter and the $2 million proceed was placed in the CDARS program. Participation in the CDARS program currently provides the opportunity to earn a competitive interest rate (4.8% at the end of Q1 FY2024) compared to agency bonds and treasury notes, without the requirement to commit the cash to a longer-term investment. Additionally, all cash in the CDARS program is fully insured. Surpluses have been placed in the CDARS program instead of treasury notes or agency bonds. Interest rates for the CDARS program, agency bonds, and treasuries are evaluated quarterly to ensure cash is safe, we have adequate liquidity, and that cash returns the highest yield compatible with prudent investing (Board Policy 2.6).

**IMPACTS OF RECOMMENDED ACTION(S):**

• Budgetary/Fiscal: Demonstrates financial performance for the reporting period
• Governance: Supports Board in financial oversight/fiduciary responsibility

**ATTACHMENTS:**

- FY2024 Q1 Financial Statement (Income Statement and Balance Sheet)
In Thousands of Dollars

**Revenue and Expense (Budget to Actual)**

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Actual Quarter 1</th>
<th>Actual Quarter 2</th>
<th>Actual Quarter 3</th>
<th>Actual Quarter 4</th>
<th>Actual YTD</th>
<th>Budgeted YTD</th>
<th>Budget Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fares and Contracts</td>
<td>$1,961</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$1,961</td>
<td>$1,589</td>
<td>$372</td>
</tr>
<tr>
<td>Local Property Taxes</td>
<td>5,413</td>
<td>5,413</td>
<td>5,413</td>
<td>5,413</td>
<td>5,406</td>
<td>5,006</td>
<td>407</td>
</tr>
<tr>
<td>State Operating Assist.</td>
<td>5,451</td>
<td>5,451</td>
<td>5,216</td>
<td>233</td>
<td>600</td>
<td>621</td>
<td>37</td>
</tr>
<tr>
<td>Federal Operating Assist.</td>
<td>688</td>
<td>688</td>
<td>1,721</td>
<td>(1,033)</td>
<td>235</td>
<td>235</td>
<td>888</td>
</tr>
<tr>
<td>Federal Pandemic Relief</td>
<td>2,300</td>
<td>2,300</td>
<td>2,262</td>
<td>38</td>
<td>110</td>
<td>733</td>
<td>773</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>883</td>
<td>883</td>
<td>110</td>
<td>733</td>
<td>110</td>
<td>733</td>
<td>773</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>$16,696</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>$16,696</strong></td>
<td><strong>15,904</strong></td>
<td><strong>792</strong></td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, Wages, Benefits</td>
<td>$6,691</td>
<td>$6,691</td>
<td>$8,017</td>
<td>$1,326</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased Transportation</td>
<td>3,535</td>
<td>3,535</td>
<td>3,251</td>
<td>(284)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel, Material, Supplies</td>
<td>1,252</td>
<td>1,252</td>
<td>1,628</td>
<td>377</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased Services</td>
<td>781</td>
<td>781</td>
<td>954</td>
<td>173</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Expenses</td>
<td>888</td>
<td>888</td>
<td>1,031</td>
<td>143</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>$13,147</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>$13,147</strong></td>
<td><strong>14,881</strong></td>
<td><strong>1,734</strong></td>
</tr>
<tr>
<td>Surplus (Deficit)</td>
<td>$3,549</td>
<td>$3,549</td>
<td>$1,023</td>
<td>$2,526</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Reserve Transfer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Reserve Transfer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING BALANCE</strong></td>
<td><strong>$3,549</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>$3,549</strong></td>
<td><strong>1,023</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

TheRide had a $3,549,000 surplus at the end of the first quarter.

Revenues were higher than budgeted by $792,000 driven by timing of revenue from Mihride contract and higher interest revenue. We maintained a conservative approach in our assumption regarding interest revenue.

Expenses were $1,734,000 lower than budgeted primarily due to unfilled staff positions and timing of benefits expenditures.

