



## Board of Director's Meeting Agenda

**Meeting Date/Time:** February 19, 2026 - 6:00pm – 8:30pm

**Location:** Ann Arbor District Library Downtown (4<sup>th</sup> Floor) - Virtual via [Zoom](#) Passcode: 983308

**Members:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Julie Grand, Susan Pollay, Praveena Ramaswami, Georgia Valentine

Agenda Item	Info Type	Start Time	Details	Page #
<b>1. OPENING ITEMS</b>				
1.1 Approve Agenda	D	6:00	Mozak	
1.2 Public Comment	O			
1.3 General Announcements	O			
<b>2. CONSENT AGENDA</b>				
2.1 Board Meeting Minutes: January 22, 2026	D	6:05		3
2.2 Committee Meeting Summaries	D			8
2.3 MDOT Grant Application Approval	D			18
<b>3. OWNERSHIP LINKAGE</b>				
3.1 Ownership Linkage Task Force Updates	O	6:10	Chang	Verbal
<b>4. BOARD EDUCATION / DISCUSSION</b>				
4.1 UM-2050 <span style="color: red;">PPT Pg. 150</span>	O	6:20	Yang	23
<b>5. MONITORING / DEVELOPMENT</b>				
5.1 Audit Presentation <span style="color: red;">Audit Report Pg. 66</span>	D	6:50	Reed/Plante Moran	26
5.2 Financial Conditions (2.5)	M	7:10	Reed	28
5.3 Annual Plan of Work	D	7:20	Mozak	56
<b>6. POLICY</b>				
6.1 Policy Language Discussion (if needed)	D	7:40	Mozak	Verbal
<b>7. OPERATIONAL UPDATES</b>				
7.1 FY2026 Q1 Financial Report	O	7:50	Reed	59
7.2 Legislative Updates	O		Pfeifer	Verbal
7.3 CEO Report	O		Carpenter	63
<b>8. EMERGENT ITEMS</b>				
<b>9. CLOSING ITEMS</b>				
9.1 Action Item Recap	O	8:10	Holt	
9.2 Topics for Next Meeting Communication & Support to the Board (2.9) Cash & Investments (2.6) FY2026 Q1 Service Report Board Management Delegation (4.0-4.4) OLTF: Committee or Task Force Executive Committee + OM Act Closed Session: Labor Negotiation			March 19, 2026 6:00 – 8:30pm  <i>Ann Arbor District Library, Ann Arbor</i>	
9.3 Public Comment	O			
9.4 Closed Session (Pursuant to 8(c) of OMA)	D	8:20		
9.5 Adjournment		9:00		

\* 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 attaining those effects.” Policy 3.1.3.1 specifies that 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 22, 2026 - 6:00pm – 8:30pm

**Location:** Riverside Arts Center, Ypsilanti (4<sup>th</sup> Floor) - Virtual via Zoom

**Members Present:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Julie Grand, Susan Pollay, Praveena Ramaswami, Georgia Valentine

Chairwoman Mozak called the meeting to order at 6:00pm

### 1. OPENING ITEMS

#### 1.1 Approve Agenda

No additions or changes noted to the agenda.

Mr. Chang motioned to approve the agenda, seconded by Mr. Miller

No discussion on the motion.

All in favor of approving the agenda:

Mr. Mike Allemang: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Georgia Valentine: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to approve the agenda passed unanimously.

*\*\* Julie Grand joined virtually as a non-voting participant*

#### 1.2 Public Comment

No public commenters.

*\*\* Chris Allen joined the meeting at 6:01pm*

#### 1.3 General Announcements

Mr. Yang shared that the City of Ann Arbor received \$4.3M from the Michigan Talent Partnership Program – funds will be allocated to the BTC project. He thanked staff for their work on the grant submission.

## 2. CONSENT AGENDA

### 2.1 Board Meeting Minutes: December 18, 2025

### 2.2 Committee Meeting Summaries

### 2.3 FY2027 State Application Resolution (Required Approvals)

### 2.4 Clarifying Ends Monitoring Grade

### 2.5 Policy 3.3.3.3 Proposal

Mr. Chang motioned to accept the Consent Agenda, seconded by Mr. Miller.

No discussion on the motion.

All in favor of accepting 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. Georgia Valentine: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to accept the Consent Agenda passed unanimously.

Staff will update the Board policy manual to reflect the approved changes.

## 3. OWNERSHIP LINKAGE

### 3.1 Ownership Linkage Task Force Updates

Mr. Chang had no updates to share. Mr. Pfeifer noted that he is finalizing scheduling a meeting with the City of Ypsilanti in February.

## 4. MONITORING / DEVELOPMENT

N/A

## 5. POLICY

### 5.1 Ends Retreat Follow-up Discussion

Governance consultant Sue Radwan facilitated a discussion on proposed changes to the Ends policy language that were developed at the December Board retreat. Board members expressed concerns about the specificity with some of the revised policy language and the potential impact on the CEO's interpretations.

*\*\* Praveena Ramaswami joined the Board meeting at 6:25 pm.*

After a thorough discussion and several updates, the following version of Ends was settled upon for a final vote:

- 1.0 *TheRide exists to advance a robust transportation system in the service area that demonstrates value and efficient stewardship of resources.*
- 1.1 *TheRide's service area has an integrated, multi-modal transportation ecosystem that favors active, shared, micro-mobility and regionally connected transportation.*
- 1.2 *An increasing proportion of residents, workers, and students in the service area use TheRide's services to access their intended destinations.*
  - 1.2.1 *People are highly satisfied with TheRide's transportation services.*
- 1.3 *People experience no barriers to access and use of TheRide's transportation services.*
  - 1.3.1 *People with economic challenges have affordable transportation options from TheRide.*
  - 1.3.2 *People with disabilities, people with impairments, older adults, minors and non-English speakers and visitors easily access and navigate to desired destinations using TheRide's options for transportation.*
  - 1.3.3 *People perceive TheRide's services as safe, reliable, and convenient.*
- 1.4 *TheRide positively impacts the environment and carbon emissions are reduced.*
- 1.5 *Residents of the area recognize the positive contributions of TheRide to the area's quality of life.*

Ms. Ramaswami motioned to approve the amended Ends policies, seconded by Mr. Miller.

Board members briefly discussed deferring the vote to February, so members had adequate time to reflect on the changes. An additional wording amendment to policy 1.5 was brought forth, but the amendment did not pass.

All in favor of approving the amended Ends policies as presented:

- Mr. Mike Allemang: Yes
- Mr. Chris Allen: Yes
- Mr. Simi Barr: Yes
- Mr. Rich Chang: Yes
- Mr. Jesse Miller: Yes
- Ms. Susan Pollay: No
- Ms. Praveena Ramaswami: Yes
- Ms. Georgia Valentine: No
- Chairwoman Kathleen Mozak: Yes

The motion to approve the amended Ends policies as presented passed with a majority vote of (7) Yes and (2) No.

Staff will update the Board policy manual to reflect the approved change.

## 6. BOARD EDUCATION / DISCUSSION

### 6.1 State Funding Presentation

Ms. Reed presented a high-level overview of state transit funding sources ([Board packet, pg. 38](#)) which include Michigan Transportation Funding (MTF), Comprehensive Transportation Funding (CTF), Local Bus Operating Assistance (LBO) and discretionary funding set by the state. She outlined potential impacts of federal, state, local and regulatory changes that are outside the control of the agency but have financial impacts. She also fielded questions related to the impact of EV on gas tax collection. A future presentation is planned which will

give detailed information on local transit funding sources.

## **7. OPERATIONAL UPDATES**

### **7.1 Legislative Updates**

Mr. Pfefer noted that the State House and Senate are back in session and the Transportation Caucus held their first meeting of the year. The RTA was able to present at this meeting and there is positive interest from both parties in exploring expanded access to public transit. He also shared he had received a call from Senator Peters office and an earmark for the YTC security upgrades is being included in the expected passage of a minibus budget.

### **7.2 CEO Report**

Mr. Carpenter shared positive service and performance improvements with recent winter weather events. He also shared positive impacts from the newly completed roof project in the bus garage - reduced natural gas consumption and heat retention – and noted recent new bus arrivals that will be painted in house. He and Mr. Yang also provided updates on downtown construction that will impact services around the BTC and a temporary terminal location that will be installed in May through the end of the year.

## **8. EMERGENT ITEMS**

N/A

## **9. CLOSING ITEMS**

### **9.1 Action Item Recap**

- Ms. Reed will forward a copy of her presentation to the Board, and it will be added to the online Board packet.
- Board policy manual will be updated with changes to policy 3.3.3.3 and Ends policy revisions.

### **9.2 Topics for Next Meeting**

Audit Presentation  
Financial Conditions (2.5)  
FY2026 Q1 Financial Report  
Annual Plan of Work  
Closed Session: Labor Negotiations  
Executive Committee Changes

Future:  
UM-2050

### **9.3 Public Comment**

No public commenters.

### **9.4 Closed Session (Pursuant to 8(c) of OMA)**

Chairwoman Mozak took a roll call vote to go into Closed Session pursuant to 8(c) of the Open Meetings Act, the closed session is for strategy connected with the negotiation of a collective bargaining agreement.

Vote to go into closed session (Yes/No response):

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. Praveena Ramaswami: Yes  
Ms. Georgia Valentine: Yes  
Chairwoman Kathleen Mozak: Yes

The Board unanimously voted to go into closed session at 8:10 pm.

Vote to move out of closed session (Yes/No response):

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. Praveena Ramaswami: Yes  
Ms. Georgia Valentine: Yes  
Chairwoman Kathleen Mozak: Yes

The Board unanimously voted to move out of closed session at 8:52 pm.

## 9.5 Adjournment

Ms. Valentine motioned to adjourn the meeting, seconded by Mr. Chang.

There was no discussion on the motion.

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. Praveena Ramaswami: Yes  
Ms. Georgia Valentine: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to adjourn the meeting passed unanimously.

Chairwoman Mozak adjourned the meeting at 8:53 pm.

*Respectfully Submitted by Deborah Holt*

---

## Governance Committee Meeting Notes

**Meeting Date/Time:** Thursday, January 29, 2026, 3:00pm – 5:00pm

**Members:** Kathleen Mozak (Chair), Mike Allemang, Rich Chang

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Jeff Pfeifer, Rosa-Maria Kamau, Deb Holt

**Location:** REMOTE – Via Zoom

Chairwoman Mozak called the meeting to order at 3:00 pm

### 1. OPENING ITEMS

#### 1.1 Agenda (Additions, Approval)

Chairwoman Mozak added 4.1 Law Enforcement Concerns and 4.4 Board approvals – Strategy & Operational Updates agenda items will be adjusted around those additions. No other changes were noted.

#### 1.2 Communications

No new communications

### 2. BOARD DEVELOPMENT

#### 2.1 Recruitment / Training / Attendance

Chairwoman Mozak shared updates related to an upcoming board vacancy as a member's term is ending in April. The committee discussed potential candidate recommendations and the process for filling the position.

#### 2.2 OLTF

Mr. Chang noted he will be sharing a summary review of recent meetings at the committee level once it has been reviewed by the Chairwoman and CEO. A February meeting with the City of Ypsilanti is planned.

#### 2.3 OLTF Committee or Task-Force

Chairwoman Mozak shared she has drafted guidance on the topic to be shared at the February Board meeting for further discussion.

#### 2.4 Vice-Chair Succession Planning

The committee discussed the possibility of the creation of a policy related to succession planning should the Chairperson step down. The creation of a vice-chair position would ease the workload for the chair and build up leadership experience. The committee also

discussed the expansion of duties for the Secretary and Treasurer. The committee determined they will revisit this topic before the Board elections in September.

## 2.5 Optional Co-Chairs

The committee discussed the advantage of Service Committee having a co-chair. Mr. Allemang noted the option could be considered/discussed at Finance Committee and will be added to the February agenda.

## 2.6 Executive Committee + OM Act

Chairwoman Mozak shared policy wording revisions for the duties of the Executive Committee – current policy language describing the job duties of the Executive Committee conflicts with the Open Meetings Act. The Committee discussed and this topic will be discussed at the February Board Meeting.

### 3. POLICY MONITORING & DEVELOPMENT

#### 3.1 Board Annual Plan of Work Preparation

The committee reviewed the 2025 Annual Plan and discussed topics for 2026 – the topics will be further discussed at the committee level and then at the February Board meeting.

#### DRAFT 2026 Work Plan TEMPLATE

	Status
1. Ownership Value? Affordability & Property	
2.	
3.	
4.	

#### General education topics suggested by Board: TEMPLATE

Education Topics
1. Funding (local)
2. Post Pandemic Ridership Trends
3. UM 20250
4. Land Use
5. Artificial Intelligence
6.
7.

### 4. STRATEGY & OPERATIONAL UPDATES: CEO

#### 4.1 Law Enforcement Concerns

The committee discussed staff concerns with potential interactions with law enforcement agencies and response expectations if they enter public spaces (buses, bus stops, bus terminals). Staff directives are being prepared and will be shared. Mr. Carpenter has notified corporate counsel and is seeking further clarification. He will provide updates on staff directives and legal counsel input at the next Governance Committee meeting.

#### **4.4 4.2 POSA Updates**

Mr. Carpenter provided updates on local township POSA's and noted that staff are currently reviewing contracts. He will provide updates when needed.

#### **4.2 4.3 RTA Updates**

Mr. Carpenter provided an update on the RTA's Strategic Planning Process – he and several staff members will be joining the RTA in February to participate in discussing their planning process.

#### **4.4 Upcoming Board Approvals**

Mr. Carpenter shared two upcoming approvals that will be brought before the board – Blake Transit Center / YLot easement access agreement and a federal grant application to partner with MDOT on a bus lane expansion.

#### **4.3 4.5 CEO Expense Report**

Mr. Carpenter shared an overview of recent quarterly CEO expenses.

#### **4.4 Legislative Updates**

Mr. Pfeifer provided a brief update – no new updates from the state, at the federal level, the Senate is working on finalizing the budget. The approval is being held up due to the DHS budget concerns which may lead to a shutdown.

### **4. EMERGENT ITEMS**

None.

### **5. CLOSING ITEMS**

#### **6.1 Committee Agendas**

Service Committee Agenda – Add POSA updates, Law enforcement concerns, Upcoming Board Approvals, RTA updates and Board recruitment

Finance Committee Agenda – Add POSA updates, Law enforcement concerns, Optional Co-Chairs, Board Approval verbal brief, RTA updates and Board recruitment

Board Meeting Agenda - Add OLTF Committee or Task-Force to Board meeting agenda, Executive Committee + OM Act with Issue brief and policy language revisions, MDOT Grant application.

#### **6.2 Action Item Recap**

- Add topics OLTF: Committee or Task-Force and Executive Committee + OM Act with

- Issue Brief to Board Meeting Agenda, MDOT grant application (Consent agenda)
- Add POSA updates, Law enforcement concerns, Board approvals (MDOT Grant), RTA Updates, Board recruitment
- Add Law enforcement concerns to February Governance Committee agenda
- Future GC Topics - Add Vice-Chair Succession Planning (summer)

### **6.3 Topics for Next Meeting**

Board Annual Plan of Work  
Law Enforcement Concerns

Future:

Ownership Linkage Education, Governance Training Options, Policy Manual Mock-Up, Vice-Chair Succession Planning (summer)

### **6.4 Adjournment**

Chairwoman Mozak thanked the committee and staff and adjourned the meeting at 5:09pm.

*Respectfully Submitted by Deborah Holt*

## Service Committee Meeting Notes

**Meeting Date/Time:** Tuesday, February 3, 2026, 3:00pm – 5:00pm

**Members Present:** Simi Barr (Chair), Rich Chang, Jesse Miller, Susan Pollay, Praveena Ramaswami

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Jeff Pfeifer, Rosa-Maria Kamau, Deb Holt

**Location:** REMOTE – Via Zoom

Mr. Chang called the meeting to order at 3:00 pm

### 1. OPENING ITEMS

#### 1.1 Agenda (Additions, Approval)

Mr. Carpenter shared that legal council will be joining the meeting at 4pm – 3.1 will be moved to 3.5 and Legislative updates will move to 3.1 to accommodate staff scheduling.

#### 1.2 Communications

No new communications.

### 2. POLICY MONITORING & DEVELOPMENT

#### 2.1 Annual Plan of Work Preparation

The committee reviewed the previous year’s Board work plan and educational topics and discussed topics for this year’s.

**DRAFT 2026 Work Plan TEMPLATE**

Policy Topics or Decisions	Status
1. Ownership Value? Affordability & Property	
2.	
3.	
4.	

**General education topics suggested by Board: TEMPLATE**

Education Topics
1. Funding (local)
2. Post Pandemic Ridership Trends
3. UM 2050
4. Staff Response / Impacts to UM 2050 Plan
5. Transit Service & Land Use Planning

6. Artificial Intelligence
7. Grants / Special Projects Process

## 2.2 Executive Limitations RE: Sustainability

Mr. Carpenter noted that with recent updates to the Ends policies, environmental sustainability is addressed. The Service Committee is tasked with whether they would like to keep the current Policy 2.11 Environmental Sustainability as Executive Limitation (EL). The committee discussed the value of keeping portions of the current policy, and they would like to receive Board input along with guidance from the Governance Consultant on rewording the policy.

## 3. STRATEGY & OPERATIONAL UPDATES: CEO

### 3.1 Legislative Update (moved from 3.5)

Mr. Pfeifer provided a brief update – he noted that at the Federal level, the House had passed a continued budget funding resolution which included approval for a \$750l earmark. No new updates at the state level.

### 3.2 3.2 Emergent Board Approvals (Grant, Land)

Mr. Carpenter shared two upcoming items that will require Board approval: a federal grant application partnered with MDOT for bus lane expansion and an easement access agreement for the Blake Transit Center / YLot. He fielded questions clarifying information on competitive grants. The committee also discussed the need for continued board approvals for grants on larger projects the board has already approved – while also acknowledging that the Board does need to continue to be kept apprised of project updates.

### 3.4 3.3 Immigration Enforcement Discussion

Corporate legal counsel joined the meeting and discussed with the committee recent updates that clarify requirements for do's/don'ts should immigration enforcement interactions take place at a bus terminal/bus stop/bus.

### 3.3 3.4 POSA Updates

Mr. Carpenter recent POSA updates which include a staff review of POSA agreements that will be shared once the review is complete.

### 3.4 3.5 RTA Updates & Recruitment

Mr. Carpenter shared that the RTA will be meeting with local entities to discuss long-term planning for the organization. He will be attending and providing an update after the discussion. He also said there will be an open local position on the RTA. The committee discussed how the RTA impacts regional transit.

## 4. EMERGENT ITEMS

None.

## 5. CLOSING ITEMS

### 5.1 Action Item Recap

- Mr. Chang will be contacting Sue Radwan for guidance on 2.11 Environmental Sustainability revisions
- Mr. Carpenter and staff will keep Board members updated on any additional communications that are shared internally/externally on Immigration Enforcement guidance.

### 5.2 Topics for the Next Meeting

FY2026 Q1 Service Report

Future:

State Street Transit Signal Feedback

### 5.3 Adjournment

Mr. Barr thanked the committee and staff and adjourned the meeting at 4:59 pm.

*Respectfully Submitted by Deborah Holt*

## Finance Committee Meeting Notes

**Meeting Date/Time:** Tuesday, February 10, 2026, 3:00pm – 5:00pm

**Members Present:** Mike Allemang (Chair/Treasurer), Chris Allen, Julie Grand, Georgia Valentine, Kathleen Mozak (Chair)

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Jeff Pfeifer, Rosa-Maria Kamau, Deb Holt, Andy Huber

**Location:** REMOTE – Via Zoom

Mr. Allemang called the meeting to order at 3:00 pm

### 1. OPENING ITEMS

#### 1.1 Agenda (Additions, Approval)

Staff requested moving 3.1 Audit Report to be presented after 1.2 and 3.4 Immigration Enforcement Discussion after 3.1.

#### 1.2 Communications

No new communications

### 2. POLICY MONITORING & DEVELOPMENT

#### 2.1 Annual Plan of Work

The committee deferred the discussion due to time. It will be discussed at the Board meeting.

**DRAFT 2026 Work Plan TEMPLATE**

Policy Topics or Decisions	Status
1. Ownership Value? Affordability & Property	
2.	
3.	
4.	

**General education topics suggested by Board: TEMPLATE**

Education Topics
1. Funding (local)
2. Post Pandemic Ridership Trends
3. UM 2050
4. Staff Response / Impacts to UM 2050 Plan
5. Transit Service & Land Use Planning
6. Artificial Intelligence
7. Grants / Special Projects Process

## 2.2 Optional Co-Chairs

Mr. Allemang discussed the option of creating a co-chair for the Finance Committee as a way to have additional leadership at the committee level. He asked the committee to consider the option.

## 3. STRATEGY & OPERATIONAL UPDATES: CEO

### 3.1 Audit Report (moved to after 1.2)

Ms. Reed introduced auditors from Plante Moran – Ms. Hill, Mr. Gilbert & Ms. McDonald - she noted that the audit task force had been presented the audit findings to review.

The audit presentation provided an overview and noted positive findings for the FY2025 audit. Assets increased by \$20.3M and the total net position increased by \$18.3M. The organization continues to have no long-term debt or significant long-term liabilities which puts the organization in a strong financial position. Operating revenues increased modestly at \$.2M and non-operating revenues decreased by \$7.5M, which was anticipated and factored into the budget (due to lower government assistance). Non-operating revenues had increased due to property taxes from the local millage. The audit results show the authority received a clean opinion, no material weaknesses or significant deficiencies or areas of non-compliance. Overall, the results of the audit reflect a strong internal control environment, solid financial reporting processes, and a clean year for federal compliance.

The committee thanked the auditors and staff for their diligence.

### 3.2 Financial Conditions (2.5)

After reviewing the monitoring report and Board survey responses, the committee agreed to recommend that the Board accept the monitoring report be accepted as (A) in compliance.

### 3.3 FY2026 Q1 Financial Report

Ms. Reed provided an overview of the FY2026 Q1 Financial Report – she noted that the 1<sup>st</sup> quarter is on track and operating within budgeted operating expenses. There is a \$2.3M favorable net variance for the 1<sup>st</sup> quarter and expenses are \$1.3 favorable to budget. Board reserves remain stable and cash flow is adequate to cover expenses. Cash & Investments were \$79.2M. She also noted that one change from last year is that the agency is now self-insured for auto-liability (collision) – savings from that decision allowed for a reserve fund to cover any potential expenses.