Federal Pandemic Relief Utilization

Expenditures from $58.7 million in Federal Pandemic Relief funding as of December 31, 2023, for eligible COVID-19-related costs:

- Operating Expenditures: $54,245,090
- Capital Expenditures: $1
- **TOTAL EXPENDITURES**: $54,245,090
- Federal Pandemic Funds Remaining: $4,499,897

**YTD Revenue and Expense By Mode**

In Thousands of Dollars

<table>
<thead>
<tr>
<th>Fixed Route</th>
<th>Demand Response</th>
<th>Other Demand Response</th>
<th>Non-Urban</th>
<th>D2A2</th>
<th>VanRide</th>
<th>TOTAL ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed Route Bus</td>
<td>A-Ride</td>
<td>Flexible, GoldRide, bograbu, WAVE, People, Express</td>
<td>Detroit Shuttle</td>
<td>VanRide, Ride Sharing</td>
<td></td>
</tr>
<tr>
<td>Fare Revenue</td>
<td>$374</td>
<td>$23</td>
<td>$61</td>
<td>$-</td>
<td>$80</td>
<td>$-</td>
</tr>
<tr>
<td>Contract Revenues</td>
<td>$1,050</td>
<td>-</td>
<td>-</td>
<td>$373</td>
<td>-</td>
<td>$1,423</td>
</tr>
<tr>
<td>Advertising, Interest, Other</td>
<td>$883</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$883</td>
</tr>
<tr>
<td>Federal Operating</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$564</td>
<td>-</td>
<td>$564</td>
</tr>
<tr>
<td>State Operating</td>
<td>$4,313</td>
<td>$577</td>
<td>$190</td>
<td>$303</td>
<td>-</td>
<td>68</td>
</tr>
<tr>
<td><strong>Total Direct Revenue</strong></td>
<td><strong>$6,620</strong></td>
<td><strong>$600</strong></td>
<td><strong>$251</strong></td>
<td><strong>$676</strong></td>
<td><strong>$644</strong></td>
<td><strong>$68</strong></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, Wages, Benefits</td>
<td>$6,336</td>
<td>$273</td>
<td>$25</td>
<td>$39</td>
<td>-</td>
<td>$18</td>
</tr>
<tr>
<td>Purchased Transportation</td>
<td>$19</td>
<td>$1,383</td>
<td>$571</td>
<td>$754</td>
<td>$612</td>
<td>$196</td>
</tr>
<tr>
<td>Fuel, Materials, Supplies</td>
<td>$1,105</td>
<td>$147</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>$741</td>
<td>$28</td>
<td>-</td>
<td>$12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>$811</td>
<td>$20</td>
<td>$10</td>
<td>$13</td>
<td>$32</td>
<td>$2</td>
</tr>
<tr>
<td><strong>Total Operating Expense</strong></td>
<td><strong>$9,012</strong></td>
<td><strong>$1,851</strong></td>
<td><strong>$606</strong></td>
<td><strong>$818</strong></td>
<td><strong>$644</strong></td>
<td><strong>$216</strong></td>
</tr>
<tr>
<td>Surplus (Deficit) from OPS</td>
<td>$(2,392)</td>
<td>$(1,251)</td>
<td>$(355)</td>
<td>$(142)</td>
<td>-</td>
<td>$(148)</td>
</tr>
<tr>
<td><strong>ALLOCATED REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Property Taxes</td>
<td>5,413</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Operating/Pandemic</td>
<td>$528</td>
<td>$1,251</td>
<td>$355</td>
<td>$142</td>
<td>-</td>
<td>$148</td>
</tr>
<tr>
<td><strong>SURPLUS (DEFICIT)</strong></td>
<td><strong>$3,549</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>
### Balance Sheet and Reserve