### 3.4 Immigration Enforcement Discussion (moved to after 3.1)

Corporate legal counsel presented an overview of recent updates that provide guidance and clarity related to immigration enforcement interactions in public places such as bus terminals/bus stops/buses. Legal counsel fielded questions with the committee.

### 3.5 Emergent Board Approvals

Mr. Carpenter noted that the Board will be required to approve two upcoming items – a federal grant application for bus lane expansion partnering the organization with MDOT and an easement access agreement for the Blake Transit Center / YLOT.

### 3.6 POSA Updates

Mr. Carpenter shared updates on POSA's with local townships – staff will be reviewing all POSA agreements and once the review is complete, they will be sharing their findings.

### 3.7 RTA Updates & Recruitment

Mr. Carpenter shared updates on the RTA. He and several staff recently attended a meeting (with other transit agencies) at the RTA to discuss long-term strategic planning.

### 3.8 Legislative Updates

Mr. Pfeifer shared updates at the state and federal level. Last week Congress passed the last of the minibus budgets which included \$750k earmark for YTC security upgrades. At the State level, the Governor's Budget Office will be providing the executive budget recommendation.

## 4. EMERGENT ITEMS

None.

## 5. CLOSING ITEMS

### 5.1 Action Item Recap

- The committee will recommend to the Board to accept Financial Conditions (2.5) monitoring report as (A) a reasonable interpretation.

### 5.2 Topics for Next Meeting

Cash & Investments (2.6)

Future Meeting:

### 5.3 Adjournment

Mr. Allemang thanked the committee and staff and adjourned the meeting at 4:56pm.

*Respectfully Submitted by Deborah Holt*

## Authorization for Funding and Construction Activities: Bus Lanes on Washtenaw Avenue/US-23

**Meeting: Board of Directors**

**Meeting Date: February 19, 2026**

INFORMATION TYPE
Decision
RECOMMENDED ACTION(S)
<p>That the Board vote (by motion or consent) to:</p> <ul style="list-style-type: none"> <li>A. Authorize the CEO to <b>submit grant applications</b> and funding requests as necessary to fund the project,</li> <li>B. Authorize the CEO to <b>proceed into detailed design/architecture and engineering...</b></li> </ul>
ISSUE SUMMARY
<p>The CEO is seeking Board authorization to take advantage of an emergent opportunity to advance an important infrastructure project in partnership with MDOT.</p> <p>The CEO requests that the Board grant him the authority to proceed with grant applications and funding requests, and to participate in detailed design/architecture and engineering for the development of dedicated bus lanes as part of a MDOT grant application to re-build the highway interchange at Washtenaw Ave and US-23. This project is an emergent high-priority opportunity. Decisions are needed quickly as MDOT has asked us to join in a grant application with a February 24, 2026 deadline.</p> <p>There are three main elements of this request:</p> <ul style="list-style-type: none"> <li>• <b>Funding</b> – Approval to join and MDOT grant application. If successful the grant can help pay for design and construction of the project. Also, approval to submit separate grant applications to fund the 20% local share of the project. If no outside source of funds are found, TheRide may need to pay an estimated \$520,000 from its own sources (depending on the final cost of the transit lanes, which is currently estimated to be \$2.6 million). Staff are confident this is a good investment.</li> <li>• <b>Detailed Design/Architecture and Engineering</b> – If the MDOT grant is successful, we would work with MDOT to develop detailed design elements. MDOT would lead all work and we would be consulted.</li> </ul> <p>TheRide’s long-range plan calls for dedicated bus lanes, especially to alleviate bottlenecks on future bus rapid transit corridors. Washtenaw Avenue will be our first BRT line and the interchange with US-23 is a bottleneck.</p> <p>MDOT approved plans in 2025 to reconstruct bridges along US-23. As part of the plan, they verbally agreed to widen the span under the bridge, creating space for dedicated bus lanes. Until the project is funded, there is a risk of this pledge being retracted due to funding limits.</p>

The US DOT's BUILD grant program is a discretionary grant, typically offered on an annual basis, and open to many types of transportation infrastructure. It is a competitive program and funding is not guaranteed. This program can provide 80% of the funding if non-federal funding sources pay for the other 20% (i.e. the "local match").

### BACKGROUND

Policy 2.10 requires the CEO to seek *explicit* Board approval *before* proceeding with stages of project development where the agency is committing significant resources or creating implicit commitments. Specifically, the CEO must receive Board approval before they:

- **Submit applications for grants or outside funding** as this can raise political expectations or commit the agency,
- **Proceed with detailed architecture or engineering** as these stages are more costly than earlier planning work.

The Board also articulated the questions it wants to see answered before it grants its approval for the issues above. Those questions require the CEO to present information on scope, need, funding, costs, risks, timelines, and other matters. If satisfactorily answered, the Board should be comfortable granting approval to take the next steps in a construction project. Those questions and answers are provided in the attachment below.

### PRIOR RELEVANT BOARD ACTIONS & POLICIES

**Policy 2.10 (Construction)** requires staff to receive Board authorization before submitting funding requests or grant applications, entering detailed architecture and engineering, or proceeding with real estate transactions.

### IMPACTS OF RECOMMENDED ACTION(S)

- **Budgetary/Fiscal:** MDOT has told us that the transit elements of the highway project total \$2.6 million. The BUILD grant would pay 80%, or \$2.080 million. TheRide will look for other grants to pay the remaining 20% (\$520,000). If we are unable to find other sources, we could use other formula funds (5307) or the Capital Reserve.
- **Social:** Dedicated lanes would allow faster and more reliable bus operations.
- **Environmental:** More reliable service would attract more riders and reduce bus idling.
- **Governance:** Board authorization required by Policy 2.10 Construction (grant application and funding requests, detailed design and engineering, real estate transactions).

### ALTERNATIVE OPTION(S)

Withhold authorization

### ATTACHMENTS

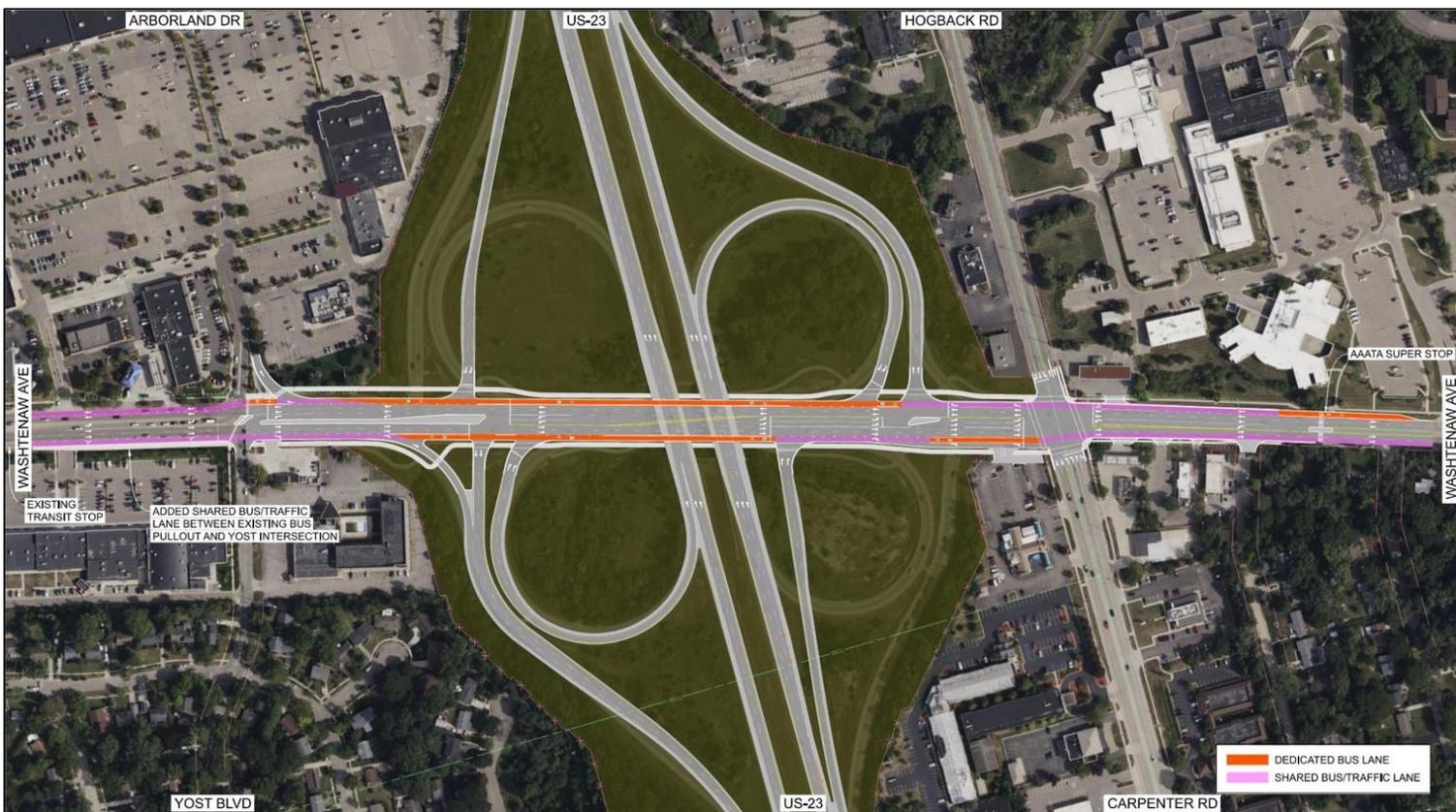
1. Policy 2.10 Construction– Policy Requirements and Responses

## Attachment 1: Policy 2.10 Construction – Policy Requirements and Responses

The Board's Construction policy (2.10) lays out the information the Board wants to see before authorizing grant applications, detailed design and engineering contracts, and real estate transactions. The CEO's interpretation then groups that information into categories. Those categories and the CEO's responses are seen below:

1. **Scope of project, Rationale, Alignment with Ends – What is the nature of the project? What are the most important elements? Description of how the project will advance specific goals identified by the Board**

- a. **Scope:** As part of a reconfiguration of the Washtenaw Ave/US-23 interchange, bus lanes would be added through the interchange area. Today, this interchange is a cause of bus delays and passenger inconvenience. Dedicated lanes will make bus operations faster and more reliable. The conceptual image below illustrates the general design (details to be determined).



b. **Key Elements:**

- i. Dedicated bus lanes whenever possible.
- ii. Share bus/traffic lanes when necessary.
- iii. A comprehensive reconfiguration of entry and exit ramps.
- iv. Replacement of the bridges.
- v. The roadway is not being widened.

- c. **Alignment with Ends:** This project advances the Board's Ends by allowing faster, more reliable bus services on our main route, which will become bus rapid transit in the future. The positive impacts of this improvement in a highly used

corridor are broad, effecting most Ends. Specifically, this improvement would make services more robust (reliable and attractive) and partnering on a grant that provides 80% of fund demonstrates stewardship (1.0), it integrates highway and transit infrastructure on a regional connection while also accommodating active transport (1.1), it can increase ridership by making services more reliable and attractive (1.2), will increase satisfaction by eliminative common delays (1.2.1), improve the perception of the service (1.3.3, 1.5), and improve the environment by attractive new riders and reducing bus idling (1.4).

2. **Relative Priority – Why is this project being prioritized ahead of other projects? How would this project affect the 10-Year Capital Plan?**

a. **Prioritization Rationale:** While the project’s inherent value is high, prioritization stems from the need to join MDOT whenever they decide to advance the project. The risk of missing this grant application would be extremely damaging. Although we had worked with MDOT on the planning in 2024/2025, we did not expect them to make grant proposals so quickly. If we do not participate, the potential for dedicated lanes could be lost. It is important to convey that, should a new bridge be built without the space for bus lanes, we may not have another opportunity for 50 years. Joining this grant provides funding but also solidifies MDOTs commitment.

b. **10-Year Capital Plan Impact:** This project is included under “Transit Priorities” in the in the 10-Year Capital Plan (FY2026 Budget, page 43). While this specific opportunity was not anticipated, the category of funding available is sufficient, We will also be pursuing outside grant funding to offset agency costs.

3. **Timeline – What are the expected dates of major milestones such as construction, opening/initials, operating lifespan, decommissioning?**

a. **Major Milestones:**

- i. 2024/2025: Extensive input into MDOT’s conceptual plans.
- ii. February 2026: BUILD grant submission deadline.
- iii. Fall 2026: Notice of award (if successful).
- iv. 2027-2030/2032: Construction (TBD)

b. **Operating Lifespan:** 30-50 years, with pavement replacement.

4. **Fiscal Responsibility - What are the anticipated capital and operating costs during the life of the project? How will the capital and operating costs of the projects be paid for during the lifespan of the project? What assumptions are made regarding outside grant funding, funding from the Capital Reserve, or local millage funds? How would the approval of this project impact the agency’s ability to maintain existing services and infrastructure, or afford other projects?**

a. **Capital Costs:** The total cost of the bus lanes is estimated at \$2.6 million. The BUILD grant requires a 20% commitment from non-federal sources (\$520,000). Staff intend to apply for other grants to pay this local share. If unsuccessful, TheRide may need to pay this portion directly.

- b. Funding Strategy:** We intend to pursue outside grant opportunities to pay the non-federal share. If we are not successful, we could afford to pay this portion out of 5307 or the Capital Reserve.
- c. Operating Costs:** No operating costs have been identified at this time.
- d. Impact on Other Services:** No adverse impacts on other services are anticipated as part of this project. Even if the agency incurs the full construction costs, it will not negatively impact any other capital project.

5. **Risks -What social, environmental, financial, operation, or other risks have been identified? Are there ways to mitigate risks?**

- A. Cost escalation – It is possible that MDOT’s cost estimates may rise post-grant award, leading to higher local costs.
- B. Opportunity Costs – If we do not participate in the grant, we could lose outside construction funding or (worse) MDOT could eliminate the bus lanes during the design process.
- C. Right of Way (Property) – it is not yet clear if bus lanes will be considered MDOT property, or if easements will be required.
- D. Project Control – As with the BTC, we will be a junior partner with limited influence on the overall project.

6. **Public Involvement – How has the public been engaging in the development of the proposal thus far? How will the public be engaged going forward?**

Extensive public and stakeholder engagement has occurred throughout the course of the US-23 planning process in 2024/2025. As a small component in a larger MDOT project, the bus lanes would be subject to additional public engagement as detailed design continues. MDOT will develop a specific involvement plan after funding is secured.

## AAATA and University of Michigan Coordination

**Meeting: Board of Director's**

**Meeting Date: February 19, 2026**

<b>INFORMATION TYPE</b>
Other
<b>RECOMMENDED ACTION(S)</b>
Receive for information
<b>ISSUE SUMMARY</b>
<p>University staff will provide an overview of the campus master plan with a focus on mobility and current efforts to put it into action. AAATA staff will highlight coordination that is occurring between the University and AAATA, with a focus on how strategies of the long-range plan are being advanced through this collaboration.</p>
<b>BACKGROUND</b>
<p>The University of Michigan finalized a master plan for the Ann Arbor campus in May 2025. Known as the <a href="#">Campus Plan 2050</a>, the document identifies “a range of zones for possible development and envisions new systems for thoughtful greenspaces, exciting mobility enhancements, and innovation districts offering vibrant spaces and amenities to nurture interdisciplinary discovery, entrepreneurship, and private-public partnerships.”</p> <p>The Campus Plan 2050 identifies proposed development zones on Central Campus, the Medical Center Campus, the East Medical Center Campus, the Stephen M. Ross Athletic Campus, and North Campus. These campuses are complimented with open spaces and various infrastructure including mobility improvements. Mobility improvements include a proposed Automated Transit System Elevated Guideway, Bus Rapid Transit Dedicated Lanes, and accompanying stations and stops.</p> <p>AAATA’s long-range plan – <a href="#">TheRide 2045</a> – identifies a network of transit improvements planned for the next ~20 years. This network includes Bus Rapid Transit, Priority Bus Service, High Frequency Service, Express/Park and Ride Service. TheRide 2045 is focused on achieving the Board’s ENDS to advance a robust transportation system in the service area that demonstrates value and efficient stewardship of resources.</p> <p>Alignment between the Campus Plan 2050 and TheRide 2045 center is around densification of land uses and serving those populations with enhanced transit. Coordination on projects is already underway and includes efforts such as the dedicated bus lanes, and a Park and Ride Study, among other projects.</p>
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
The Board adopted TheRide 2045 Long Range Plan in July 2022.

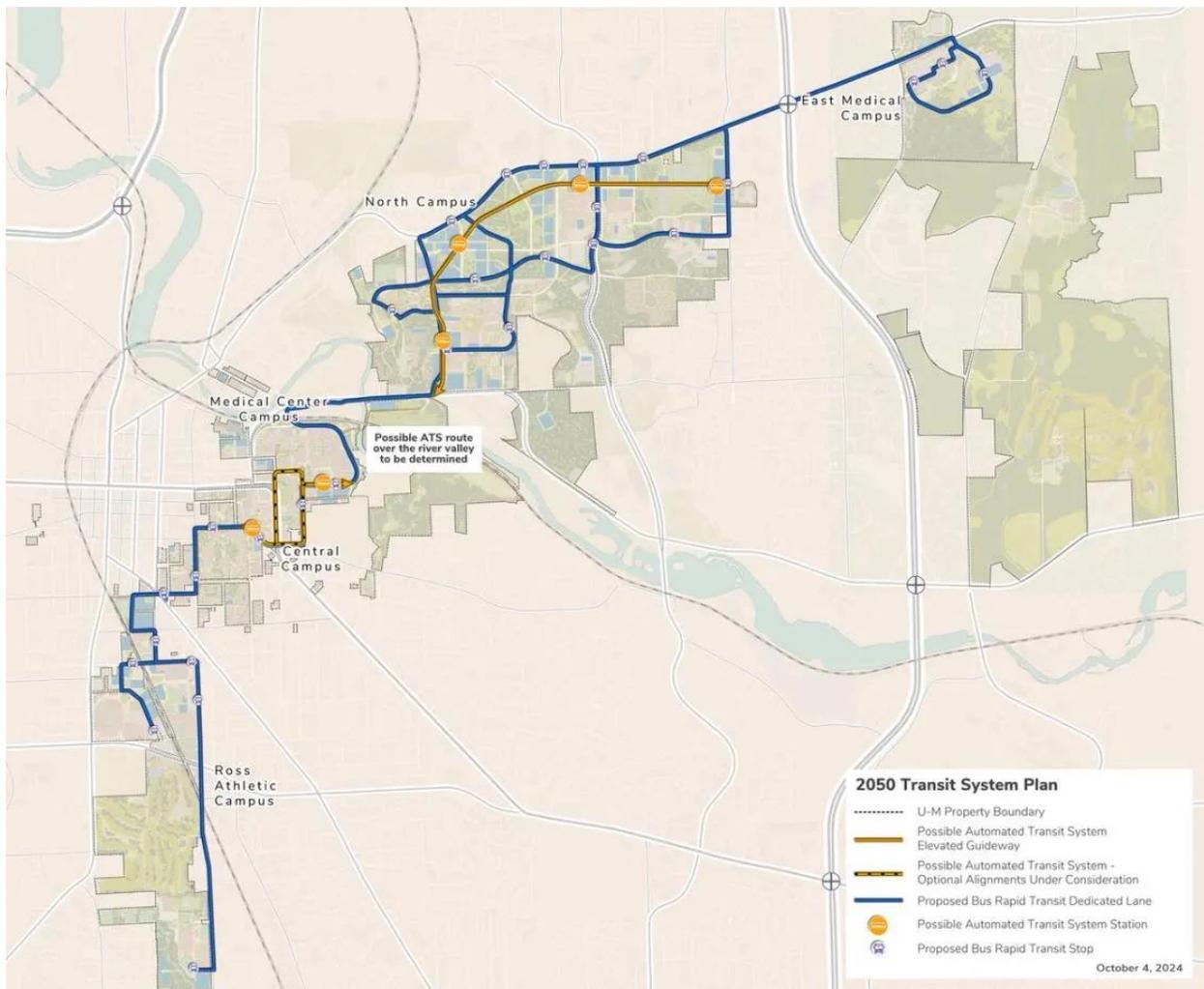
## IMPACTS OF RECOMMENDED ACTION(S)

- Budgetary/Fiscal: N/A
- Social: N/A
- Environmental: N/A
- Governance: N/A

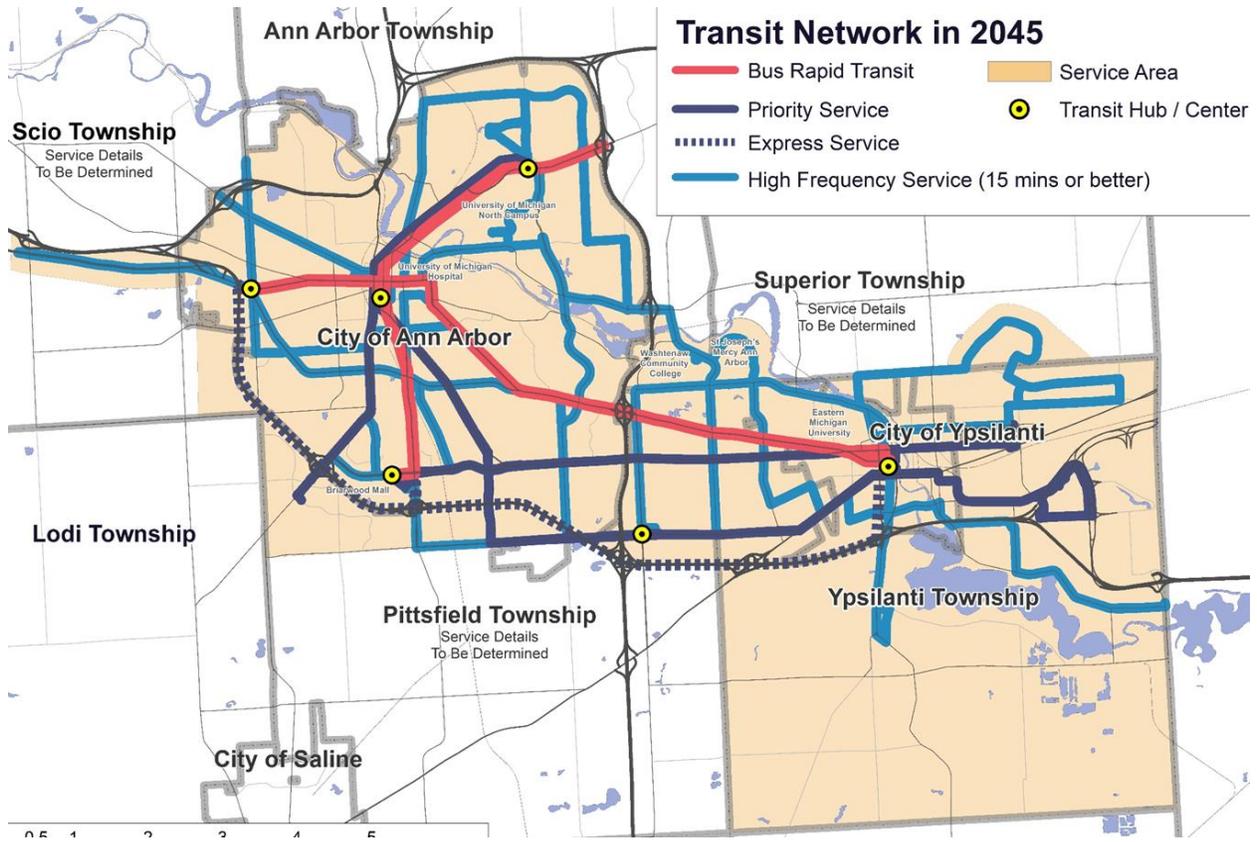
## ATTACHMENTS

1. Campus Plan 2050 – Transit System Plan in 2050
2. TheRide 2045 – Transit Network in 2045
3. Presentation of the Campus Plan 2050 and the AAATA and University of Michigan Coordination will be provided at the meeting.

### Attachment 1: Campus Plan 2050 – Transit System Plan in 2050



## Attachment 2: TheRide 2045 – Transit Network in 2045



## Audit Task Force / Audit Report

**Finance Committee Meeting Date: February 10, 2026**

**Board Meeting Date: February 19, 2026**

<b>INFORMATION TYPE</b>
By Motion, vote to receive as information the annual audit in support of policy 3.8.1.2.
<b>RECOMMENDED ACTION(S)</b>
By Motion, vote to receive as information the annual audit in support of policy 3.8.1.2.
<b>ISSUE SUMMARY</b>
<p>Financial auditors have completed the audit for FY2025. 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, 2025, and 2024, 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.</p>
<b>BACKGROUND</b>
<p>Attached to this Issue Brief are the materials of the auditor's report. They are comprised of:</p> <ul style="list-style-type: none"> <li>- FY25 Audited Financial Statements</li> <li>- Single Audit Report</li> <li>- End of Audit Letter</li> <li>- Transmittal Letter</li> </ul> <p>All the documentation above is attached and will be used in this issue brief, along with packet page number for reference.</p> <p>AAATA ended the year with favorable financial results, as presented in the financial statements. Financial highlights for FY2025 compared to FY2024 are as follows (Current PDF Page 11):</p> <ul style="list-style-type: none"> <li>• Assets increased from the prior year by \$20.3 million (16.4%).</li> <li>• Total net position increased by \$18.3 million (15.7%).</li> <li>• Operating revenues increased by \$0.2 million (3.7%) driven mainly by higher special fare activity, including the University of Michigan MRide program, offset somewhat by a reduction in urban fixed route revenue caused by the transition of the D2A2 service to the RTA.</li> </ul>

- Nonoperating revenues decreased by \$7.5 million (10.0%). The decrease was driven primarily by lower governmental assistance as prior-year finite sources (ARP/CARES Act and RTA D2A2 funding) ended in 2024.
- Operating expenses increased \$5.2 million (8.0%) year-over-year due to higher labor and fringe benefit costs associated with expanded service.

As indicated in the Schedule of Findings and Questioned Costs (Current PDF Page 78), the auditors issued an “Unmodified” report, with no findings in either the Financial Statement or Federal Program (Single) Audits.

While they “do not express an opinion on the effectiveness of” internal controls (Current PDF Page 73), they do report upon any material weaknesses or deficiencies they find in accounting, financial reporting, and internal controls. With unmodified opinions and no material weaknesses for the last two years, AAATA now qualifies as a low-risk auditee (Current PDF Page 78).

**PRIOR RELEVANT BOARD ACTIONS & POLICIES**

List of previous Board or Committee discussions or actions, to allow cross referencing and context.

**IMPACTS OF RECOMMENDED ACTION(S)**

- Budgetary/Fiscal: Demonstrates financial performance for FY2025.
- Governance: Supports Board in financial oversight/fiduciary responsibility.

**ALTERNATIVE OPTION(S)**

None

**ATTACHMENTS**

1. Draft of the Audited Financial Statements as of September 30, 2025

**Monitoring Report:  
Financial Conditions & Activities (Policy 2.5)  
Monitoring Period: Fiscal Year 2025**

**Finance Committee Meeting Review Date: February 10, 2026**

**Board of Directors Meeting Review Date: February 19, 2026**

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

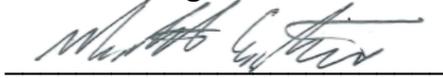
written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.

Per Appendix A of the Board Policy Manual, this report was scheduled for monitoring in February 2026 and was submitted in February 2026.

Evidence is cited from “FY2025 Audit Packet - AAATA” along with PDF file page numbers.

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

**CEO’s Signature**



**Date**

1/30/2025

**ATTACHMENTS**

1. Monitoring report for Financial Conditions & Activities (Policy 2.5)
2. FY2025 Audit Packet - AAATA

## Table of Contents

POLICY TITLE: FINANCIAL CONDITIONS AND ACTIVITIES	Page#	Compliance
2.5 With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies.  Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:	5	
2.5.1 Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.	5	
2.5.2 Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.	7	
2.5.3 Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.	9	
2.5.4 Compromise the independence the Board's audit or other external monitoring or advice.	10	
2.5.4.1 Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.	11	
2.5.4.2 Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.	12	
2.5.5 Allow expenditures that exceed the overall Board-approved budget.	13	
2.5.5.1 Allow cost overruns on capital projects.	14	
2.5.6 Authorize contracts not anticipated in the current budget with a value greater than \$250,000.	15	
2.5.6.1 Split purchases or contracts into smaller amounts in order to avoid the above limit.	16	
2.5.7 Use funds from the Capital Reserve.	17	
2.5.8 Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.	18	
2.5.9 Adjust tax rates assessed by the Authority.	19	
2.5.10 Acquire, encumber, or dispose of real estate.	20	
2.5.11 Encumber the agency with financial debt without previous authorization from the Board.	21	

 Fully Compliant    
  Partially Compliant    
  Non-Compliant

Financial Conditions & Activities (Policy 2.5)

## Preliminary CEO Interpretations and Evidence

### **POLICY 2.5**

With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies.

Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

**Degree of Compliance: Compliant**

#### **Interpretation**

##### Operational Definition

With respect to regular financial operations and the requirement to prevent and address risks of fiscal jeopardy, the policy is fully refined in policies 2.5.1 through 2.5.11, below, and no further interpretation is necessary.

With respect to alignment with the Ends, I interpret this policy to require all agency resources to be spent on pursuit of the Board’s Ends. This can be demonstrated through budget documents, financial statements tracking expenditures, and corresponding auditors’ reports on accuracy of the financial statements.

##### Measure/Standard & Level of Achievement

Compliance will be demonstrated when:

- Policies 2.5.1 – 2.5.11 are in compliance,
- A review of budget documents demonstrates plans to focus all resources towards achieving the Ends,
- Quarterly Financial Statements from staff illustrate that expenditures match the budget plan, and
- The annual auditor’s report concludes that staff’s Quarterly Financial Statements presented to the Board (with budget comparisons) are consistent with Annual Financial Statements, and that Annual Statements are a complete and accurate representation of revenue and expenditures.

##### Rationales

Fiscal jeopardy is fully addressed in lower-level policy so compliance with those policies is a reasonable demonstration of compliance with this policy.

Demonstrating alignment with the budget, financial statements, and the auditor’s report is reasonable because together they illustrate that funds were spent in accordance with a plan that had focused all resources on the Ends.

- The budget illustrates how staff intend to expend funds.
- Staff’s Quarterly Financial Statements represent actual expenditures, and whether the original budget plan is being followed.

- The auditor’s report provides independent confirmation that funds were spent as intended and funds were not redirected. Auditors use various methods to check that the Annual Financial Statement (a total of quarterly statements) is accurate (checking staff’s work), that there were no expenditures that were not accounted for, and are trustworthy (i.e. comply with relevant accounting rules and laws). The auditor’s report is an impartial assessment of the accuracy of financial statements and a strong indicator that funds were not misused or diverted to other purposes.

**Evidence**

**Source of Data:** Internal Documentation

**Date of Data Review:** 01/27/2026 as verified by Dina Reed, DCEO of Finance and Administration, and 01/30/2026 as verified by CEO, Matthew Carpenter.

**Data:**

1. Policies 2.5.1 through 2.5.11 are compliant,
2. A review of the FY2025 Recommended and Approved Budget documents found no financial resources directed towards anything but pursuing the Board’s Ends, and
3. A review of Quarterly Financial Statements in board packets found no significant deviation from planned expenditures, and
4. A review of the January 22, 2026, Audited Financial Statements prepared by Plante Moran found that auditors provided an Unmodified Opinion (FY2025 Audit Packet - AAATA, PDF pg. 78) and did not identify any material weaknesses (FY2025 Audit Packet - AAATA, PDF pg. 78). Nor did the report find any suggestion that financial statements were less than accurate.

**POLICY 2.5.1**

Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

I interpret this policy to mean that we are required to 1) have policies and procedures in place that meet industry and professional standards for transportation authorities and 2) that they are followed.

Measure/Standards & Achievement

Compliance will be demonstrated when:

1. TheRide maintains a financial *Internal Control System Manual (ICSM)* which is consistently reviewed, updated and followed.

2. Within six months after the end of each fiscal year, an external audit firm completes an independent audit report and single audit review of TheRide's financial statements using auditing standards generally accepted in the United States of America, and Board policies, and which achieves the following:
  - a. "Unmodified" opinion of the financial statements presented in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and Government Auditing Standards for internal control and compliance.
  - b. No repeat findings and no compliance findings in the financial statement findings.

### Rationale

This is reasonable because:

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

### **Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

### **Data:**

1. A review of records (Reed, 01/26/2026) found that TheRide's *Internal Control System Manual* was adopted by the CEO in 2019. Minor language updates were made in November 2024 by Finance staff to reflect current routine processes and terminology changes. Subsequent updates by staff had no material impact on controls that required additional CEO approval.
2. The external audit firm Plante Moran completed an independent financial audit of TheRide's financial statements and internal control and compliance testing for FY2025 and provided a completed audit document with financial statements on 01/22/2026. As indicated in the Summary of Auditor's Results (FY2025 Audit Packet - AAATA, PDF pg. 78), the auditors issued an "Unmodified" opinion for both the Financial Statements and Federal Awards, which is the best result an organization can achieve within this framework.

**POLICY 2.5.2**

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

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

I interpret this policy to mean that we must meet all requirements that are conditions of receiving funds from the federal government, especially the Federal Transit Administration, and the state government, particularly the Michigan Department of Transportation. This includes numerous and evolving requirements, such as procurement rules. Specifically, the agency’s procurement manual must meet changing federal requirements.

Measure/Standards & Achievement

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

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

Rationale

This is reasonable because:

1. Generally accepted accounting principles in the United States and standards applicable to financial audits contained in *Government Auditing Standards* are issued by the Comptroller General of the United States. Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is the Uniform Guidance (set of standards) provided by the Federal Government pertaining directly to agencies receiving federal awards.
2. TheRide’s largest source of grant funding is the Urbanized Area Formula Grant program. Compliance with this and other capital programs are monitored by the FTA primarily through the Triennial Review Process. Compliance with the Triennial Review process is required to maintain access to grant funding. FTA is responsible for conducting oversight activities to ensure that recipients of grants use the funds in a manner consistent with their intended purpose and in compliance with regulatory and statutory requirements. A satisfactory

closeout letter demonstrates any review issues have been resolved and TheRide is compliant with FTA grant program requirements.

3. A signed master agreement with the Michigan Department of Transportation (MDOT) Office of Passenger Transportation (OPT) must be on file before any federal or state grant funds can be made available to the agency. Further, the OPT master agreement contains all the information that is required for purchasing, billings, payments, audits, budget adjustments, revisions, and amendments that the transit agency needs to maintain compliance with MDOT.
4. Procurement thresholds established in federal regulations and Board policy provide the framework for processes and procedures described in detail in TheRide's *Procurement Manual*. The Procurement Manual complies with federal and state requirements and is followed by staff as verified through the FTA Triennial Review process.

### Evidence

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

### Data:

1. The external audit firm of Plante Moran completed an independent financial audit of TheRide's major federal programs for FY2025 and provided a completed audit document with financial statements on 01/22/2026. The audit report provided an "Unmodified" opinion and stated that AAATA "complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025" (FY2025 Audit Packet - AAATA, PDF pg. 72).
2. The FTA FY2025 Triennial Review closeout letter was provided on 07/24/2025 and indicated that all deficiencies identified in the FTA FY2025 Triennial Review were resolved and the report is closed. The next triennial review will be completed by the end of 2028, as required by the FTA.
3. The Master Agreement with MDOT OPT was executed on April 7, 2022, and is effective through the end of FY26. Annual grant agreements from the Michigan Department of Transportation are fully awarded and executed for FY2025 and for FY2026. The FY2027 grant application will be submitted to MDOT timely by 02/16/2026. Approval is anticipated by June 2026.
4. TheRide's Procurement Manual was most recently updated and adopted by the CEO in February 2025. Procurement thresholds established in federal regulations and Board policy were updated to reflect improved processes and procedures, and current terminology and references. The Board informed of the updated manual in the CEO Report of the February 20, 2025, Board Meeting. The FY2025 FTA Triennial Review (the most recently completed Triennial Review) indicated no open issues with the Procurement Manual; the document is FTA compliant. The next Review will be in FY2028.

**POLICY 2.5.3**

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

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

I interpret this to mean that internal controls, policies and procedures are in place and followed to provide reasonable assurance that funds are collected, managed and spent for purposes and in a manner that is consistent with Board policies and are found by an auditor to prevent deficiencies in internal control over compliance.

Measure/Standards & Achievement

Compliance will be demonstrated when:

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

Rationale

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

**Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

**Data:**

A review of records (Reed, 01/26/2026) confirmed that TheRide's *Internal Control System Manual* was updated and adopted by the CEO in FY2019. Minor language updates were made in November 2024 by Finance staff to reflect current routine processes and terminology changes. Subsequent updates by staff had no material impact on controls that required additional CEO approval.

Internal controls regarding internal controls were reviewed and tested as described by the FY2025 Audit report and no findings or repeat findings were identified. The section of the report "Report on Internal Control over Compliance" states that "during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness..." (FY2025 Audit Packet - AAATA, PDF pg. 73).

<p><b>POLICY 2.5.4</b> Compromise the independence of the Board’s audit or other external monitoring or advice.</p>
<p><b>Degree of Compliance: Compliant</b></p>
<p><b>Interpretation</b></p>
<p><u>Operational Definition</u> I interpret this policy to mean that staff shall not interfere with, and must honestly assist with, any Board-initiated assessment of policy compliance, such as auditors, as well as any party hired by the Board to assess the organization in any way.</p> <p><u>Measure/Standard &amp; Level of Achievement</u> Compliance will be demonstrated when groups the Board uses to assist them with oversight or advice (e.g. auditors, legal counsel, governance consultants, etc.) provide written confirmation of the following:</p> <ol style="list-style-type: none"> <li>1. The Board has direct and unfettered access to the auditing firm through the firm’s pre-audit communication and post-audit communication,</li> <li>2. The auditor provides an independent audit report in writing and through presentation to the Board at a public meeting, and</li> <li>3. The CEO or staff have not interfered with the relationship of other groups providing independent monitoring or advice to the Board.</li> </ol> <p><u>Rationales</u> This is reasonable because the independent confirmation from the outside groups is independent. These groups are hired by the Board itself, and the CEO is unable to influence their response.</p>
<p><b>Evidence</b></p>
<p><b>Source of Data:</b> Internal Documents <b>Date of Data Review:</b> Verification estimated on 01/26/2026 by Dina Reed, DCEO of Finance and Administration</p> <p><b>Data:</b> A review of records (Reed, estimated on 01/26/2026) indicates that the following firms have provided written confirmation indicating agreement with the points outlined in the interpretation, as applicable:</p> <ul style="list-style-type: none"> <li>• Leading Edge Mentoring (Radwan, January 2026) – Governance Consultant</li> <li>• Plante Moran, PLLC (Hill/Gilbert, January 2026) – Auditors</li> <li>• Dykema (Muskovitz, January 2026) - Corporate Counsel</li> </ul>

**POLICY 2.5.4.1**

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

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

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

Measure/Standard & Level of Achievement

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

I define *significant* to mean:

1. Any incident that jeopardizes, or could jeopardize, continuity of services to customers,
2. Any instance that involves a person in a position of authority and/or involves embezzlement for personal reasons, and/or
3. Any instance that could harm public credibility for the organization.
4. Loss of \$250,000 or more (a size that could affect financial plans).

Rationales

These interpretations are reasonable because:

1. Low-level fraud and attempted fraud are an unfortunate reality and are too numerous or unimportant to spend Board time on. Most are addressed through disciplinary or law enforcement measures.
2. Minor staff errors are addressed through HR processes for performance management.
3. The definition of significance ensures that the Board will be notified of incidents that are truly serious.
4. Five business days is an appropriate time for senior staff to confirm the nature of an incident and prepare information for the Board.
5. Depending on the issue it may be appropriate to notify the Chair (policy 3.5), Governance Committee (3.7.1), or Treasurer (Bylaws, Art II, sec 5) prior to notifying the full Board.
6. Staff immediately take steps to stop any financial losses without further direction from the Board, so losses are minimized.
7. \$250,000 represents a significant amount of funds but it is less than one-half of one percent (0.50%) of the FY2025 operating budget.

<b>Evidence</b>
<p><b>Source of Data:</b> Internal Documents  <b>Date of Data Review:</b> 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration</p> <p><b>Data:</b>  A review of records by the CEO and CFO (Carpenter, Reed; 01/26/2026) verified that there were no significant instances of fraud, attempted fraud, or financial mismanagement within the fiscal year.</p>

**POLICY 2.5.4.2**  
Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.

**Degree of Compliance: Compliant**

<b>Interpretation</b>
<p><u>Operational Definition</u>  I interpret this policy to mean that staff shall not interfere with, and must honestly assist, any direct inspection of the agency's finances by the Board itself.</p> <p><u>Measure/Standard &amp; Level of Achievement</u>  Compliance will be demonstrated by providing any financial information requested by the Board including internal controls.</p> <p><u>Rationales</u>  This is reasonable because the Board already has power to directly inspect any agency record at any time.</p>

<b>Evidence</b>
<p><b>Source of Data:</b> Internal Documents  <b>Date of Data Review:</b> 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration</p> <p><b>Data:</b>  A review of records by the CEO and CFO (Carpenter, Reed; 01/26/2026) confirms that there have been no requests from the Board for access to this information. There are no motions or resolutions on record requesting such information.</p>

<p><b>POLICY 2.5.5</b> Allow expenditures that exceed the overall Board-approved budget.</p>
<p><b>Degree of Compliance: Compliant</b></p>
<p><b>Interpretation</b></p>
<p><u>Operational Definition</u> I interpret this to mean that the total of actual operating and capital expenses (excluding depreciation) for the fiscal year will not exceed total budgeted operating expenses as approved by the Board.</p> <p><u>Measure/Standard &amp; Level of Achievement</u> Compliance will be demonstrated when audited financial statements demonstrate that the actual expenses in the operating and capital budgets at the end of the fiscal year do not exceed the total operating (net of depreciation) and capital expenses set forth in the Board approved budget, including any budget amendments for the fiscal year.</p> <p><u>Rationales</u> This is reasonable because audited financial statements are the accepted record of actual expenses for the fiscal year and a budget resolution approved by the Board explicitly provides authorized budgeted operating and capital expenses for the fiscal year. Note: Budgeted operating expenses do not include depreciation.</p>
<p><b>Evidence</b></p>
<p><b>Source of Data:</b> Internal Documents <b>Date of Data Review:</b> 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration</p> <p><b>Data:</b> Operating</p> <ul style="list-style-type: none"> <li>For FY2025, the board approved operating expenditures of \$68,716,570 (Resolution 09/2024).</li> <li>Total actual operating expenses (before depreciation) are \$64,903,590 (FY2025 Audit Packet - AAATA, PDF pg. 55), which is less than budgeted operating expenses. (Note: Total operating expenses were \$70,444,332 when \$5,540,732 in depreciation expenses were included; the adopted operating budget does not include depreciation).</li> </ul> <p>Capital</p> <ul style="list-style-type: none"> <li>For FY2025, the Board adopted a capital budget with a program of projects totaling \$34,866,296 (Resolution 09/2024).</li> <li>Total actual capital expenses, which are stated in the “Acquisition and construction of capital assets” line of the Statements of Cash Flows (FY2025 Audit Packet - AAATA, PDF pg. 22) are \$17,383,352, which is less than budgeted capital expenses.</li> </ul>

**POLICY 2.5.5.1**

Allow cost overruns on capital projects.

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

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

Measure/Standard & Level of Achievement

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

Rationales

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

**Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

**Data:**

The following table (next page) illustrates that all capital expenditures in FY2025 were within budget for the fiscal year.