**In Thousands of Dollars, With Prior Year Comparison.**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Q1 2023</th>
<th>Q4 2022</th>
<th>Q1 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$14,753</td>
<td>$34,771</td>
<td>$33,642</td>
</tr>
<tr>
<td>Investments</td>
<td>18,329</td>
<td>19,859</td>
<td>18,233</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>18,955</td>
<td>12,072</td>
<td>15,652</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>45,154</td>
<td>41,125</td>
<td>39,688</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>98,191</td>
<td>107,827</td>
<td>107,215</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td>5,406</td>
<td>6,317</td>
<td>4,348</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>$92,785</td>
<td>$101,510</td>
<td>$102,867</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESERVES:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>23,365</td>
<td>33,184</td>
<td>33,184</td>
</tr>
<tr>
<td>Insurance</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Operating</td>
<td>12,905</td>
<td>12,905</td>
<td>12,905</td>
</tr>
<tr>
<td><strong>Months in Operating Reserve</strong></td>
<td>3.4</td>
<td>2.7</td>
<td>2.9</td>
</tr>
</tbody>
</table>

### Operating Reserve Balance in Months and Dollars (Thousands)

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>$17,506</td>
<td>$35,455</td>
<td>$32,606</td>
<td>$28,626</td>
</tr>
<tr>
<td>Feb</td>
<td>17,749</td>
<td>(5,079)</td>
<td>3,775</td>
<td>573</td>
</tr>
<tr>
<td>Mar</td>
<td>198</td>
<td>2,261</td>
<td>(90)</td>
<td>324</td>
</tr>
<tr>
<td>Apr</td>
<td>2</td>
<td>(31)</td>
<td>(115)</td>
<td>(120)</td>
</tr>
<tr>
<td>May</td>
<td>15,497</td>
<td>17,046</td>
<td>12,727</td>
<td>15,275</td>
</tr>
<tr>
<td>Jun</td>
<td>13,093</td>
<td>54,630</td>
<td>7,879</td>
<td>41,961</td>
</tr>
<tr>
<td>Jul</td>
<td>27,578</td>
<td>39,688</td>
<td>(10,596)</td>
<td>7,879</td>
</tr>
<tr>
<td>Aug</td>
<td>41,961</td>
<td>41,537</td>
<td>13,093</td>
<td>54,630</td>
</tr>
<tr>
<td>Sep</td>
<td>$17,949</td>
<td>(2,849)</td>
<td>(3,980)</td>
<td>(2,755)</td>
</tr>
</tbody>
</table>

### Statement of Cash Flows (In Thousands of Dollars)

#### Historical Cash Flows

<table>
<thead>
<tr>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance:</td>
<td>$17,506</td>
<td>$35,455</td>
<td>$32,606</td>
</tr>
<tr>
<td>Cash from Operations</td>
<td>17,749</td>
<td>(5,079)</td>
<td>3,775</td>
</tr>
<tr>
<td>Cash from Capital</td>
<td>198</td>
<td>2,261</td>
<td>(90)</td>
</tr>
<tr>
<td>Cash from Investments</td>
<td>2</td>
<td>(31)</td>
<td>(115)</td>
</tr>
<tr>
<td><strong>Cash Flow:</strong></td>
<td>$17,949</td>
<td>(2,849)</td>
<td>(3,980)</td>
</tr>
</tbody>
</table>

**Q1 cash flow was negative at $2.8 million**

The Statement of Cash Flows summarizes the amount of cash and cash equivalents entering and leaving AAATA during the reporting period. It measures how AAATA generates cash to fund its operating, capital, and investing needs. Typically negative cash flow is normal for all quarters except the 4th quarter, when property tax receipts generate positive cash flow.