FY2025 Capital Budget and Expenditures						
Type of Capital Project	Line No.	Capital Projects	FY2025 Approved Budget	FY2025 Actual Expenditures	Budget Variance Over/(Under)	Cost Overruns?
State of Good Repair	1	Vehicles	\$ 8,436,000	\$ 7,851,144	\$ (584,856)	No
	2	Equipment	\$ 1,360,000	\$ 362,269	(997,731)	No
	3	Existing Facilities	\$12,359,000	\$ 8,002,379	(4,356,621)	No
	4	Information Technology	2,162,000	154,252	(2,007,748)	No
Value Added	5	Bus Stop Improvements	402,000	\$ 131,079	(270,921)	No
	6	Transit Priorities	2,414,000	\$ 141,840	(2,272,160)	No
	7	Facilities Parking Lot Renovation	895,000	\$ 9,372	(885,628)	No
	8	Low & Zero- Emissions	1,743,000	-	(1,743,000)	No
Research and Development	9	Emergency R&D Projects	25,000	-	(25,000)	No
Expansion	10	Ypsilanti Transit Center	2,240,000	\$ 536,160	(1,703,840)	No
	11	Blake Transit Center	100,000	\$ 64,149	(35,851)	No
	12	Bus Rapid Transit	500,000	\$ -	(500,000)	No
	13	Bus Maintenance and Storage Facility	1,200,000	\$ 130,708	(1,069,292)	No
	14	Information Technology	530,000	\$ -	(530,000)	No
	15	Transit Hubs	500,000	\$ -	(500,000)	No
<b>Total</b>			<b>\$ 34,866,000</b>	<b>\$ 17,383,352</b>	<b>\$ (17,482,648)</b>	<b>No</b>

**POLICY 2.5.6**  
 Authorize contracts not anticipated in the current budget with a value greater than \$250,000.

**Degree of Compliance: Compliant**

**Interpretation**

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

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

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

Rationales  
 This interpretation is reasonable because procurement records are the definite source of all purchases or services over \$20,000, and any contract award over \$250,000 would appear in these

records. The purchase of goods and services without proper authorization, as described in the Procurement Manual, is strictly prohibited.

**Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Michelle Whitlow, Procurement Manager

**Data:**

A review of procurement records by the Procurement Manager (Whitlow, 01/26/2026) found no unbudgeted/unauthorized contracts of \$250,000 or more awarded in FY2025.

**POLICY 2.5.6.1**

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

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

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

Measure/Standard & Level of Achievement

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

Rationales

This interpretation is reasonable because procurement records are the definite source of all purchases or services over \$20,000. The purchase of goods and services without proper authorization, as described in the Procurement Manual, is strictly prohibited.

**Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Michelle Whitlow, Procurement Manager

**Data:**

A review of procurement records by the Procurement Manager (Whitlow, 01/26/2026) found no split contracts (contracts to the same vendor or for the same scope of work) to avoid compliance with this policy.

**POLICY 2.5.7**

Use funds from the Capital Reserve.

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

I interpret this policy to mean that the CEO and staff cannot reduce the amount of funds in the Capital Reserve without prior Board approval.

Measure/Standard & Level of Achievement

Compliance will be demonstrated when annual audited financial statements indicate that spending from Capital Reserve funds does not exceed an amount approved by the Board.

Rationales

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

**Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

**Data:**

For FY2025 the Board did not approve the use of capital reserve funds for any purpose.

A review of the Statements of Cash Flows in the audited FY2025 Financial Statements (FY2025 Audit Packet - AAATA, PDF pg. 22) indicates that no Capital Reserve funds were used during the fiscal year.

**POLICY 2.5.8**

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

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

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

Measure/Standard & Level of Achievement

Compliance will be demonstrated when quarterly financial statements demonstrate an Operating Reserve balance of at least 2.0 months of quarterly operating expenses for each quarter of the fiscal year.

Rationales

This is reasonable because the Government Finance Officers Association (GFOA), an independent third-party organization that sets industry best practices in public finance, confirms 2.0 months or more is a reasonable standard and quarterly financial statements are an accurate representation of the amount of funding available.

**Evidence**

**Source of Data:** Internal Documents

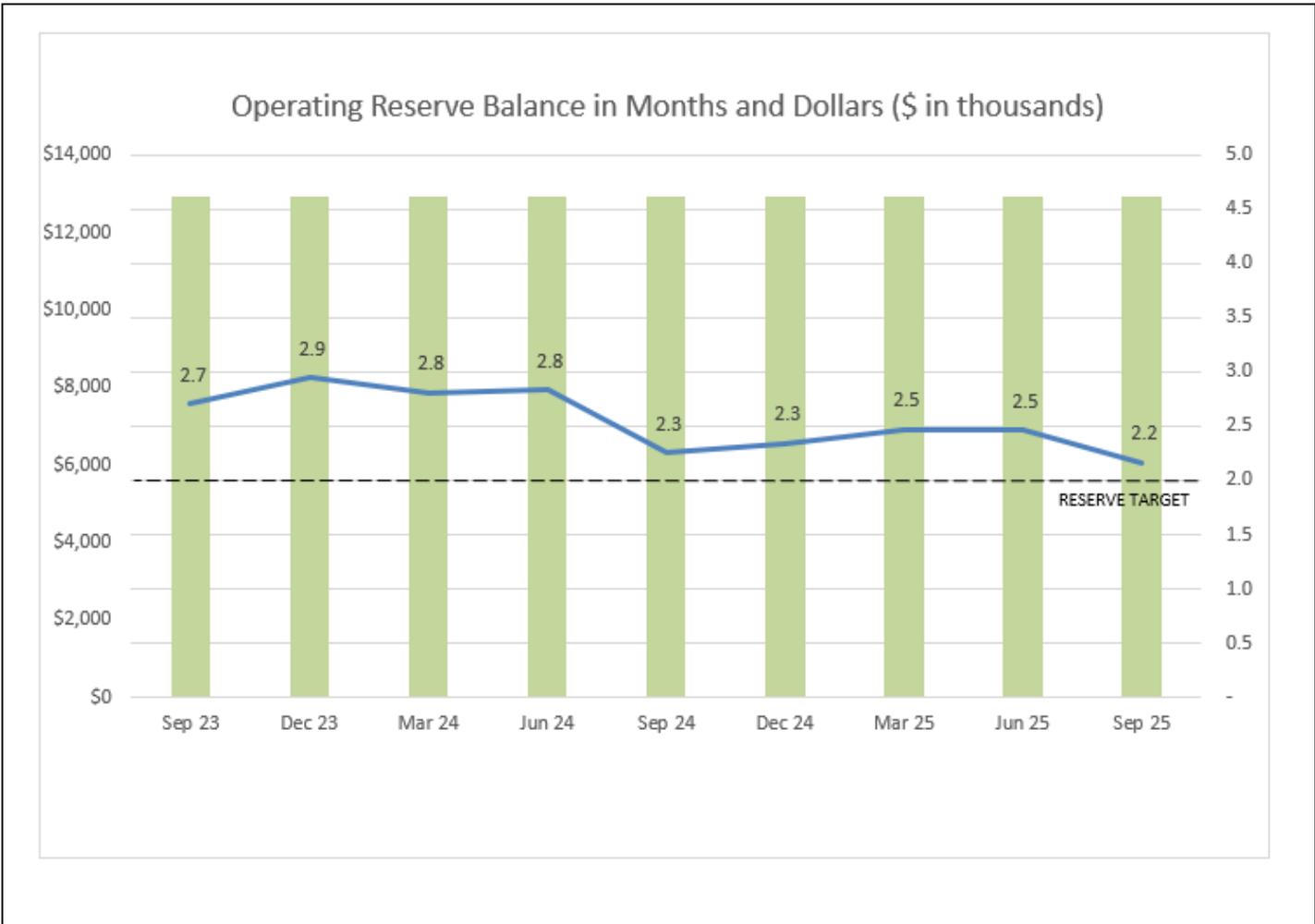
**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

**Data:**

According to the balance sheet as of September 30, 2025, AAATA ended the year with an operating reserve balance of \$12.9 million, capital sufficient to support 2.2 months of operations based on the approved FY2026 budget.

Policy 2.4.6 requires “adequate” reserves. AAATA aligned the operating reserve target with GFOA’s recommended best practices of 2.0 months beginning in FY2025.

The Operating Reserve Graph below illustrates the change in the operating reserve target from FY2024 through FY2025 and demonstrates compliance with operating reserve targets for the monitoring period.



**POLICY 2.5.9**  
Adjust tax rates assessed by the Authority.

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition  
I interpret this policy to mean that the annual L-4029 form submitted to taxing collection authorities reflects the rate approved by the Board and voters and is compliant with all tax laws including the Headlee Amendment.

I further interpret this policy to mean that the CEO cannot submit language for a property tax ballot proposal that has not been approved by the board.

**Measure/Standard & Level of Achievement**

Compliance will be demonstrated when the annual L-4029 form submitted to taxing collection authorities reflects the rate approved by the Board and voters and is compliant with all tax laws including the Headlee Amendment. Compliance will also be demonstrated when any ballot proposal transmitted to elections authorities was first approved by the Board.

**Rationales**

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

**Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

**Data:**

A review of records by the CFO (Reed, 01/26/2026) confirms that property taxes levied to support operations in FY2025 were consistent with Board approved millage rates of 2.380 mills, which were authorized in April 2022 (Resolution 4/2022) and effective from 2024 through 2028. A review of ballot proposal records by the CEO (Carpenter, 01/30/2026) confirms that there were no ballot proposals communicated by this agency during the period. A further review of communiques found no instances of the CEO transmitted unapproved ballot language to election authorities.

**POLICY 2.5.10**

Acquire, encumber, or dispose of real estate.

**Degree of Compliance: Compliant**

**Interpretation**

**Operational Definition**

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

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

**Measure/Standard & Level of Achievement**

Compliance will be demonstrated when a review of land and transfer records indicates there are no records of real estate transactions that have not been approved by the Board. Compliance will

also be demonstrated when a review of audited financial statements confirms real estate has not been encumbered with leasing or selling rights.

Rationales

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

**Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

**Data:**

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

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

A search of the online register using the alias names produced no change records beyond 2003. (Reed, 01/26/2026)

Additionally, a review of the audited financial statements (Reed, 01/26/2026) confirms no encumbrances or leases to AAATA-owned real estate exist.

**POLICY 2.5.11**

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

**Degree of Compliance: Compliant**

**Interpretation**

Operational Definition

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

**Measure/Standard & Level of Achievement**

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

**Rationales**

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

**Evidence**

**Source of Data:** Internal Documents

**Date of Data Review:** 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

**Data:**

As indicated in the FY2025 Statements of Net Position (FY2025 Audit Packet - AAATA, PDF pg. 20), there is no debt reported.

**Policy Trendlines**

Policies	FY 22	FY 23	FY 24	FY 25
2.5	2	3	3	3
2.5.1	3	3	3	3
2.5.2	3	3	3	3
2.5.3	3	3	3	3
2.5.4	3	3	3	3
2.5.4.1	1	3	3	3
2.5.4.2	3	3	3	3
2.5.5	3	3	3	3
2.5.5.1	3	3	3	3
2.5.6	3	3	3	3
2.5.6.1	3	3	3	3
2.5.7	3	3	3	3
2.5.8	3	3	3	3
2.5.9	3	3	3	3
2.5.10	3	3	3	3

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

## Guidance on Determining “Reasonableness” of CEO Interpretations

### Are the interpretations reasonable?

An interpretation is reasonable if the following are provided,

1. a measure or standard,
2. a defensible rationale for the measure or standard,
3. a level of achievement necessary to achieve compliance and
4. a rationale for the level of achievement.

### Is evidence verifiable?

Evidence is verifiable if there is

1. actual measurement/data,
2. the source of data and
3. the date when data was collected is provided.

## Board’s Conclusion on Monitoring Report

### Board’s conclusion after monitoring the report.

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

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

**Board Notes: (If Applicable)**

## WORKSHEET RESULTS:

### Financial Conditions & Activities (Policy 2.5)

**Participants: 9 Board Members**

Mike Allemang, Chris Allen, Rich Chang, Julie Grand, Jesse Miller,  
Kathleen Mozak, Susan Pollay, Praveena Ramaswami, Georgia Valentine

Performance on reasonable interpretation and verifiable evidence			
	% of Board members that find the interpretation reasonable	% of Board members that find the evidence verifiable	If you stated NO, or have other comments, kindly provide additional context
<b>Policy 2.5</b> With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:	<b>89%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>(WARNING: semantic response follows, bordering on pedantic): Policy says "without limiting the scope of the foregoing by this enumeration," which indicates the board believes there are elements of 2.5 that are not enumerated by sub-policies. The CEOs interpretation explicitly limits the scope to only include the sub-policies. If the board is willing to accept this interpretation, policy should be amended to eliminate this contradiction</li> </ul>
<b>Policy 2.5.1</b> Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash	<b>100%</b>	<b>100%</b>	

handling, and accounting.			
<b>Policy 2.5.2</b> Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.	<b>100%</b>	<b>100%</b>	
<b>Policy 2.5.3</b> Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards	<b>100%</b>	<b>100%</b>	
<b>Policy 2.5.4</b> Compromise the independence, the Board's audit or other external monitoring or advice.	<b>100%</b>	<b>100%</b>	
<b>Policy 2.5.4.1</b> Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.	<b>100%</b>	<b>100%</b>	
<b>Policy 2.5.4.2</b> Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.	<b>100%</b>	<b>100%</b>	

<p><b>Policy 2.5.5</b> Allow expenditures that exceed the overall Board-approved budget.</p>	<b>100%</b>	<b>100%</b>	
<p><b>Policy 2.5.5.1</b> Allow cost overruns on capital projects.</p>	<b>100%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• Comment: It would be helpful to know why actual capital expenditures are one-half of budget.</li> </ul>
<p><b>Policy 2.5.6</b> Authorize contracts not anticipated in the current budget with a value greater than \$250,000.</p>	<b>100%</b>	<b>100%</b>	
<p><b>Policy 2.5.6.1</b> Split purchases or contracts into smaller amounts in order to avoid the above limit.</p>	<b>100%</b>	<b>100%</b>	
<p><b>Policy 2.5.7</b> Use funds from the Capital Reserve.</p>	<b>100%</b>	<b>100%</b>	
<p><b>Policy 2.5.8</b> Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.</p>	<b>100%</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>• Comment: I believe the first paragraph under DATA should refer to Quarterly data rather than September 30. The Level of Achievement refers to each quarter and the chart shows quarterly data.</li> </ul>
<p><b>Policy 2.5.9</b> Adjust tax rates assessed by the Authority.</p>	<b>100%</b>	<b>100%</b>	

<b>Policy 2.5.10</b> Acquire, encumber or dispose of real estate.	<b>100%</b>	<b>100%</b>	
<b>Policy 2.5.11</b> Encumber the agency with financial debt without previous authorization from the Board.	<b>100%</b>	<b>100%</b>	

**Additional context questions**

1. Is there any reason to doubt the integrity of the information presented?  
**Responses – (9) No**
  
2. If the CEO has indicated **NON-COMPLIANCE** with any aspect of this policy, is there a commitment as to when the Board can expect to see compliance and is the proposed time-frame acceptable?  
**Responses – (1) Yes  
 (8) N/A**
  
3. Having reviewed the monitoring report, does anything you have learned make you consider whether the **POLICY ITSELF** should be amended? (Policy amendment is not monitoring, but should be addressed as a board decision.)  
**Responses – (8) NO**
  - There are places where the policy is more explicit about “without board approval,” while in other policies that understanding is implicit. I’m generally comfortable with this, so long as the interpretations are consistent.  
**(1) YES**
  - Final phrase of 2.5 should be addressed

**APPROXIMATELY HOW MANY MINUTES DID IT TAKE YOU TO FILL OUT THIS FORM?**

35, 20, 15, 15, 9, 20, 35, 10, 20

## Board's Annual Work Plan

**Meeting: Board of Director's**

**Meeting Date: February 19, 2026**

<b>INFORMATION TYPE:</b>
Decision Preparation
<b>RECOMMENDED ACTION(S):</b>
Begin discussion of a Board Plan of Work for FY 2026.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
Board policy 3.4 (Attachment 1). Agenda setting process.
<b>ISSUE SUMMARY:</b>
<p>The Board sets the future of the organization through policies. At the beginning of every fiscal year the Board decides what proactive issues it wants to spend time on, which may lead to the development of new policy. Board members are encouraged to bring ideas to add to the tables in Attachment 1.</p> <p>Attachment 1 illustrates the status of previous topics (FY2025) and provides space for members to suggest new topics.</p>
<b>BACKGROUND:</b>
<p>The Board's annual work plan is an inherent part of Policy Governance. This is a key mechanism for ensuring that the Board is driving its own agenda and not merely reacting to staff or outside issues. Policy 3.4 outlines how the board sets its agenda. Excerpts of the relevant passages are provided in Attachment 1.</p>
<b>IMPACTS OF RECOMMENDED ACTION(S):</b>
<ul style="list-style-type: none"> <li>• Governance: The annual work plan is how the Board sets the direction for the organization.</li> </ul>
<b>ATTACHMENTS:</b>
<ol style="list-style-type: none"> <li>1. Excerpt Policy 3.4 – Agenda Planning Policy</li> <li>2. FY2025 Work Plan &amp; Education &amp; FY2026 Template</li> </ol>

## Attachment 1: Board Policy 3.4: Agenda Planning

(Emphasis added)

### 3.4 AGENDA PLANNING

*To accomplish its job products with a governance style consistent with Board policies, the Board will follow an annual agenda cycle which:*

- (a) completes a re-exploration of Ends Policies annually,*
- (b) continually improves Board performance through Board education and enriched input and deliberation, and*
- (c) re-examines for relevance the underlying values that support existing policy.*

*3.4.1 The cycle will conclude each year so that administrative planning, strategic planning, and budgeting can be based on accomplishing a one-year segment of the Board's most recent statement of long-term Ends.*

*3.4.2 The cycle will start with the Board's development of its agenda for the next year.*

*A. Consultations with selected groups in the ownership, or other methods of gaining ownership input will be determined and arranged in the first quarter, to be held during the balance of the year.*

*B. Governance education, and education related to Ends determination, (e.g., presentations by researchers, demographers, advocacy groups, staff, etc.) will be arranged in the first quarter, to be held during the balance of the year...*

**Attachment 2: FY2025 Work Plan & Education & FY2026 Template**

**2025 Work Plan**

<b>Policy Topics or Decisions</b>	<b>Status</b>
1. Ends review	Completed
2. Sustainability	Completed
3. Determining Reasonableness	Completed
4. Ownership Value? Affordability & Property Taxes	Forthcoming

**2025 General education topics suggested by Board:**

<b>Education Topics</b>	<b>Status</b>
1. Funding	
-State and Federal	Completed
- Local	Forthcoming
2. Ridership/Coverage	Completed
3. Post Pandemic Ridership Trends	Forthcoming
4. UM 2050	February 2026
5. Land Use	TBD
6. Artificial Intelligence	TBD

**DRAFT 2026 Work Plan TEMPLATE**

<b>Policy Topics or Decisions</b>	<b>Status</b>
1. Ownership Value? Affordability & Property	
2.	
3.	
4.	

**General education topics suggested by Board: TEMPLATE**

<b>Education Topics</b>
1. Funding (local)
2. Post Pandemic Ridership Trends
3. UM 2050
4. Staff Response / Impacts to UM 2050 Plan
5. Transit Service & Land Use Planning
6. Artificial Intelligence
7. Grants / Special Projects Process

## FY2026 Q1 Financial Statement

**Meeting: Board of Director's**

**Meeting Date: February 19, 2026**

<b>INFORMATION TYPE</b>
Other – Financial Update
<b>RECOMMENDED ACTION(S)</b>
Receive for information.
<b>ISSUE SUMMARY</b>
Staff presents the preliminary First Quarter Financial Statements with currently available and reportable financial information for the period ending December 31, 2025.
<b>BACKGROUND</b>
<p>Year-to-date financial highlights at the end of the fourth quarter (October 2025 to December 2025) include:</p> <ul style="list-style-type: none"> <li>• TheRide is operating within budgeted operating expenses.</li> <li>• TheRide has a \$2.3 million favorable net variance, operating actuals to budget, at the end of the first quarter of Fiscal Year 2026.</li> <li>• Operating revenues are \$1.0 million favorable to budget. State operating assistance exceeds budget due to the MDOT LBO reimbursement rate being set higher than anticipated during the FY26 budget process. Investment and interest income are also outperforming the conservative assumptions set for the year through the first quarter.</li> <li>• Operating expenses are \$1.3 million favorable to budget, driven primarily by vacant positions, lower-than-anticipated purchased transportation costs, and lower utility and media expenses compared to budget.</li> <li>• At the start of Fiscal Year 2026, the Authority has established a vehicle damage reserve in lieu of costly insurance that was never utilized in practice but was expensed annually. The amount in this new reserve, \$1 million, is meant to replace one large bus in the unlikely event of the total loss of a vehicle of that size and with that level of cost associated with it.</li> <li>• The projected balances for the three board-approved reserves have not been used and remain stable. Reserve balances are as follows: operating reserve at \$12.9 million or 2.4 months, based on FY26 first quarter expenses, capital reserve of \$33.3 million, and insurance reserve at \$0.5 million.</li> <li>• Cash flow was adequate to cover expenses; cash and investments at the end of Q1 2026 were \$79.2 million in cash and investments.</li> </ul>

<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"><li>• Budgetary/Fiscal: Demonstrates financial performance for the reporting period</li><li>• Governance: Supports Board in financial oversight/fiduciary responsibility</li></ul>
<b>ATTACHMENTS</b>
1. FY2026 Q1 Financial Statements (Income Statement and Balance Sheet)



Ann Arbor Area Transportation Authority

# Q1 Financial Statement

## Income Statement

For the Period Ended December 31, 2025

### Revenue and Expense (Budget to Actual)

(\$ in thousands)

BLACK = FAVORABLE  
RED = UNFAVORABLE

REVENUES	Actual Quarter 1	Actual Quarter 2	Actual Quarter 3	Actual Quarter 4	Actual YTD	Budgeted YTD	Budget Variance	
							\$	%
Fares and Contracts	\$1,925	\$0	\$0	\$0	\$1,925	\$1,800	\$125	7.0%
Local Property Taxes	10,412	-	-	-	10,412	10,412	0	0.0%
State Operating Assistance	5,224	-	-	-	5,224	4,783	441	9.2%
Federal Operating Assistance	241	-	-	-	241	331	(90)	-27.1%
Other Revenues	899	-	-	-	899	411	488	118.6%
<b>Total Operating Revenues</b>	<b>\$18,701</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,701</b>	<b>\$17,736</b>	<b>\$965</b>	<b>5.4%</b>
<b>EXPENSES</b>								
Salaries, Wages, Benefits	\$9,211	\$0	\$0	\$0	\$9,211	\$9,838	\$628	6.4%
Purchased Transportation	3,061	-	-	-	3,061	3,476	414	11.9%
Fuel, Material, Supplies	1,703	-	-	-	1,703	1,767	65	3.7%
Purchased Services	1,470	-	-	-	1,470	1,471	2	0.1%
Other Expenses	980	-	-	-	980	1,184	204	17.2%
<b>Total Operating Expenses</b>	<b>\$16,424</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,424</b>	<b>\$17,736</b>	<b>\$1,312</b>	<b>7.4%</b>
<b>Surplus (Deficit)</b>	<b>\$2,277</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,277</b>	<b>\$0</b>	<b>\$2,277</b>	
Capital Reserve Transfer	-	-	-	-	-	-	-	
Operating Reserve Transfer	-	-	-	-	-	-	-	
<b>OPERATING BALANCE</b>	<b>\$2,277</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,277</b>	<b>\$0</b>		

TheRide has a \$2.3 million favorable net variance, operating actuals to budget, at the end of Quarter 1 in FY2026.

Revenues were \$1.0 million higher than budget. State operating assistance exceeds budget due to the MDOT LBO reimbursement rate being set higher than anticipated during the FY26 budget process. Investment and interest income are also outperforming the conservative assumptions set for the year through the first quarter.

Expenses were \$1.3 million below budget, driven primarily by vacant positions, lower-than-anticipated purchased transportation costs, and lower utility and media expenses compared to budget.

### YTD Revenue and Expense By Mode

(\$ in thousands)

	Fixed Route	Demand Response	Other Demand Response	Non-Urban	VanRide	TOTAL
	<i>Fixed Route Bus</i>	<i>A-Ride</i>	<i>FlexRide, GoldRide, NightRide</i>	<i>WAVE, Peoples Express</i>	<i>VanRide, Ride Sharing</i>	
<b>DIRECT REVENUE</b>						
Fare Revenue	\$880	\$41	\$35	\$36	\$0	\$991
Contract Revenues	442	-	20	472	-	933
Advertising, Interest, Other	899	-	-	-	-	899
Federal Operating	-	-	-	185	56	241
State Operating	3,755	553	472	378	65	5,224
<b>Total Direct Revenue</b>	<b>\$5,976</b>	<b>\$594</b>	<b>\$527</b>	<b>\$1,071</b>	<b>\$121</b>	<b>\$8,289</b>
<b>TOTAL EXPENSE</b>						
Salaries, Wages, Benefits	\$8,723	\$377	\$34	\$53	\$25	\$9,211
Purchased Transportation	-	1,251	442	1,098	271	3,061
Fuel, Materials, Supplies	1,503	200	-	-	-	1,703
Contracted Services	1,395	53	-	22	-	1,470
Other Expenses	927	23	12	16	3	980
<b>Total Operating Expense</b>	<b>\$12,547</b>	<b>\$1,903</b>	<b>\$487</b>	<b>\$1,188</b>	<b>\$298</b>	<b>\$16,424</b>
<b>Surplus (Deficit) from OPS</b>	<b>(\$6,572)</b>	<b>(\$1,309)</b>	<b>\$40</b>	<b>(\$117)</b>	<b>(\$177)</b>	<b>(\$8,135)</b>
<b>ALLOCATED REVENUE</b>						
Local Property Taxes	\$8,809	\$1,309	\$0	\$117	\$177	\$10,412
Federal Pandemic Relief Funds	-	-	-	-	-	0
<b>SURPLUS (DEFICIT):</b>	<b>\$2,237</b>	<b>\$0</b>	<b>\$40</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,277</b>

## Balance Sheet

For the Period Ended December 31, 2025

### Balance Sheet and Reserve

\$ in thousands, with Prior Year comparison.

	Q4 2025 9/30/2025	Q1 2025 12/31/2024	Q1 2026 12/31/2025
<b>ASSETS</b>			
Cash	\$63,217	\$52,985	\$59,193
Investments	19,758	19,091	20,023
Other Current Assets	12,646	20,645	17,576
Capital Assets	48,758	39,748	48,354
<b>Total Assets</b>	<b>144,379</b>	<b>132,469</b>	<b>145,146</b>
<b>LIABILITIES</b>	<b>9,366</b>	<b>11,852</b>	<b>8,305</b>
<b>TOTAL NET POSITION</b>	<b>\$135,013</b>	<b>120,617</b>	<b>\$136,841</b>
<b>RESERVES:</b>	<b>Balances</b>		
Capital	\$33,260	\$33,260	\$33,260
Vehicle Damage	\$0	\$0	\$1,000
Insurance	\$500	\$500	\$500
Operating	\$12,905	\$12,905	\$12,905
<b>Months in Operating Reserve</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>



### Statement of Cash Flows (\$ in thousands)

Historical Cash Flows	FY 2023			FY 2024				FY 2025				FY 2026
	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
<b>Beginning Balance:</b>	\$34,082	\$41,961	\$41,537	\$54,630	\$51,875	\$50,527	\$50,527	\$77,559	\$72,076	\$64,393	\$52,683	\$82,975
Cash Flow from Operations	3,153	(205)	12,832	(3,045)	(2,402)	(2,444)	24,474	(1,512)	(11,465)	(10,972)	27,217	(8,058)
Cash Flow from Capital	4,349	(166)	55	53	870	182	2,193	(4,109)	3,605	(1,002)	2,900	4,034
Cash Flow from Investments	377	(53)	206	237	184	171	364	138	178	264	175	265
<b>Cash Flow:</b>	<b>\$7,879</b>	<b>(\$424)</b>	<b>\$13,093</b>	<b>(\$2,755)</b>	<b>(\$1,348)</b>	<b>(\$2,090)</b>	<b>\$27,032</b>	<b>(\$5,483)</b>	<b>(\$7,682)</b>	<b>(\$11,710)</b>	<b>\$30,292</b>	<b>(\$3,759)</b>
<b>Ending Balance:</b>	<b>\$41,961</b>	<b>\$41,537</b>	<b>\$54,630</b>	<b>\$51,875</b>	<b>\$50,527</b>	<b>\$48,437</b>	<b>\$77,559</b>	<b>\$72,076</b>	<b>\$64,393</b>	<b>\$52,683</b>	<b>\$82,975</b>	<b>\$79,216</b>

### Q3 cash flow was negative at \$3.8 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

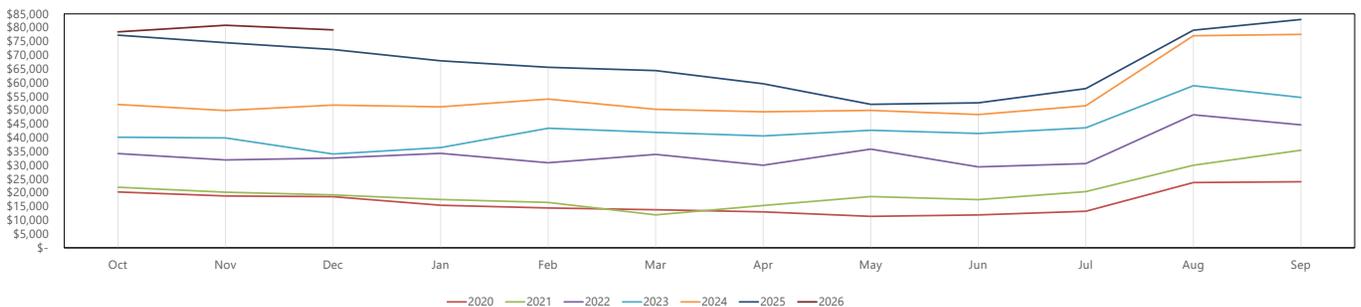
(\$ in thousands)

Investment Instrument	Date of Maturity	Interest Rate	Value on 9/30/2025		Value on 12/31/2025	
			Transactions		Transactions	
U.S. Agency Bond	1/22/2026	4.13%	750	0	750	0
U.S. Agency Bond	3/13/2026	4.38%	1,000	0	1,000	0
U.S. Treasury Notes	3/31/2026	2.25%	2,500	0	2,500	0
U.S. Agency Bond	4/24/2026	2.13%	1,000	0	1,000	0
U.S. Agency Bond	2/3/2027	1.63%	250	0	250	0
U.S. Treasury Notes	5/15/2027	4.50%	1,000	0	1,000	0
U.S. Treasury Notes	10/31/2027	4.13%	750	0	750	0
U.S. Agency Bond	11/1/2027	4.00%	2,500	0	2,500	0
U.S. Treasury Notes	11/15/2027	2.25%	2,200	0	2,200	0
U.S. Agency Bond	12/27/2027	4.25%	2,200	0	2,200	0
U.S. Treasury Notes	1/31/2028	3.50%	1,500	0	1,500	0
U.S. Agency Bond	2/24/2028	4.25%	1,400	0	1,400	0
U.S. Agency Bond	6/9/2028	4.00%	2,300	0	2,300	0
Money Market Funds	N/A	4.22%	405	0	405	0
Mark-to-Market Adjustment			3	265	269	
<b>Total Investments:</b>			<b>\$19,758</b>	<b>\$265</b>	<b>\$20,023</b>	

### FY2026 YTD Investment Gain (\$ in thousands): \$265

U.S. Treasury Bills, Notes, & 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%). An 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



---

## CEO Report

**Meeting: Board of Directors**

**Meeting Date: February 19, 2026**

### INFORMATION TYPE

Other

### LONG-RANGE PLAN STATUS UPDATES

#### **YPSILANTI TRANSIT CENTER PLANNING**

Staff continue to work on detailed design, land acquisition, and procuring a construction manager. The construction timeline and costs will become clearer as the work progresses. Staff also continue to explore and pursue additional funding for the YTC. Congress approved the FY 2026 Transportation, Housing and Urban Development Appropriations Bill in early February, which included \$750,000 for the YTC in Community Project Funding jointly sponsored by Senators Peters and Slotkin. AAATA is grateful for their support.

#### **BLAKE TRANSIT CENTER EXPANSION**

TheRide continues to work with the Ann Arbor Housing Commission (AAHC) and their codeveloper (Related Midwest) on the joint development of the old Y-Lot site adjacent to the BTC (350 S. Fifth). The team is still tentatively preparing for construction to start in late spring 2026. Modifications to TheRide's existing BTC platform will be necessary to accommodate the housing development and approved concept of the new platform. The site plan for the existing platform and planned expansion will be submitted this summer or fall, and an environmental review is underway. The transit elements of the development will not be under construction until Q3 FY2027 at the earliest.

The design phase of the Fourth Ave Redesign led by the DDA is complete. The Fourth Ave design team is currently reviewing construction bids and plans to have a final contract in place sometime in March. The development teams on Fourth Ave and 350 S. Fifth continue to coordinate construction and timelines closely. Construction on Fourth Ave is slated to begin in early May, but utility replacement work on Fourth north of Liberty and south of William may begin as early as March.

Together, these projects will close Fourth Ave and affect the Fifth Ave bus stands. Due to various factors, the BTC and Fourth Ave will be fully closed to bus operations for the duration of construction, which is ideally scheduled to occur between May and November 2026. Due to the nature of construction and the project's complexity, customers and employees should anticipate delays. Staff are working earnestly across departments and with various partners to set up a temporary transfer area at 5th & Washington that will allow us to maintain a high-quality transit service in 2026.

In January 2026, the City of Ann Arbor was awarded a Michigan Talent Partnership Program grant for \$4.3 million. This award, administered by the Michigan Economic Development Corporation, invests state funding in public space development projects and is meant to focus on concentrated districts or central city neighborhoods to increase their vibrancy, which helps attract and retain talent in Michigan. Of the amount awarded to the City, \$3.4 million will be going towards the BTC expansion project. TheRide thanks the DDA, various City departments, AAHC, and MEDC for their ongoing support and close partnership on the BTC and Fourth Ave projects.

## **OPERATIONAL UPDATES**

### **SERVICE STANDARDS PROJECT UPDATE**

Staff have been working through a project to review and make recommendations for updating AAATA's fixed-route service standards and design guidelines based on current industry best practices. Transit design guidelines and service standards explain how transit service is planned and managed. They set clear rules for planning things such as routes, schedules, stops, and connections, so service is consistent, fair, and easy to use. Guidelines and standards help make sure the transit system meets community needs, uses resources wisely, and provides reliable service for everyone by establishing a balance between attracting riders while providing basic coverage throughout the service area. A draft document outlining the standards and guidelines along with the principles and criteria on which they are based will be made available for public review and feedback. The feedback period will be open from March 2-30<sup>th</sup>.

### **LOW-NO REQUEST TIMELINE**

Following Board approval in December, staff is working to transmit our request for change to our Low-No application.

### **OPERATOR COUNT/MCO CLASSES**

AAATA's current operator count is 199. A recent MCO class of 5 graduated on January 16<sup>th</sup>.



### **LOCAL ADVISORY COMMITTEE (LAC)**

The LAC met on January 13<sup>th</sup> and discussed vehicle accessibility plan updates for AAATA and local subrecipients, 2026 LAC Workplan Calendar, and AAATA Service Updates. The February 10<sup>th</sup> LAC meeting was cancelled.

**ANN ARBOR CITY COUNCIL**

AAATA will not be presenting to the Ann Arbor City Council in February, due to a scheduling conflict with an AAATA board meeting. The next presentation will be on April 20<sup>th</sup>.

**TRANSPORTATION COMMISSION (ANN ARBOR)**

The Commission voted for new officers and received general presentations from the DDA and about a road safety audit.

**WATS POLICY COMMITTEE UPDATE**

The January WATS meeting was cancelled.

**EMPLOYEE ANNIVERSARIES AND COMMUNITY ENGAGEMENT**

Electronics Technician Jim Kulczyk celebrated 25 years with AAATA. A celebration was held for him at the DGOC on January 22<sup>nd</sup>.



**EXECUTION OF CONTRACTS OVER \$250K (Policy 2.9.1.5.D)**

**ADVERTISING CONTRACT**

As approved in the FY2026 budget, on February 9, 2026, the CEO authorized a pilot revenue contract with Lamar Transit LLC to provide Bus and Bus Shelter Advertising Services. This is a 3-year pilot commencing February 16, 2026, through February 15, 2029. Please note, AAATA will be advertising on shelters throughout our service area. We have done this in the past and are returning to this practice. The estimated value of the award is \$260,000 annually.

Ann Arbor Area  
Transportation  
Authority



Year Ended  
September 30,  
2025 and 2024

Financial  
Statements

**This page intentionally left blank.**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	5
<b>Basic Financial Statements</b>	
Statements of Net Position	16
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18
Statements of Fiduciary Net Position	20
Statements of Changes in Fiduciary Net Position	21
Notes to Financial Statements	23
<b>Required Supplementary Information</b>	
Schedule of the Changes in the Net OPEB Liability and Related Ratios	44
Schedule of Other Post-Employment Benefits (OPEB) Contributions	45
Schedule of OPEB Investment Returns	46
Notes to the Required Supplementary Information	47
<b>Supplementary Information</b>	
Schedule of Revenues	50
Schedule of Operating Expenses	51
Schedule of Expenditures of State Awards	52
Schedules of Expenditures of Federal Awards	53
Schedule of Operating and Contract Expenses	54
Schedule of Urban Regular Service Revenues	55
Schedule of Urban Regular Service Expenses	56
Schedule of Nonurban Regular Service Revenues	57
Schedule of Nonurban Regular Service Expenses	58
Schedule of Urban and Nonurban Regular Service Nonfinancial Information	59
Schedule of Operating Assistance Calculation	60
Notes to Schedule of Operating Assistance Calculation	61



**This page intentionally left blank.**

## **Independent Auditor's Report**

To the Board of Directors  
Ann Arbor Area Transportation Authority

### **Report on the Audits of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the enterprise fund and fiduciary fund of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the years ended September 30, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the Ann Arbor Area Transportation Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and fiduciary fund of the Ann Arbor Area Transportation Authority as of September 30, 2025 and 2024 and the respective changes in its financial position and, where applicable, its 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

#### ***Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Ann Arbor Area Transportation Authority

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

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

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

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

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

#### ***Additional Information***

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

To the Board of Directors  
Ann Arbor Area Transportation Authority

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026 on our consideration of the Ann Arbor Area Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ann Arbor Area Transportation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ann Arbor Area Transportation Authority's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

January 22, 2026

**This page intentionally left blank.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

As management of the Ann Arbor Area Transportation Authority (the "Authority") in Ann Arbor, Michigan, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended September 30, 2025 and 2024. We encourage readers to consider the information in conjunction with the financial statements, related note disclosures and the required supplementary and additional information as listed in the table of contents.

### Governance of the Authority

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

### Summary of The State of TheRide in 2025

Fiscal Year 2025 continued The Authority's post-pandemic stabilization, with a focus on restoring ridership, maintaining service reliability, and positioning the organization for the next phase of service expansion. The Authority continues to benefit from dedicated local property tax funding and diversified state and federal support, which provides capacity to make major capital investments while maintaining a strong liquidity position.

The Authority is focused on growing ridership by offering strategic expanded service enhancements and making investments in organizational efficiencies, underwritten by the millage backed service expansion which began in August 2024. In fiscal year 2024 The Authority began implementing its first phase of the long-range plan (TheRide 2045), approved by the Board of Directors in fiscal year 2022, replacing the former long-range plan known as the 5YTIP. Funding for this plan included a five-year property tax millage of 2.38 mills, and was approved by the voters of the Cities of Ann Arbor and Ypsilanti and Ypsilanti Township in August 2022. The new millage is a five-year millage spanning from summer 2024 through 2028 and supports service expansion plus enhancement, while funding the growing costs of historic levels of operation.

As demonstrated through the financial statements presented in this report, The Authority is financially stable. The Authority operated within the approved FY2025 budget, maintained more than adequate cash flow through the fiscal year, and ended the year with growth in net position. The approved millage increased property tax revenues, eliminating reliance on federal pandemic relief funds to support ongoing operations while providing the necessary funding for community backed service expansion. The Authority has reserve balances at or above target levels, has no debt or unfunded liabilities, and has dedicated property tax revenues through 2028.

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

### 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, 2025 and 2024 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, 2024 have been audited and are included herein for comparative purposes.

### Financial Highlights

Total assets increased from \$124.1 million at September 30, 2024 to \$144.4 million at September 30, 2025, an increase of \$20.3 million (16.4%). Net capital assets increased from \$36.9 million in 2024 to \$48.8 million in 2025, an increase of \$11.9 million (32.0%), as a roofing and HVAC rehabilitation was nearly completed and eleven buses were replaced. An increase of \$3.1 million (109.6%) in grants receivable is related to the increase of capital assets due to the purchase of these vehicles and the timing of funding availability. Cash and investments increased by \$5.4 million (7.0%).

Total net position increased from \$116.7 million in 2024 to \$135.0 million in 2025, an increase of \$18.3 million (15.7%). The primary driver was capital contributions of \$17.4 million in 2025 compared to \$1.7 million in 2024, related to capital asset additions. Unrestricted net position increased from \$79.6 million in 2024 to \$86.0 million in 2025, an increase of \$6.4 million (8.0%). This was primarily due to higher property tax revenues and lower than budgeted operating expenses.

Total operating revenues increased from \$3.8 million in 2024 to \$4.0 million in 2025, an increase of \$0.2 million (3.7%). Operating revenues consist primarily of passenger fares and special fare agreements. The increase was driven mainly by higher special fare activity, including the University of Michigan Mride program, offset somewhat by a reduction in urban fixed route revenue caused by the transition of the D2A2 service to the RTA. This 2024 D2A2 passenger fare revenue was fully offset by additional expenses though, yielding a net impact of zero to the Authority.

Total nonoperating revenues decreased from \$74.9 million in 2024 to \$67.4 million in 2025, a decrease of \$7.5 million (10.0%). The decrease was driven primarily by lower governmental assistance as prior-year finite sources (ARP/CARES Act and RTA D2A2 funding) ended in 2024. Local nonoperating revenues increased otherwise due to higher property tax levies and purchase-of-service agreements, while state assistance declined largely due to prior-year formula adjustments.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Total operating expenses increased from \$65.2 million in 2024 to \$70.4 million in 2025, an increase of \$5.2 million (8.0%). The increase was driven primarily by higher labor and fringe benefit costs associated with expanded service, including operators' wages of \$12.8 million in 2025 compared to \$11.5 million in 2024. Insurance premiums, materials and supplies also increased during the year. These increases were partially offset by lower purchased transportation and depreciation expense.

### 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, 2025, 2024 and 2023 follows (in thousands):

	Net Position		
	2025	2024	2023
<b>Assets</b>			
Current assets	\$ 95,329	\$ 86,917	\$ 66,497
Noncurrent assets	292	216	56
Capital assets, net	48,758	36,932	41,125
	<u>144,379</u>	<u>124,065</u>	<u>107,678</u>
<b>Deferred outflows of resources</b>	<u>64</u>	<u>75</u>	<u>148</u>
<b>Liabilities</b>			
Other liabilities	7,068	5,267	4,260
Noncurrent liabilities	1,880	1,569	1,408
	<u>8,948</u>	<u>6,836</u>	<u>5,668</u>
<b>Deferred inflows of resources</b>	<u>482</u>	<u>587</u>	<u>649</u>
<b>Net position</b>			
Net investment in capital assets	48,758	36,932	41,125
Restricted	292	216	56
Unrestricted	85,963	79,569	60,328
<b>Total net position</b>	<u>\$ 135,013</u>	<u>\$ 116,717</u>	<u>\$ 101,509</u>

At September 30, 2025, the Authority's net position was \$135.0 million, compared to \$116.7 million at September 30, 2024.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Beginning in 2021, the Authority established a capital projects reserve, an operating reserve requirement and a workers' compensation insurance reserve. In 2025, the Authority has established a vehicle damage reserve in lieu of costly insurance that was never utilized in practice, but was expensed annually. The amount in this new reserve is meant to replace one large bus in the unlikely event of the total loss of a vehicle that size and with that level of cost associated with it. The total net position includes an unrestricted net position of \$86.0 million of which \$47.7 million is designated by the board of directors to reserves, leaving \$38.3 million uncommitted. Of the board-designated unrestricted net position, the funds are reserved as follows (in thousands):

Capital Projects Reserve	\$	33,260
Operating Reserve		12,905
Vehicle Damage Reserve		1,000
Worker's Compensation Reserve		500
	\$	<u>47,665</u>

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

The Authority maintains a postretirement healthcare plan and life insurance plan (the "Plan") and adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This Standard requires the Authority to recognize the expense related to these healthcare and life insurance benefits on an actuarially determined basis to better match the expense of the benefits with the period in which employees earn the benefit instead of a "pay as you go" basis. The overfunded actuarial accrued asset for the Plan was \$292,434 as of September 30, 2025, based on the most recent measurement date. This asset increased about \$76,496 (35.4%) from the prior year, which reflected an asset of \$215,938, primarily because of changes to the demographic experience and updates to the per-capita claims and contribution rates. See Note 15 for more information.