### Investments Summary

**In Thousands of Dollars**

<table>
<thead>
<tr>
<th>Investment Instrument</th>
<th>Date of Maturity</th>
<th>Interest Rate</th>
<th>Total as of 09/30/2023</th>
<th>Transactions</th>
<th>Total as of 12/31/2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Agency Bond</td>
<td>11/6/2023</td>
<td>0.25%</td>
<td>$2,000</td>
<td>(2,000)</td>
<td>$2,000</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>1/19/2024</td>
<td>0.23%</td>
<td>750</td>
<td>-</td>
<td>750</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>4/8/2024</td>
<td>0.38%</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>6/28/2024</td>
<td>0.39%</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>9/15/2024</td>
<td>2.88%</td>
<td>2,500</td>
<td>-</td>
<td>2,500</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>9/23/2024</td>
<td>0.50%</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>2/24/2024</td>
<td>3.75%</td>
<td>200</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>3/28/2024</td>
<td>2.83%</td>
<td>2,500</td>
<td>-</td>
<td>2,500</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>3/28/2024</td>
<td>3.10%</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>6/27/2024</td>
<td>3.25%</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>U.S. Agency Bond</td>
<td>8/8/2025</td>
<td>4.10%</td>
<td>1,400</td>
<td>-</td>
<td>1,400</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>11/24/2025</td>
<td>5.50%</td>
<td>1,800</td>
<td>-</td>
<td>1,800</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>N/A</td>
<td>5.23%</td>
<td>228</td>
<td>119</td>
<td>347</td>
</tr>
<tr>
<td><strong>Total Investments:</strong></td>
<td>$19,996</td>
<td></td>
<td>($1,763)</td>
<td></td>
<td>$18,233</td>
</tr>
</tbody>
</table>

### Q1 2024 Investment Gain (year to date): $237,000

**U.S. Treasury Bills, Notes, and Agency Bonds are short term bonds (several months to 10 years) backed by the Treasury Department of the U.S. Government. The rates shown for the current investments represent the gross yield-to-maturity rates (before the annual fee of .28%). A FDIC-insured cash sweep account or accounts that have balances above the FDIC insurance threshold are used for day-to-day working capital.**

### Cash and Investments History

**Total Cash and Investments by Month and Year (2020 to 2024 YTD)**

In Thousands of Dollars

[Graph of cash and investments history from October 2020 to September 2024]

Property tax revenues are posted in Q4 resulting in a peak in cash/investments.

AAATA Board of Director's Meeting - February 22, 2024 // Packet Page 120
CEO Report
Meeting: Board of Directors
Meeting Date: February 22, 2024

INFORMATION TYPE

LONG-RANGE PLAN STATUS UPDATES

YPSILANTI TRANSIT CENTER PLANNING
The DLZ, HDR, and AAATA team continues their work to validate and update the 2018 Passenger Terminal Needs Assessment, including facility programming, confirming the site, and working with the FTA through the planning, environmental documentation, and design processes. We have also developed a Stakeholder and Public Engagement Plan and have begun planning the April 2024 public engagement opportunities. TheRide has also reached out to officials with the City of Ypsilanti plans to address the City Council in March.

MDOT WASHTENAW AVENUE and US-23 STUDIES
On February 9th, TheRide put out a press release making a formal offer to partner with MDOT to investigate a pro-transit scenario as part of their ongoing US-23 study, that could divert traffic away from parts of US-23 and local roads (i.e. Plymouth Rd & Washtenaw Ave) and could be a more cost-effective option for the State of Michigan. The CEO is meeting with the regional engineer in March.

MDOT announced that two virtual open houses on the US-23 Corridor Improvement and M-17 (Washtenaw Avenue) have been opened as of February 8th and will be open until March 10th; comments may be made via email or through an online form.

BLAKE TRANSIT CENTER EXPANSION
TheRide continues to work with the Ann Arbor Housing Commission and City staff on the joint development of the old Y-Lot site adjacent to the BTC. Plans and agreements between the partners have not changed and the project is making steady if slow progress. The Housing Commission issued an RFP on December 12, 2023 to attract a co-developer to provide additional design support for the project. Proposals were submitted on February 8, 2024, and the evaluation team will begin their review promptly. A separate study led by the DDA to redesign 4th Avenue from Liberty St. to William St. is ongoing. The goal is to make 4th Avenue more transit/pedestrian friendly along with the BTC expansion project. The 4th Ave project team is shifting into a slower place so that we can understand and potentially align with the timeline for the Y-Lot project. This will help DDA and AAATA staff plan better for 4th Ave funding, document submittals, bidding, construction, and budgeting. TheRide will ensure that various stakeholders, including drivers, customers, and other staff, among others, have continuing opportunities to provide input.
ZERO EMISSIONS BUS PROPULSION
In January, the Board approved proceeding with grant submissions for 2 hydrogen buses and up to 40 Hybrid buses. Further staff discussion has reduced the years of hybrids purchased from five to four (35 buses) to better align with anticipated transition to solely hydrogen purchases. A few weeks later guidelines for the federal Low or No Grant Program (Low-No) were released. The grant application deadline is April 25th. Staff have begun working on the grant application with assistance from consultant Calstart. TheRide has also been approached by the City of Detroit to partners with them on a different grant request for hydrogen buses. TheRide may submit both grants to improve chances of success.

OPERATIONAL UPDATES

ADOPT-A-STOP
A local resident recently adopted two of our stops, where they will work to keep bus stops clean of litter and safe for all riders.

MRIDE AGREEMENT
Earlier this month, TheRide successfully signed a 10-year renewal with the University of Michigan for the MRide agreement, securing a fare agreement with TheRide's largest bulk customer. The general terms did not change and both parties have opportunities to call for changes during the term. The longer duration is purely administrative streamlining to reduce the number of contracts requiring signatures. This marks a further maturation of the MRide agreement which began in 2004 and has become indispensable to both parties.

EMPLOYEE ENGAGEMENT
Staff are developing plans to celebrate national Transit Employee Appreciation Day on March 18.

STAFFING UPDATES
Staff are working to hire additional employees in Fleet to help support the service improvements as part of the Long-Range Plan and approved millage. Some turnover continues, limiting organizational capacity in some instances.

CONFIRMATION OF 2023 SAFETY PLAN
The Federal Transit Administration has accepted the last of the material related to the FY2023 Public Transit Agency Safety Plan (PTASP) and certified that TheRide is in compliance, removing a roadblock for future funding. Final rules on PTASP regulations have still not been released.

STOPGAP BUS REPLACEMENT
TheRide is currently working on a mutual cancellation agreement with NovaBus, as reported last month, NovaBus is departing the US market. The remainder of the contract has been awarded to Gillig, a prominent manufacturer. Delivery of the new buses is set to take place in about 12 months. As per the 2019 authorization, the replacement buses will be conventional clean diesels (same as the Novas) and are not part of the ZEB or Low-No discussions. Staff anticipate a new procurement process in the future, which will include ZEB decisions.

LOCAL ADVISORY COMMITTEE (LAC)
LAC Chair Andrea Henry shared that TheRide CEO Matt Carpenter was planning on meeting with the LAC group in the coming months to discuss the LAC work plan. Staff provided an
update on the AAATA Long-Range Plan, and monthly service updates were provided for paratransit, fixed route, and customer service.

TRANSPORTATION COMMISSION (ANN ARBOR)
The Commission met on January 17th. A policy agenda (legislative recommendations to council) was adopted with all AAATA suggestions accepted.

The Commission is set to meet on Wednesday, February 21, 2024. CEO Matt Carpenter is set to give brief remarks, focusing on the current developments with MDOT and the US-23 project, and may be looking to engage the commission and City Council on the issue. A discussion regarding bus lanes is tentatively scheduled for June.

WATS POLICY COMMITTEE UPDATE
The January meeting was canceled. The February 2024 WATS Policy Committee meeting is being held on Wednesday, February 21st at 9:30am.

AUDIT
The annual audit is being presented to the Board in February and is generally positive.