The total assets and deferred outflows of the Authority exceeded its total liabilities and deferred inflows by \$135.0 million (net position) as of September 30, 2025. Of this amount, \$86.0 million (unrestricted net position) may be used to fund future operations and meet future obligations of the Authority. The summer 2025 property tax levies of \$40.4 million have been included in nonoperating revenues for the year ended September 30, 2025, even though three quarters of this funding will be needed to help support operations from October 1, 2025 to June 30, 2026.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

### 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, 2025, 2024 and 2023 is as follows (in thousands):

	Change in Net Position		
	2025	2024	2023
Operating revenues	\$ 3,965	\$ 3,823	\$ 4,315
Operating expenses	(70,444)	(65,200)	(61,821)
<b>Operating loss</b>	<b>(66,479)</b>	<b>(61,377)</b>	<b>(57,506)</b>
Nonoperating revenues	67,387	74,891	61,391
Change in net position before capital contributions	908	13,514	3,885
Net capital contributions	17,388	1,694	6,281
Change in net position	18,296	15,208	10,166
<b>Net position, beginning of year</b>	<b>116,717</b>	<b>101,509</b>	<b>91,343</b>
<b>Net position, end of year</b>	<b>\$ 135,013</b>	<b>\$ 116,717</b>	<b>\$ 101,509</b>

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 \$70.4 million include operations (\$46.5 million), fleet and facility maintenance (\$10.3 million) and general administration (\$13.7 million). The largest portion of all expenses is employee wages and fringe benefits of about \$35.9 million, 51.0% 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 of \$17.4 million were recognized in fiscal year 2025, reflecting federal, state, and local grant funding applied to capital assets placed in service or under construction during the year. Grant funded expenditures incurred during fiscal year 2025 totaled approximately \$7.7 million for the 11 bus replacements and \$7.9 million for facility roof and HVAC projects, with the remaining minor construction activities for them expected to be completed in fiscal year 2026. Capital contributions are reported as nonoperating revenue in the Statements of Revenues, Expenses and Changes in Net Position.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

### Statement of Operating Budget to Actual

A summary of the Authority's revenues and expenses compared to the Board of Directors' approved operating budget for the fiscal year ended September 30, 2025 is as follows (in thousands):

	Change in Net Position			
	Budget	Actual	Variance (\$)	Variance (%)
<b>Budgetary operating revenues</b>				
Passenger Fare	\$ 3,801	\$ 3,965	\$ 165	4.3%
Local Property Tax	37,495	40,444	2,949	7.9%
POSA & Other Governmental	2,940	3,179	239	8.1%
State Operating Assistance	22,199	18,551	(3,647)	-16.4%
Other Federal Programs	1,446	1,651	205	14.2%
Advertising, Interest & Other	1,909	3,562	1,653	86.6%
<b>Total budgetary operating revenues</b>	<b>\$ 69,789</b>	<b>\$ 71,352</b>	<b>\$ 1,564</b>	<b>2.2%</b>
<b>Budgetary operating expenses</b>				
Salaries, Wages and Benefits	\$ 37,984	\$ 35,742	\$ 2,242	5.9%
Purchased Transportation	13,555	13,414	141	1.0%
Fuel	3,417	2,387	1,030	30.2%
Materials & Supplies	4,260	3,910	350	8.2%
Contracted Services	4,957	4,712	245	5.0%
Utilities	930	955	(26)	-2.8%
Casualty & Liability Insurance	2,121	2,245	(124)	-5.8%
Other	1,494	1,540	(46)	-3.1%
<b>Total budgetary operating expenses</b>	<b>\$ 68,717</b>	<b>\$ 64,904</b>	<b>\$ 3,813</b>	<b>5.5%</b>
<b>Operating surplus/deficit</b>	<b>\$ 1,072</b>	<b>\$ 6,449</b>		
Depreciation expense		(5,540)		
<b>Change in net position before capital contributions</b>		<b>\$ 908</b>		

Operating revenues were \$1.6 million favorable to budget. Property tax revenues were much higher than budget due to greater than anticipated assessment values (5.3% vs. 3.0%). The deficit of state operating assistance to budget was predominantly offset by this favorable variance, along with favorable interest income and passenger fares.

Operating expenses were \$3.8 million favorable to budget, driven primarily by vacant positions, lower-than-anticipated benefits costs and favorable fuel prices compared to budget.

The Statement of Operating Budget to Actuals is presented on the Authority's budgetary basis and does not match GAAP, which is used for the basic financial statements in the following section. In addition to timing and classification differences, the budget presentation excludes GAAP effects related to capital assets, depreciation, and capital contributions, which are reported in the basic financial statements. Depreciation is shown separately above to help the reader bridge the budgetary operating surplus or deficit to the GAAP change in net position before capital contributions.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

### Capital Assets

The Authority continues to invest in facilities and equipment. In 2025, the Authority continued investing in replacement buses and completed the lion's share of a large roofing and HVAC renovation at Dawn Gabay Operations Center (DGOC). The Authority's largest capital investments include vehicles and related equipment, net of depreciation, of \$24.2 million in 2025 and \$20.7 million in 2024; along with land and buildings, net of depreciation, of \$14.4 million in 2025 and \$15.0 million in 2024. Construction in progress, including the HVAC and roofing renovations at DGOC, increased to \$10.2 million in 2025 from \$1.3 million in 2024.

Depreciation expense decreased \$351,000 (6.0%) in 2025 compared to 2024 because several assets reached the end of their useful lives in the prior year, while others were in their final year of depreciation during 2025 and therefore only incurred partial-year depreciation. In addition, a significant portion of 2025 capital investments, most notably the HVAC and roofing renovations, remain classified as construction in progress and are not yet being depreciated. Once these assets are placed into service, depreciation expense is expected to increase.

### Economic Factors and Next Year's Budget (Fiscal Year 2026)

The Authority's fiscal year 2026 Operating and Capital Budgets were adopted in September 2025. The fiscal year 2026 operating budget is net neutral, with operating revenues and operating expenses each budgeted at \$71.5 million (operating revenues 2.4% higher and expenses 4.0% higher than the fiscal year 2025 budget, respectively).

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

The following assumptions are expected to have a meaningful impact on fiscal year 2026 financial performance:

- Continued delivery of the expanded fixed route service that began in August 2024 (increased frequency and extended hours).
- Ongoing investments in workforce recruitment, training, and retention.
- Continued focus on refining operations and improving the rider experience, including work that supports the Authority's long range plan.
- No fare changes.
- No reliance on capital grant funding to support ongoing operating costs.

State operating assistance remains a significant revenue source and is funded through the Michigan Transportation Fund. When the fiscal year 2026 budget was prepared, MDOT's summer guidance suggested an LBO reimbursement rate of 26.04% of eligible expenses. Since the budget was adopted, the State's LBO reimbursement rate for eligible expenses has increased to 29.46% for the fiscal year. This change improves the Authority's 2026 revenue outlook compared to the assumptions available during budget development.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Local funding, primarily property taxes, continues to be the Authority's largest and most stable source of operating revenue. Property taxes and state operating assistance together represent approximately 85% of operating revenues. The fiscal year 2026 budget assumes continued taxable value growth consistent with recent trends, while recognizing that actual growth is sensitive to broader economic conditions and the timing of major assessment changes.

The Authority's dedicated property tax levy of 2.38 mills, approved by voters in August 2022, is expected to continue to be levied annually through summer 2028 and provides a stable base for the Authority's service plan. While the Authority's longer range forecast remains stable, the fiscal year 2026 budget reflects a conservative stance with regards to major revenue sources and necessary operating expenses. In addition, the Authority's collective bargaining agreement with the TWU (Transport Workers Union) expires in March 2026, and contract outcomes may affect wage and benefit costs in fiscal year 2026 and beyond. For public transit agencies nationally, ridership has continued to recover but has not fully returned to pre pandemic levels. Cost pressures also remain material, especially labor, insurance, and fleet procurement costs. Management will monitor these factors throughout fiscal year 2026 and recommend budget amendments if needed.

The fiscal year 2026 capital budget totals \$24.9 million and continues the Authority's focus on state of good repair needs and priority initiatives. The most significant costs impacting FY2026 are renovations to the Ypsilanti and Blake Transit Centers, commitments to maintain fleet and facilities in a state of good repair, renovations to the Dawn Gabay Operations Center, and planning plus project development for a bus facility.

### 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.

### 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](http://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 "2025" (or a previous year as far back as 2005) for the Year and "Authority, Drain District" for the municipality Type. Then you can select the "Ann Arbor Area Transportation Authority" for the municipality.

**This page intentionally left blank.**

## **BASIC FINANCIAL STATEMENTS**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Net Position

	September 30	
	2025	2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 63,217,431	\$ 58,605,934
Investments	19,758,005	18,952,633
Accounts receivable, net	377,251	623,783
Grants receivable	5,912,631	2,821,265
Other receivables, net	2,102,677	1,939,332
Inventory	1,875,725	1,513,775
Prepaid expenses	2,085,217	2,460,533
Total current assets	<u>95,328,937</u>	<u>86,917,255</u>
Noncurrent assets:		
Net OPEB asset	292,434	215,938
Capital assets		
Land and improvements	2,270,821	2,270,821
Park and Ride lot construction	5,798,905	5,775,005
Buildings and improvements	30,740,121	30,625,815
Equipment and other	80,984,278	74,840,323
Construction in progress	10,214,722	1,292,461
Total capital assets	<u>130,008,847</u>	<u>114,804,425</u>
Less accumulated depreciation	<u>81,251,197</u>	<u>77,872,790</u>
Net capital assets	<u>48,757,650</u>	<u>36,931,635</u>
Total noncurrent assets	<u>49,050,084</u>	<u>37,147,573</u>
<b>Total assets</b>	<u>144,379,021</u>	<u>124,064,828</u>
<b>Deferred outflow of resources</b>		
Deferred OPEB amounts	<u>64,245</u>	<u>75,511</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	5,621,564	4,030,563
Accrued payroll	1,111,588	893,569
Accrued compensated absences, current portion	232,403	193,958
Other accrued expenses	17,950	30,757
Unearned revenue	84,314	117,867
Total current liabilities	<u>7,067,819</u>	<u>5,266,714</u>
Noncurrent liabilities:		
Accrued compensated absences	<u>1,880,348</u>	<u>1,569,295</u>
<b>Total liabilities</b>	<u>8,948,167</u>	<u>6,836,009</u>
<b>Deferred inflows of resources</b>		
Deferred OPEB amounts	<u>482,362</u>	<u>587,333</u>
<b>Net position</b>		
Investment in capital assets	48,757,650	36,931,635
Restricted for OPEB	292,434	215,938
Unrestricted	85,962,653	79,569,424
<b>Total net position</b>	<u>\$ 135,012,737</u>	<u>\$ 116,716,997</u>

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Revenues, Expenses and Changes in Net Position

	Years Ended September 30,	
	2025	2024
<b>Operating revenues</b>	\$ 3,965,335	\$ 3,822,673
<b>Operating expenses</b>		
Operations	46,451,485	43,836,258
Maintenance	10,330,776	9,333,404
General administration	13,662,071	12,030,506
Total operating expenses	<u>70,444,332</u>	<u>65,200,168</u>
<b>Operating loss</b>	<u>(66,478,997)</u>	<u>(61,377,495)</u>
<b>Nonoperating revenues</b>		
Local	47,184,732	44,865,088
State	18,551,252	20,342,774
Federal	1,650,792	9,682,743
Total nonoperating revenues	<u>67,386,776</u>	<u>74,890,605</u>
<b>Change in net position before capital contributions</b>	907,779	13,513,110
<b>Capital contributions - federal, state and local</b>	<u>17,387,961</u>	<u>1,694,416</u>
Change in net position	18,295,740	15,207,526
Net position, beginning of year	<u>116,716,997</u>	<u>101,509,471</u>
<b>Net position, end of year</b>	<u>\$ 135,012,737</u>	<u>\$ 116,716,997</u>

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Cash Flows

	For the Year Ended September 30	
	2025	2024
<b>Cash flows from operating activities</b>		
Receipts from transit operations	\$ 2,371,121	\$ 3,065,376
Payments for salaries and wages and fringe benefits	(35,532,861)	(31,162,058)
Payments to suppliers	(11,700,270)	(11,744,286)
Payments for claims and insurance	(2,082,416)	(1,792,163)
Payments for purchased transportation	(11,758,421)	(12,345,843)
<b>Net cash used in operating activities</b>	<u>(58,702,847)</u>	<u>(53,978,974)</u>
<b>Cash flows from noncapital financing activities</b>		
Nonoperating revenues:		
Local	47,187,005	44,639,407
State	17,601,813	21,405,324
Federal	2,751,962	11,328,323
<b>Net cash provided by noncapital financing activities</b>	<u>67,540,780</u>	<u>77,373,054</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(17,383,352)	(1,697,660)
Capital contributed by state and federal grants	14,144,864	1,694,416
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(3,238,488)</u>	<u>(3,244)</u>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(21,332,822)	(16,246,845)
Proceeds from sale and maturities of investment securities	17,769,094	14,547,196
Interest income	2,575,780	2,143,434
<b>Net cash (used in) provided by investing activities</b>	<u>(987,948)</u>	<u>443,785</u>
<b>Net change in cash and cash equivalents</b>	4,611,497	23,834,621
Cash and cash equivalents, beginning of year	58,605,934	34,771,313
<b>Cash and cash equivalents, end of year</b>	<u>\$ 63,217,431</u>	<u>\$ 58,605,934</u>

continued...

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Cash Flows

	For the Year Ended September 30	
	2025	2024
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (66,478,997)	\$ (61,377,495)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	5,540,742	5,891,400
Changes in assets and liabilities which provided by (used in) cash:		
Accounts receivable	246,532	987,264
Inventory	(361,950)	(133,100)
Deferred outflows	11,266	72,726
Prepaid expenses	375,316	(356,088)
Payables	1,591,001	527,597
Accrued payroll	218,019	451,147
Other accrued expenses	155,224	(42,425)
<b>Net cash used in operating activities</b>	<u>\$ (58,702,847)</u>	<u>\$ (53,978,974)</u>
<b>Supplemental cash flows disclosures:</b>		
Noncash transactions:		
Subcontracted revenue - urban demand response (Note 13)	189,533	178,906
Nonurban - passenger fares and other governmental sources	1,651,213	1,565,655
	<u>\$ 1,840,746</u>	<u>\$ 1,744,561</u>
Noncash investing and capital and related financing activities:		
Increase in fair value of investments	<u>\$ 199,171</u>	<u>\$ 462,376</u>
		concluded

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Fiduciary Net Position Other Postemployment Trust Fund - Fiduciary Fund

	For the Year Ended September 30	
	2025	2024
<b>Assets:</b>		
Cash	\$ -	\$ -
Investments - MERS Collective Trust	1,095,338	997,940
Total assets	<u>1,095,338</u>	<u>997,940</u>
<b>Liabilities</b>	<u>-</u>	<u>-</u>
<b>Net position</b>		
Restricted for postemployment benefits other than pension	<u>\$ 1,095,338</u>	<u>\$ 997,940</u>

See notes to financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Changes in Fiduciary Net Position Other Postemployment Trust Fund - Fiduciary Fund

	For the Year Ended September 30	
	2025	2024
<b>Additions:</b>		
Employer contributions	\$ 37,203	\$ 31,450
Investment income	99,519	149,512
Total additions	<u>136,722</u>	<u>180,962</u>
<b>Deductions:</b>		
Benefit payments	37,203	31,450
Administrative expenses	2,121	1,942
Total deductions	<u>39,324</u>	<u>33,392</u>
<b>Net increase in net position</b>	97,398	147,570
Net position, beginning of year	<u>997,940</u>	<u>850,370</u>
<b>Net position, end of year</b>	<u>\$ 1,095,338</u>	<u>\$ 997,940</u>

See notes to financial statements.

**This page intentionally left blank.**

## **NOTES TO FINANCIAL STATEMENTS**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of the Organization

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

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

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

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

#### Significant Accounting Policies

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

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

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

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

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

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

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

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

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

**Compensated Absences** - Compensated absences are accrued employee vacation and sick leave time. A liability is recognized for leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The portion expected to be used or paid within one year is classified as a current liability, and the remainder is reported as noncurrent. The remainder of the accrual is reported as a noncurrent liability. The accrual for compensated absences amounts to \$2,112,751 and \$1,763,253 for the years ended September 30, 2025 and 2024, respectively.

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

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

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

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

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

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

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

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

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

**Net Position** is displayed in three components as follows:

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

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

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

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

## 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, 2025.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

The latest “final” determination of State of Michigan operating assistance allocable to the Authority in accordance with the Act 51 funding formula was for the fiscal year ended September 30, 2021. 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, 2022, 2023 and 2024. The Authority has not recorded any estimated aggregate receivable or liability as of September 30, 2025 based on management’s anticipation of the results of the State’s final determination of the Act 51 funding formula for the open years, other than the receivable or liability already recorded based on the MDOT’s preliminary eligible expenses reimbursement percentage for the open year.

### 3. CASH AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2025 and 2024:

	2025	2024
<b>Statements of Position:</b>		
Cash	\$ 63,217,431	\$ 58,605,934
Investments	19,758,005	18,952,633
	<u>\$ 82,975,436</u>	<u>\$ 77,558,567</u>
<b>Deposits and Investments:</b>		
Bank deposits (checking and savings)	\$ 63,211,988	\$ 58,601,231
U.S. government investments	19,758,005	18,952,633
Cash on hand	5,443	4,703
	<u>\$ 82,975,436</u>	<u>\$ 77,558,567</u>

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

- Certificates of deposit with funds initially invested through a Federal Deposit Insurance Corporation (FDIC) financial institution that maintains a principal office or branch office located in the State of Michigan. This financial institution, acting as custodian, may arrange the investment of funds in certificates of deposit in one or more FDIC insured depository institutions throughout the United States if the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States. The total investment (exclusive of checking accounts) in any one financial institution shall not exceed the lesser of 20% of that financial institution’s capital and surplus or \$4,000,000. The Authority had no certificates of deposits as of September 30, 2025 and 2024.
- Bonds and other direct obligations of the United States or any agency thereof with a maturity of three years or less.
- Governmental (Govt.) Mutual Funds operated by any of the banks listed above which invest only in authorized investments for local units of Government under State Law and which offer daily liquidity.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

As of September 30, 2025, the Authority had the following investments.

Investment	Maturity	Fair Value	Rating
U.S. Govt. Agency	2/24/2025 - 1/22/2026	\$ 11,466,540	Moody's Aa1
U.S. Treasury	10/31/2024-2/20/2025	7,886,883	Moody's Aa1
U.S. Govt. Money Market	N/A	<u>404,582</u>	Moody's Aaa-mf
	<b>Total</b>	<u>\$ 19,758,005</u>	

### Investment and Deposit Risk

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

At September 30, 2025, the Authority had the following investments and maturities:

	Carrying Value	0-1 Year	1-3 Years
U.S. Govt. Agency	\$ 11,466,540	\$ 2,743,054	\$ 8,723,486
U.S. Treasury	\$ 7,886,883	\$ 2,480,664	\$ 5,406,219

**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, 2025.

**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, 2025, \$8,282,136 of the Authority's bank balance of \$63,285,180 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

### 4. FAIR VALUE MEASUREMENTS

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

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

The Authority has the following recurring fair value measurements as of September 30, 2025 and 2024:

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

In addition, the Other Postemployment Trust (Fiduciary) Fund holds shares or interest in an investment pool (MERS Total Market Portfolio), whereby the value of the investments is measured in a recurring basis using net asset value (NAV) per share (or its equivalent). As of September 30, 2025 and 2024, the fair value of the assets was \$1,095,338 and \$997,940, respectively. The Michigan Municipal Employees' Retirement Systems (MERS), as a governmental plan, is exempt by state and federal law from registration with the Securities Exchange Commission (SEC).

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 5. GRANTS RECEIVABLES

The Authority recognizes a receivable under approved grants as related project expenditures are incurred and the grant revenue earned. Grant refunds payable represent amounts to be returned to the grantor. The amount remaining on each current grant is listed on the additional information – schedule of expenditures of federal and state awards - on pages 50 and 51. The following grant amounts were outstanding at September 30:

	2025	2024
<b>Michigan Department of Transportation:</b>		
Operating assistance	\$ 287,121	\$ 1,006,311
Capital cost of contracting	129,355	28,290
Planning	28,263	33,151
Preventive maintenance	35,088	7,895
Buses and related equipment	843,458	74,215
Computer hardware and software	17,441	11,613
Enhanced Mobility (Section 5310)	44,874	-
Facilities	747,895	22,581
<b>Federal Transit Administration:</b>		
Operating assistance	14,877	1,116,047
Capital cost of contracting	164,022	111,440
Preventive maintenance	44,022	15,580
Vehicles	2,846,752	158,900
Facilities	616,701	10,126
Enhanced Mobility (Section 5310)	20,206	83,335
Planning	72,556	108,516
Computer hardware and software	-	33,265
<b>Grants Receivable</b>	<b>\$ 5,912,631</b>	<b>\$ 2,821,265</b>

### 6. OTHER RECEIVABLES

Other receivables consist of the following amounts at September 30:

	2025	2024
City of Ann Arbor - property tax levy	\$ 909,596	\$ 930,325
City of Ypsilanti - property tax levy	1,243,122	1,080,700
Charter Township of Ypsilanti - property tax levy	303,945	321,211
	<u>2,456,663</u>	<u>2,332,236</u>
Less allowance for doubtful accounts	(353,986)	(392,904)
<b>Total</b>	<b>\$ 2,102,677</b>	<b>\$ 1,939,332</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2025 is as follows:

	Balance September 30, 2024	Additions/ Reclassifica- tions	Deletions/ Reclassifica- tions	Balance September 30, 2025
Capital assets, not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	1,292,461	8,922,261	-	10,214,722
<b>Total capital assets not being depreciated</b>	<b>3,563,282</b>	<b>8,922,261</b>	<b>-</b>	<b>12,485,543</b>
Capital assets, being depreciated:				
Park and ride lot construction	5,775,005	23,900	-	5,798,905
Buildings	30,625,815	114,306	-	30,740,121
Vehicles and related equipment	61,286,179	8,065,461	2,178,930	67,172,710
Radio and telephone equipment	290,848	-	-	290,848
Fare collection equipment	1,041,909	-	-	1,041,909
Maintenance equipment	906,812	50,683	-	957,495
Office equipment and furniture	5,455,392	102,112	-	5,557,504
Passenger shelters	1,752,211	104,629	-	1,856,840
Other	783,812	-	-	783,812
Advanced operating system	3,323,160	-	-	3,323,160
<b>Total capital assets being depreciated</b>	<b>111,241,143</b>	<b>8,461,091</b>	<b>2,178,930</b>	<b>117,523,304</b>
Less accumulated depreciation for:				
Park and ride lot construction	2,976,251	109,901	-	3,086,152
Buildings	20,718,623	646,986	-	21,365,609
Vehicles and related equipment	43,071,747	3,979,387	2,162,335	44,888,799
Radio and telephone equipment	282,666	4,306	-	286,972
Fare collection equipment	1,028,689	4,423	-	1,033,112
Maintenance equipment	719,010	50,236	-	769,246
Office equipment and furniture	3,457,874	644,498	-	4,102,372
Passenger shelters	1,563,671	54,193	-	1,617,864
Other	759,220	18,692	-	777,912
Advanced operating system	3,295,039	28,120	-	3,323,159
<b>Total accumulated depreciation</b>	<b>77,872,790</b>	<b>5,540,742</b>	<b>2,162,335</b>	<b>81,251,197</b>
<b>Total capital assets being depreciated, net</b>	<b>33,368,353</b>	<b>2,920,349</b>	<b>16,595</b>	<b>36,272,107</b>
<b>Total capital assets, net</b>	<b>\$ 36,931,635</b>	<b>\$ 11,842,610</b>	<b>\$ 16,595</b>	<b>\$ 48,757,650</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

At September 30, 2025, the Authority had active construction contracts in progress. Costs incurred related to these contracts are included in construction in progress. Remaining contractual commitments on these projects at September 30, 2025 were approximately \$907,485. Other construction commitments at year end were not material. Material active construction contract activity at September 30, 2025 is as follows:

Project/Vendor	Contracts at September 30, 2025	Costs Incurred at September 30, 2025	Remaining Commitment
DGOC HVAC, Warren Systems	\$ 4,646,073	\$ 4,054,645	\$ 591,428
DGOC Roofing, Division 7	3,716,049	3,399,992	316,057
<b>Total active construction contracts</b>	<b>\$ 8,362,122</b>	<b>\$ 7,454,637</b>	<b>\$ 907,485</b>

## 8. UNEARNED REVENUE

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

	2025	2024
Federal capital	\$ 68,451	\$ 95,294
State capital	15,863	22,573
<b>Total</b>	<b>\$ 84,314</b>	<b>\$ 117,867</b>

## 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 \$1,070,164 and \$974,973 for the years ended September 30, 2025 and 2024. The Authority's contribution to the plan is 9% of the employees' gross earnings, less forfeitures. Authority contributions amounted to \$1,924,402 and \$1,755,420 for the years ended September 30, 2025 and 2024, respectively. Total payroll and covered payroll was \$25,107,757 and \$21,382,242 for 2025 and \$22,336,882 and \$19,504,666 for 2024.

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 10. PROPERTY TAXES

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

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

Property tax revenues received by the Authority for the years ended September 30, 2025 and 2024 totaled \$40,443,845 and \$38,453,212, respectively.

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

### 11. PROPERTY TAX ABATEMENTS

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

### 12. RISK MANAGEMENT

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

### 13. SUBCONTRACT SERVICE

The Authority subcontracts with other transportation companies to provide certain services. The Authority pays the companies fees based on the level of service provided, and the companies collect and retain the passenger fares as an advance against the monthly billings. Operating revenues and operating expenses include \$189,533 and \$178,906 of fares for these services in the years ended September 30, 2025 and 2024, respectively. These amounts are disclosed as noncash transactions on the Statements of Cash Flows.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 14. COST ALLOCATION PLANS

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

### 15. POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

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

**Contributions.** The Authority contributes 100 percent of the actual monthly costs for current benefits and administrative expenses to the plan (pay-as-you-go funding). For the fiscal year ended September 30, 2025, the Authority paid postemployment health care benefit premiums and life insurance premiums of \$37,203.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**Net OPEB Liability (Asset).** The net OPEB asset was measured as of September 30, 2025. The September 30, 2025 total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2024 that has used procedures to roll information forward to the measurement date. See 'Assumption Changes' below.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB (Asset)
<b>Changes in Net OPEB (Asset) Liability:</b>			
Balance at October 1, 2024	\$ 782,002	\$ 997,940	\$ (215,938)
Changes for the year:			
Service Cost	9,787	-	9,787
Interest	50,257	-	50,257
Contributions - Employer	-	37,203	(37,203)
Difference between expected and actual experience	(7,092)	-	(7,092)
Changes in assumptions	5,153	-	5,153
Net investment earnings	-	99,519	(99,519)
Benefit payments, including refunds	(37,203)	(37,203)	-
Administrative expenses	-	(2,121)	2,121
Net Changes	<u>20,902</u>	<u>97,398</u>	<u>(76,496)</u>
<b>Balance at September 30, 2025</b>	<b><u>\$ 802,904</u></b>	<b><u>\$1,095,338</u></b>	<b><u>\$(292,434)</u></b>

The plan's fiduciary net position represents 136% of the total OPEB liability.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.** For the year ended September 30, 2025, the Authority recognized an OPEB income of \$132,798.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,127	\$ 191,333
Changes in assumption	54,118	225,558
Net difference between projected and actual earnings	-	65,471
Total	<u>\$ 64,245</u>	<u>\$ 482,362</u>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

Year Ending September 30:	
2026	\$ (122,424)
2027	(157,540)
2028	(105,754)
2029	(24,180)
2030	(6,356)
2031 and years after	(1,863)
Total	<u>\$ (418,117)</u>

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

Actuarial valuation date	September 30, 2024
Actuarial cost method	Individual Entry Age Normal as a Level % of Payroll
Asset valuation method	Market value of assets
Discount rate - measurement period ending September 30, 2025	6.50%
Annual wage increases	3.00%
Price inflation	2.50%
Investment rate of return	6.50%
Health care cost trend rate	5.5% for 2024, declining .25% from 2025 and thereafter
Mortality	Pub-2010 General Mortality Table with rates multiplied by 106% and using Scale MP-2021 Based on an experience study conducted from 2019-2023

**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*	4.50%
Administrative Expenses Paid from the Trust	0.21%
Fiscal year in which fiduciary net position is projected to be depleted	N/A
Single Equivalent interest rate	6.50%
*(S&P Municipal Bond 20-year high grade rate index)	

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

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

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

	Target Allocation	Inflation	Real Rate of Return
Global Equity	60%	2.50%	4.06%
Global Fixed Income	20%	2.50%	1.95%
Private Investments	20%	2.50%	5.87%

The portfolio allocation and assumptions stated above was at the time of plan measurement date (September 30, 2025).

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

	1% Decrease	Current 6.5%	1% Increase
Net OPEB Asset	\$ (196,224)	\$ (292,434)	\$ (372,518)

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

	1% Decrease	Current 5.5%	1% Increase
Net OPEB Asset	\$ (316,529)	\$ (292,434)	\$ (265,228)

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

The annual money-weighted rate of return on OPEB plan investments are calculated at the internal rate of return on OPEB plan investments, net of OPEB plan investment expense. The money-weighted rate of return expresses investment performance, net of OPEB investment expense, adjusted for the changing amounts actually invested. The money-weighted rate of return on investments was 9.98% through September 30, 2025.

**Assumption Changes.** Changes in assumptions for the OPEB Plan as of September 30, 2025 (measurement date) from the valuation date of September 30, 2024, are as below:

- Municipal bond index rate increased from 4.06% to 4.50%.
- Mortality improvement scale is now based on a survey from 2019-2023

### 16. HEALTH CARE SAVINGS PLAN

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

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

Effective April 1, 2022, the Authority made pretax contributions of \$175 each month into each eligible employee's HCSP account. From January 1, 2021 to March 31, 2022, the Authority made pretax contributions of \$155 each month into each eligible employee's HCSP account. The employees shall make a mandatory monthly pretax contribution of \$10 per pay period. Employees may make voluntary pre-tax contributions to the HCSP to the extent allowable by the HCSP or by law. Employer contributions for the year ended September 30, 2025 amounted to \$687,050, of which \$225,987 was covered by forfeitures and the remaining \$461,063 was paid directly by the Authority. Employer contributions was \$599,550 for the year ended September 30, 2024. Employee contributions amounted to \$122,689 and \$100,720 for the years ended September 30, 2025 and 2024, respectively.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 17. NEW ACCOUNTING STANDARD

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 provisions of this statement were effective for the Authority's financial statements for the year ending September 30, 2025. As a result, the liability for compensated absences has been calculated to comply with this new pronouncement. The effects of this adoption of a new accounting pronouncement did not result in a restatement of prior period financial statements and had an immaterial impact on the financial statements as a whole.

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

### 18. UPCOMING ACCOUNTING AND REPORTING CHANGES

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

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

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ■ Notes to Financial Statements

In December 2025, the Government Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The provisions of this statements are effective for the Authority's financial statements for the year ending September 30, 2027.

### 19. SUBSEQUENT EVENTS

The Authority has performed a review of events subsequent to the statements of net position date through January 22, 2026, the date the financial statements were available to be issued.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

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

	For Fiscal Year Ending							
	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
<b>Total OPEB Liability</b>								
Service cost	\$ 9,787	\$ 8,508	\$ 8,260	\$ 7,699	\$ 14,567	\$ 19,247	\$ 18,778	\$ 4,640
Interest	50,257	51,144	50,334	61,403	51,532	68,575	68,282	27,287
Benefit payments, including refunds	(37,203)	(31,450)	(31,526)	(64,403)	(90,136)	(61,831)	(98,450)	(117,666)
Differences between expected and actual experience	(7,092)	(39,765)	(99,448)	(113,364)	31,587	(152,039)	0	0
Changes in assumptions	5,153	(483)	84,554	(78,633)	(303,122)	(303,061)	0	0
Net Change in Total OPEB Liability	20,902	(12,046)	12,174	(187,298)	(295,572)	(429,109)	(11,390)	(85,739)
Total OPEB Liability - Beginning of year	782,002	794,048	781,874	969,172	1,264,744	1,693,853	1,705,243	1,790,982
<b>Total OPEB Liability - End of Year</b>	<b>\$ 802,904</b>	<b>\$ 782,002</b>	<b>\$ 794,048</b>	<b>\$ 781,874</b>	<b>\$ 969,172</b>	<b>\$ 1,264,744</b>	<b>\$ 1,693,853</b>	<b>\$ 1,705,243</b>
<b>Plan Fiduciary Net Position</b>								
Net investment income	\$ 99,519	\$ 149,512	\$ 90,047	\$ (118,319)	\$ 72,716	\$ 37,321	\$ 6,555	\$ 2,757
Employer contributions	37,203	31,450	31,526	64,403	90,136	61,831	758,450	117,666
Benefit payments	(37,203)	(31,450)	(31,526)	(64,403)	(90,136)	(61,831)	(98,450)	(117,666)
Administrative expenses	(2,121)	(1,942)	(1,604)	(1,540)	(1,545)	(1,424)	(231)	(258)
Net Change in Plan Fiduciary Net Position	97,398	147,570	88,443	(119,859)	71,171	35,897	666,324	2,499
Plan Fiduciary Net Position - Beginning of year	997,940	850,370	761,927	881,786	810,615	774,718	108,394	105,895
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 1,095,338</b>	<b>\$ 997,940</b>	<b>\$ 850,370</b>	<b>\$ 761,927</b>	<b>\$ 881,786</b>	<b>\$ 810,615</b>	<b>\$ 774,718</b>	<b>\$ 108,394</b>
<b>Net OPEB (Asset) Liability - End of Year</b>	<b>\$ (292,434)</b>	<b>\$ (215,938)</b>	<b>\$ (56,322)</b>	<b>\$ 19,947</b>	<b>\$ 87,386</b>	<b>\$ 454,129</b>	<b>\$ 919,135</b>	<b>\$ 1,596,849</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	136.42%	127.61%	107.09%	97.45%	90.98%	64.09%	45.74%	6.36%
Covered Employee	\$ 25,107,757	\$ 22,336,882	\$ 21,242,580	\$ 16,075,956	\$ 16,579,071	\$ 15,718,897	\$ 16,826,037	\$ 16,567,739
Net OPEB (Asset) Liability as a Percentage of Covered Payroll	-1.16%	-0.97%	-0.27%	0.12%	0.53%	2.89%	5.46%	9.64%

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplementary information.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

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

Fiscal Year Ending	Actuarially Determined Contribution	Historical Contribution	Contribution Excess (Deficiency)	Covered Employee	Contributions as a Percentage of Covered Employee
9/30/2016	\$ 98,233	\$ 67,975	\$(30,258)	\$ 107,142	63.44%
9/30/2017	85,212	84,949	(263)	43,556	195.03%
9/30/2018	85,204	117,666	32,462	16,567,739	0.71%
9/30/2019	127,617	758,450	630,833	16,826,037	4.51%
9/30/2020	130,808	61,831	\$(68,977)	15,718,897	0.39%
9/30/2021	49,040	90,136	41,096	16,579,071	0.54%
9/30/2022	50,512	64,403	13,891	16,075,956	0.40%
9/30/2023	10,778	31,526	20,748	21,242,580	0.15%
9/30/2024	11,102	31,450	20,348	22,336,882	0.14%
9/30/2025	-	37,203	37,203	25,107,757	0.15%

**Notes to Schedule of Contributions**

Actuarial valuation information relative to the determination of contributions:

Valuation Date: September 30, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization period	Level percent of payroll - open 10 year amortization
Asset valuation method	Market
Inflation	2.5 percent
Healthcare cost trend rates	5.50 percent declining by .25 percent from 2025 and thereafter
Salary increase	3.0 percent
Investment rate of return	6.5 percent
Discount rate	59.5 years of age
Retirement age	Pub-2010 General Mortality Tables with rates multiplied by 106 percent and using Scale MP-2021
Mortality	

See notes to required supplemental information.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

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

	For Fiscal Year Ending									
	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018		
<b>Annual money-weighted rate of return- Net of investment expense</b>	9.98%	17.60%	11.83%	-13.43%	8.98%	4.82%	4.30%	2.61%		

Schedule is built prospectively upon implementation of GASB 75.

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

See notes to required supplemental information.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

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

YEAR ENDED SEPTEMBER 30, 2025

---

### A. CHANGES IN PLAN PROVISIONS SINCE PRIOR VALUATION

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

### B. CHANGES IN ASSUMPTIONS

#### FY 2025

- Municipal bond index rate increased from 4.06% to 4.50%.
- Mortality improvement scale is now based on a survey from 2019-2023

#### FY 2024

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

#### FY 2023

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

#### FY 2022

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

#### FY 2021

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

#### FY 2020

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

#### FY 2019

- No change in assumptions.



**This page intentionally left blank.**

**SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED  
SEPTEMBER 30, 2025**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

	Years Ended September 30,	
	2025	2024
<b>LOCAL OPERATING REVENUES:</b>		
<b>Passenger fares:</b>		
Urban fixed route	\$ 1,641,945	\$ 1,922,810
Urban demand response	263,334	263,255
Nonurban demand response	143,419	143,419
<b>Special fares:</b>		
City of Ann Arbor - DDA (go!pass)	377,680	346,386
City of Ann Arbor - DDA (NightRide)	2,504	1,298
Ann Arbor Public Schools	74,801	62,796
Eastern Michigan University	18,405	30,600
University of Michigan (Mride)	1,443,247	1,052,109
<b>Total Local Operating Revenues</b>	<b>\$ 3,965,335</b>	<b>\$ 3,822,673</b>
<b>LOCAL NONOPERATING REVENUES:</b>		
<b>Purchase of service agreements:</b>		
Pittsfield Township	\$ 817,317	\$ 740,316
Scio Township	683,472	497,071
Superior Township	121,547	105,835
D2A2	-	143,058
<b>Total purchase of service agreements</b>	<b>1,622,336</b>	<b>1,486,280</b>
City of Ann Arbor - property tax levy	34,642,354	32,818,086
City of Ypsilanti - property tax levy	1,406,985	1,385,902
Ypsilanti Township - property tax levy	4,394,506	4,249,224
City of Ann Arbor - Downtown Development Authority (GetDowntown)	80,900	71,778
Non-urban - Other governmental and local sources	1,415,348	1,493,740
Interest Income	2,774,951	2,605,810
Advertising income	195,023	315,844
Other revenue	468,883	189,642
Mobility management pass-through	60,000	120,000
Post-Retirement actuary adjustment	136,405	117,182
Gain (loss) on sale of equipment	(12,959)	11,600
<b>Total local nonoperating revenues</b>	<b>47,184,732</b>	<b>44,865,088</b>
<b>Total local operating and nonoperating revenues</b>	<b>51,150,067</b>	<b>48,687,761</b>
<b>STATE OF MICHIGAN NONOPERATING REVENUES:</b>		
Formula operating assistance - urban (Act 51)	17,366,013	17,783,065
Formula operating assistance - nonurban (Act 51)	1,197,982	1,630,417
Prior years formula adjustments - urban and nonurban	(322,531)	703,995
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310 - State Match)	111,809	-
Specialized services	197,979	225,297
<b>Total state nonoperating revenues</b>	<b>18,551,252</b>	<b>20,342,774</b>
<b>FEDERAL NONOPERATING REVENUES:</b>		
Unified planning program passed through SEMCOG (Section 5303/PL112)	117,314	132,306
RTA D2A2 program	-	2,192,216
Federal operating assistance - nonurban (Section 5311) - passed through the State	620,897	429,694
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310) ARP/CARES ACT	912,581	128,630
	-	6,799,897
<b>Total federal nonoperating revenues</b>	<b>1,650,792</b>	<b>9,682,743</b>
<b>TOTAL NONOPERATING REVENUES</b>	<b>\$ 67,386,776</b>	<b>\$ 74,890,605</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES YEAR ENDED SEPTEMBER 30, 2025 WITH COMPARATIVE TOTALS FOR 2024

	2025	2024
LABOR:		
Operators' salaries and wages	\$ 12,760,268	\$ 11,451,551
Other salaries and wages	9,638,695	8,236,180
FRINGE BENEFITS		
Fringe wages	3,449,001	3,460,238
Social security payroll taxes	1,825,912	1,665,658
Medical insurance	4,289,990	3,833,600
Pension	1,812,102	1,752,781
Health care savings plan	461,066	155,603
Other fringe benefits	1,680,336	1,087,895
SERVICES:		
Advertising fees/promotion media	155,416	359,723
Other services	4,627,250	4,028,308
Auditing fees	87,715	64,658
MATERIALS AND SUPPLIES CONSUMED:		
Fuel and lubricants	2,553,864	2,675,565
Tires and tubes	318,990	156,687
Materials and supplies	3,423,397	2,775,972
UTILITIES	955,171	856,223
CASUALTY AND LIABILITY COSTS:		
Premiums for public liability and property damage insurance	1,655,038	1,294,421
Other casualty and liability costs	589,687	695,712
PURCHASED TRANSPORTATION	13,413,668	13,904,905
MISCELLANEOUS EXPENSES:		
Association dues & subscriptions	226,382	62,482
Travel and meetings	183,615	146,607
Other	642,117	509,713
LEASES AND RENTALS	153,910	134,286
DEPRECIATION	<u>5,540,742</u>	<u>5,891,400</u>
TOTAL OPERATING EXPENSES	<u>\$ 70,444,332</u>	<u>\$ 65,200,168</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)  
YEAR ENDED SEPTEMBER 30, 2025**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Authorization Number	Program or Award Amount	Current Year's Expenditures			Prior Years' Expenditures	Amount Remaining
				Total	Federal	State		
<b>Michigan Department of Transportation (State):</b>								
<b>Direct assistance - Capital grants:</b>								
Capital (FY 2018- 2019)	N/A	2022-0006/P19	\$288,707	\$173,499	\$0	\$173,499	\$0	\$115,208
Capital (Section 5310 Match) (FY 2019)	N/A	2017-0008/P14	46,000	13,000	0	13,000	31,596	1,404
Capital (Section 5307-STP) (FY 2019)	N/A	2017-0008/P15	14,912	14,912	0	14,912	0	0
Capital (FY 2020)	N/A	2017-0008/P17	1,897,040	433,589	0	433,589	1,437,087	26,364
Capital (Section 5310 Match) (FY 2020)	N/A	2022-0006/P17	33,200	33,200	0	33,200	0	0
Capital (Section 5310 Match) (FY 2021)	N/A	2017-0008/P24	37,000	2,050	0	2,050	32,844	2,106
Capital (Section 5310 Match) (FY 2021)	N/A	2022-0006/P16	12,000	0	0	0	0	12,000
Capital (Section 5310 Match) (FY 2022)	N/A	2022-0006/P4	157,909	90,559	0	90,559	45,344	22,006
Capital (FY 19 and 20 State Service Initiatives)	N/A	2017-0008/P12	1,020,000	141,840	0	141,840	127,059	751,101
Capital (Section 5307)(FY 2022) (80/20)	N/A	2021-2022/P3	8,634,060	2,800,224	0	2,800,224	993,720	4,840,116
Subtotal - Direct State Capital			\$12,140,828	\$3,702,873	\$0	\$3,702,873	\$2,667,650	\$5,770,305
<b>Direct assistance - Operating grants:</b>								
Operating assistance - Act 51 Urban	N/A	N/A	\$18,179,562	\$17,366,013	\$0	\$17,366,013	\$0	\$813,549
Operating assistance - Act 51 Nonurban	N/A	N/A	1,250,658	1,197,982	0	1,197,982	0	52,676
Prior year formula adjustments	N/A	N/A	-322,531	-322,531	0	-322,531	0	0
Specialized Services (FY 2025)	N/A	2022-0006/P13	197,979	197,979	0	197,979	0	0
Subtotal - Direct State Operating			\$19,305,668	\$18,439,443	\$0	\$18,439,443	\$0	\$866,225
<b>TOTAL DIRECT STATE EXPENDITURES</b>			\$31,446,496	\$22,142,316	\$0	\$22,142,316	\$2,667,650	\$6,636,530
STATE FUNDS PASSED BY AAATA TO SUBRECIPIENTS:								
Specialized Services (FY 2025)	N/A	2022-0006/P13	180,500	180,500	0	180,500	0	0
Total - State Pass-through Specialized Services			\$180,500	\$180,500	\$0	\$180,500	\$0	\$0

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2025**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Authorization Number	Purchase Order Number	Program or Award Amount	Current Year's Expenditures			Prior Years' Federal Expenditures	Federal Amount Remaining
					Total	Federal	State		
<b>U.S. Department of Transportation (Federal):</b>									
<b>Direct Assistance - Capital Grants:</b>									
Capital (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	\$3,608,298	\$693,991	\$0	\$0	\$2,418,362	\$495,945
Capital (Section 5307-STP) (FY 2019) (80/20)	20.507	MI-2019-X35-00	MI95-4001	59,649	59,649	0	0	0	0
Capital (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	4,689,148	990,737	0	0	3,592,969	105,442
Capital (Section 5339) (FY 2020) (80/20)	20.526	MI-2020-X38-00	MI34-0086	1,113,809	743,622	0	0	370,187	0
Capital (Section 5310) (FY 2016 & 2017) (80/20)	20.513	MI-2016-X40-01	MI16-X019	393,606	56,555	0	0	317,787	19,264
Capital (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	232,000	52,000	0	0	174,385	5,615
Capital (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	132,800	132,800	0	0	0	0
Capital (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	148,000	8,202	0	0	131,374	8,424
Capital (Section 5310) (FY 2022) (80/20)	20.513	MI-2022-X59-00	MI16-X045	631,639	362,234	0	0	181,384	88,021
COVID CRRSAA (Section 5339) (FY 2022) (80/20)	20.526	MI-2022-050-00	MI22-X050	3,710,165	1,865,339	0	0	0	1,844,826
COVID CRRSAA (Section 5307-CMAQ)(FY 2022) (80/20)	20.526	MI-2022-050-00	MI22-X050	5,432,360	2,630,232	0	0	0	2,802,128
COVID CRRSAA (Section 5307) (FY 2022) (80/20)	20.507	MI-2022-050-00	MI22-X050	28,393,715	6,705,328	0	0	3,990,334	17,698,053
Subtotal - Federal Capital				\$48,545,189	\$14,300,689	\$0	\$0	\$11,176,782	\$23,067,718
<b>Direct Assistance - Operating Grants:</b>									
Operating Assistance (Section 5307) (FY 2020) (50/50)	20.507	MI-2020-X38-00	MI90-X840	4,406,790	0	0	0	520,000	3,886,790
Enhanced Mobility (Section 5310) (FY 2016 & 2017) (80/20 or 50/50)	20.513	MI-2016-X40-01	MI16-X019	180,447	101,065	0	0	79,382	0
Enhanced Mobility (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	128,800	30,726	0	0	98,074	0
Enhanced Mobility (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	106,050	40,030	0	0	66,020	0
Enhanced Mobility (Section 5310) (FY 2022) (80/20)	20.513	MI-2022-X55-00	MI16-4008	39,730	13,640	0	0	26,090	0
Enhanced Mobility (Section 5310) (FY 2022) (80/20)	20.513	MI-2022-X59-01	MI16-X045	328,323	208,599	0	0	37,870	81,854
COVID-19 CRRSAA Operating Assistance (5310)(FY 2021)(100/0)	20.513	MI-2022-X56-00	MI16-4009	39,730	14,730	0	0	25,000	0
<b>Passed Through Michigan Department of Transportation:</b>									
Nonurban Operating Assistance (Section 5311) (FY 2025)	20.509			652,424	620,897	0	0	0	31,527
<b>Passed Through Southeast Michigan Council of Governments:</b>									
Unified Planning (Section 5303) (81.85/18.15)	20.205	25001	25001	66,731	66,731	0	14,797	0	0
Unified Planning (Section 5303) (81.85/18.15)	20.205	25005	25005	50,583	50,583	0	11,217	0	0
Subtotal - Federal Operating				\$5,999,608	\$1,173,015	\$0	\$26,014	\$852,436	\$4,000,171
<b>TOTAL FEDERAL EXPENDITURES</b>				\$54,544,797	\$15,447,690	\$0	\$26,014	\$12,029,218	\$27,067,889

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING AND CONTRACT EXPENSES  
YEAR ENDED SEPTEMBER 30, 2025, WITH COMPARATIVE TOTALS FOR 2024**

	Specialized Services	Mobility Management Pass-Through	Nonurban Operations	Urban Operations			2025 Total	2024 Total
	2022-0006/P13		Section 5311	Demand-response	Fixed-route			
OPERATING EXPENSES:								
Labor	\$ -	\$ -	\$ 77,427	\$ 3,491,387	\$ 18,830,151	\$ -	\$ 19,687,732	
Fringe benefits	-	-	44,579	2,071,039	11,402,788	13,518,406	11,955,775	
Services	-	-	58,733	737,415	4,074,233	4,870,381	4,452,689	
Materials and supplies	-	-	23,307	812,805	5,460,139	6,296,251	5,608,224	
Utilities	-	-	-	178,426	776,745	955,171	856,223	
Casualty and liability costs	-	-	12,645	413,659	1,818,422	2,244,726	1,990,133	
Purchased transportation	197,976	60,000	3,242,507	7,907,384	2,005,798	13,413,665	13,904,905	
Other	-	-	12,708	186,444	852,963	1,052,115	718,801	
Leases and rentals	-	-	-	28,644	125,266	153,910	134,286	
Depreciation	-	-	-	811,231	4,729,511	5,540,742	5,891,400	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 197,976</b>	<b>\$ 60,000</b>	<b>\$ 3,471,906</b>	<b>\$ 16,638,434</b>	<b>\$ 50,076,016</b>	<b>\$ 70,444,332</b>	<b>\$ 65,200,168</b>	

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE REVENUES  
YEAR ENDED SEPTEMBER 30, 2025**

<b>Code</b>	<b>Description</b>	<b>Fixed-route</b>	<b>Demand-response</b>	<b>Total Urban</b>
<b>401 :</b>	<b>Farebox Revenue</b>			
40100	Passenger Fares	\$ 1,641,945	\$ 263,334	\$ 1,905,279
40200	Contract Fares	1,916,637		1,916,637
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>			
40615	Advertising Revenue	195,023	-	195,023
<b>407 :</b>	<b>NonTransit Revenue</b>			
40799	Loss on Sale/Disposal of Equipment	(12,959)	-	(12,959)
40799	Other NonTransportation Revenue	605,288	-	605,288
<b>408 :</b>	<b>Local Revenue</b>			
40800	Taxes Levied Directly for Transit Agency	31,343,980	9,099,865	40,443,845
<b>409 :</b>	<b>Local Revenue</b>			
40910	Local Operating Assistance	1,257,310	365,026	1,622,336
40999	Other Local - Local Match	80,900	-	80,900
<b>411 :</b>	<b>State Formula and Contracts</b>			
41101	State Operating Assistance	13,061,807	4,304,206	17,366,013
41199	Enhanced Mobility (Section 5310)		111,809	111,809
<b>413 :</b>	<b>Federal Contracts</b>			
41312	Unified Planning/Capital Cost of Contracting (Sec 5303)	117,314	-	117,314
41399	Enhanced Mobility (Section 5310)	-	912,581	912,581
<b>414 :</b>	<b>Other Revenue</b>			
41400	Interest Income	2,774,951	-	2,774,951
<b>550:</b>	<b>Ineligible Revenue:</b>			
55005	Net unrealized and realized investment gains	(199,171)	-	(199,171)
<b>Total</b>		<b>\$ 52,783,025</b>	<b>\$ 15,056,821</b>	<b>\$ 67,839,846</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE EXPENSES  
YEAR ENDED SEPTEMBER 30, 2025**

Code	Description	Fixed-route	Demand-response	Total
<b>501: Labor</b>				
50101	Operators Salaries & Wages	\$ 10,896,444	\$ 1,863,825	\$ 12,760,269
50102	Other Salaries & Wages	7,933,707	1,627,562	9,561,269
<b>502: Fringe Benefits</b>				
50200	Other Fringe Benefits	9,328,139	1,880,432	11,208,571
50210	Defined Contribution Pension	1,653,382	151,946	1,805,328
50240	Defined Contribution OPEB	421,267	38,661	459,928
<b>503: Services</b>				
50302	Advertising Fees	112,573	20,086	132,659
50305	Audit Costs	74,434	13,281	87,715
50399	Other Services	3,887,226	704,048	4,591,274
<b>504: Materials and Supplies</b>				
50401	Fuel & Lubricants	2,288,988	264,876	2,553,864
50402	Tires & Tubes	272,287	46,703	318,990
50499	Other Materials & Supplies	2,898,864	501,226	3,400,090
<b>505: Utilities</b>				
50500	Utilities	776,745	178,426	955,171
<b>506: Insurance</b>				
50603	Liability Insurance	1,345,877	309,161	1,655,038
50699	Other Insurance	472,545	104,498	577,043
<b>508: Purchased Transportation</b>				
50800	Purchased Transportation	2,005,798	7,907,384	9,913,182
<b>509: Miscellaneous Expenses</b>				
50902	Travel, Meeting & Training	151,077	32,538	183,615
50903	Association Dues & Subscriptions	186,265	40,117	226,382
50999	Other Misc. Expenses	515,621	113,789	629,410
<b>512: Operating Leases &amp; Rentals</b>				
51200	Operating Leases & Rentals	125,266	28,644	153,910
<b>513: Depreciation</b>				
51300	Depreciation	4,729,511	811,231	5,540,742
<b>Total Urban Expenses</b>		<b>\$ 50,076,016</b>	<b>\$ 16,638,434</b>	<b>\$ 66,714,450</b>
<b>550: Ineligible Expenses</b>				
55007	Ineligible Depreciation	4,056,101	849,088	4,905,189
55008	Ineligible other (bad debt/employee events)	493,201	-	493,201
55009	Ineligible Association Dues	8,667	-	8,667
55010	Ineligible Non-transportation Revenue	468,883	-	468,883
<b>570: Ineligible Expenses</b>				
57099	Ineligible - Federal RTA D2A2	-	-	-
57602	Ineligible - Unified Planning (Sec 5303)	143,328	-	143,328
57604	Ineligible - Enhanced Mobility (Sec 5310)	-	1,024,390	1,024,390
<b>580: Ineligible Expenses</b>				
58050	Ineligible - Postretirement Benefit Revenue	136,405	-	136,405
58050	Ineligible - Postretirement Benefits Paid	(37,203)	-	(37,203)
<b>Total Ineligible Expenses</b>		<b>\$ 5,269,382</b>	<b>\$ 1,873,478</b>	<b>\$ 7,142,860</b>
		<b>Fixed-route</b>	<b>Demand-response</b>	<b>Total</b>
Total Expenses		\$ 50,076,016	\$ 16,638,434	\$ 66,714,450
Total Ineligible Expenses		(5,269,382)	(1,873,478)	(7,142,860)
Total Eligible Expenses		\$ 44,806,634	\$ 14,764,956	\$ 59,571,590

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2025

Code	Description	Total Nonurban
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 143,419
40200	Contract Fares	-
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>	
40615	Advertising	-
<b>407 :</b>	<b>Non-Transit Revenue</b>	
40799	Gain (Loss) on Sale of Equipment	-
40799	Other Revenue	-
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for Transit Agency	-
<b>409 :</b>	<b>Local Revenue</b>	
40910	Local Operating Assistance	1,415,348
40999	Other Local	
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	1,197,982
411	Prior Year Formula Adjustments	
<b>413 :</b>	<b>Federal Contracts</b>	
41301	5311	620,897
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Revenue	-
	Other	-
<b>Total</b>		<b>\$ 3,377,646</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES  
YEAR ENDED SEPTEMBER 30, 2025**

<b>Code</b>	<b>Description</b>	<b>Demand Response Total</b>
<b>501:</b>	<b>Labor</b>	
50102	Other Salaries & Wages	\$ 77,427
<b>502:</b>	<b>Fringe Benefits</b>	
50200	Other Fringe Benefits	36,667
50210	Defined Contribution Pension	6,774
50240	Defined Contribution OPEB	1,138
<b>503:</b>	<b>Services</b>	
50305	Other Services	58,733
<b>504:</b>	<b>Materials and Supplies</b>	
50499	Other Materials & Supplies	23,307
<b>506:</b>	<b>Insurance</b>	
50699	Other Insurance	12,645
<b>508:</b>	<b>Purchased Transportation</b>	
50800	Purchased Transportation	3,242,507
<b>509:</b>	<b>Miscellaneous Expenses</b>	
50999	Other Misc. Expenses	12,708
<b>550:</b>	<b>Ineligible Expenses</b>	-
<b>570:</b>	<b>Ineligible Expenses</b>	-
Total Expenses \$		3,471,906
Total Ineligible Expenses		-
Total Eligible Expenses \$		<u>3,471,906</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - URBAN AND NONURBAN SERVICE NONFINANCIAL INFORMATION  
YEAR ENDED SEPTEMBER 30, 2025**

---

**PUBLIC SERVICE - URBAN FIXED-ROUTE**

---

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	369,412
611	Vehicle Miles	6,276,923

**PUBLIC SERVICE - URBAN DEMAND RESPONSE**

---

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	79,652
611	Vehicle Miles	1,069,258

**PUBLIC SERVICE - NONURBAN DEMAND RESPONSE**

---

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	50,814
611	Vehicle Miles	921,848

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION YEAR ENDED SEPTEMBER 30, 2025

	Urban		Nonurban
	Fixed-Route	Demand	
Total Expenses	\$ 50,076,016	\$ 16,638,434	\$ 3,471,906
Less Ineligible Expenses:			
Federal Planning (Section 5303, w/Local Match)	143,328	-	
Federal and State Depreciation Expense	4,056,101	849,088	
Federal Enhanced Mobility (Section 5310)	-	912,581	
State Enhanced Mobility (Section 5310)	-	111,809	
Federal and State Preventive Maintenance	-	-	
Federal and State Capital Cost of Contracting	-	-	
Federal RTA D2A2	-	-	
Post-Retirement Medical Benefits Accrual	136,405	-	
Post-Retirement Medical Benefits Paid	(37,203)	-	
Other revenue	468,883	-	
Other expenses (bad debts, ineligible interest)	493,201	-	
Association Dues (Ineligible Portion)	8,667	-	
Total Ineligible Expenses	\$ 5,269,382	\$ 1,873,478	\$ -
<b>Total State Eligible Expenses</b>	<b>\$ 44,806,634</b>	<b>\$ 14,764,956</b>	<b>\$ 3,471,906</b>

Eligible Expenses for State Reimbursement	\$ 44,806,634	\$ 14,764,956	\$ 3,471,906
x Reimbursement Percentage	29.1515%	29.1515%	34.5050%
State Operating Assistance	\$ 13,061,807	\$ 4,304,206	\$ 1,197,982
Total Operating Assistance - Urban		\$ 17,366,013	

### Total Federal Eligible Expenses

Total Eligible Expenses for State Reimbursement	\$ 3,471,906
Less: Ineligible Auditing Expenses	22,480
Eligible Expenses for Federal Reimbursement	\$ 3,449,426
x Reimbursement Percentage	18%
Federal Operating Assistance (Section 5311)	\$ 620,897

## **ANN ARBOR AREA TRANSPORTATION AUTHORITY**

### **ADDITIONAL INFORMATION - NOTES TO SCHEDULE OF OPERATING ASSISTANCE CALCULATION AND NONFINANCIAL INFORMATION YEAR ENDED SEPTEMBER 30, 2025**

---

#### **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, 12.0% and 13.19%, 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.

**This page intentionally left blank.**

---

# Ann Arbor Area Transportation Authority

---

**Federal Awards Supplementary Information**  
**September 30, 2025**

### **Independent Auditor's Reports**

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	4-6
<b>Schedule of Expenditures of Federal Awards</b>	7
<b>Notes to Schedule of Expenditures of Federal Awards</b>	8
<b>Schedule of Findings and Questioned Costs</b>	9-10



**Plante & Moran, PLLC**  
 Suite 360  
 4444 W. Bristol Road  
 Flint, MI 48507  
 Tel: 810.767.5350  
 Fax: 810.767.8150  
 plantemoran.com

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Directors  
 Ann Arbor Area Transportation Authority

We have audited the financial statements of the enterprise fund and the fiduciary fund of Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2025 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated January 22, 2026, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 22, 2026.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

January 22, 2026

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

**Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the enterprise fund and the fiduciary fund of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2025 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 22, 2026.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

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

**Purpose of this Report**

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

*Plante & Moran, PLLC*

January 22, 2026

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

**Independent Auditor's Report**

To the Board of Directors  
Ann Arbor Area Transportation Authority

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Ann Arbor Area Transportation Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (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, 2025. 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 compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended September 30, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

To the Board of Directors  
Ann Arbor Area Transportation Authority

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

*Plante & Moran, PLLC*

January 22, 2026

# Ann Arbor Area Transportation Authority

## Schedule of Expenditures of Federal Awards

Year Ended September 30, 2025

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Grant Number	Total Amount	
				Provided to Subrecipients	Federal Expenditures
<b>U.S. Department of Transportation:</b>					
Federal Transit Cluster - Direct Awards:					
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		MI-2019-034	\$ -	\$ 693,991
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		MI-2020-038	-	990,737
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		MI-2019-035	-	59,649
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		MI-2022-050	-	9,335,560
Bus and Bus Facilities Formula & Discretionary Programs	20.526		MI-2022-050	-	1,865,339
Bus and Bus Facilities Formula & Discretionary Programs	20.526		MI-2020-038	-	743,622
<b>Total Federal Transit Cluster</b>				<b>-</b>	<b>13,688,898</b>
Transit Services Programs Cluster - Direct Awards:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI-2019-039	52,000	52,000
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI-2021-052	48,232	48,232
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI-2022-055	13,640	13,640
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI-2022-059	570,833	570,833
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI-2022-056	14,730	14,730
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI-2020-066	55,526	163,526
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		MI-2016-040	157,620	157,620
<b>Total Transit Services Programs Cluster</b>				<b>912,581</b>	<b>1,020,581</b>
Passed Through Michigan Department of Transportation - Formula Grants for Rural Areas					
	20.509	1207-2025-1	1207-2025-1	620,897	620,897
Passed through Southeastern Michigan Council of Governments (SEMCOG):					
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	25001	n/a	-	66,731
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	25005	n/a	-	50,583
<b>Total</b>				<b>-</b>	<b>117,314</b>
<b>Total Department of Transportation</b>				<b>1,533,478</b>	<b>15,447,690</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 1,533,478</b>	<b>\$ 15,447,690</b>

**Notes to Schedule of Expenditures of Federal Awards**

---

**Year Ended September 30, 2025**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Ann Arbor Area Transportation Authority (the "Authority") under programs of the federal government for the year ended September 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**Note 2 - Summary of Significant Accounting Policies**

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

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

---

## Schedule of Findings and Questioned Costs

---

**Ann Arbor Area Transportation Authority**

**Schedule of Findings and Questioned Costs**

**Year Ended September 30, 2025**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee?   X   Yes        No

**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings**

None

January 22, 2026

To the Board of Directors  
Ann Arbor Area Transportation Authority

We have audited the financial statements of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2025 and have issued our report thereon dated January 22, 2026. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Informational Items

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

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

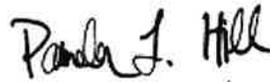
We would like to take this opportunity to thank the Authority's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

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

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

Very truly yours,

**Plante & Moran, PLLC**



Pamela L. Hill  
Partner



Chris Gilbert  
Senior Manager

## **Section I - Required Communications with Those Charged with Governance**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated November 17, 2025, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Our audit of the Authority's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Authority, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated January 22, 2026 regarding our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 20, 2025.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

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

AAATA changed accounting policies related to GASB 101, *Compensated Absences*. However, the impact to the financial statements was insignificant, and, therefore, prior periods were not restated.

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

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

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

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

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

### ***Difficulties Encountered in Performing the Audit***

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

### ***Disagreements with Management***

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

### ***Corrected and Uncorrected Misstatements***

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

### ***Significant Findings or Issues***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated January 22, 2026.

### ***Management Consultations with Other Independent Accountants***

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

## Section II - Legislative and Informational Items

### **Inflation Reduction Act (IRA)**

Significant legislation was enacted in 2022 that has dramatically expanded the available tax credits, tax incentives, and other funding opportunities related to the green energy sector. The One, Big, Beautiful Bill (OBBB), enacted on July 4, 2025, introduced sweeping changes to those credits. However, the OBBB delayed the implementation of certain provisions - meaning that, with careful planning, the Authority can still take advantage of available credits. Additionally, the new monetization options from the original legislation that expanded the benefits of tax credits for qualifying activities to public sector organizations like the Authority remain unchanged from the OBBB. The breadth of qualifying activities is significant, including, in most cases, the production of electricity; production of solar, wind, and energy equipment; installation of energy-efficient upgrades to businesses and homes; and the acquisition of electric vehicles (EVs) and charging equipment. We are happy to discuss any questions or potential tax credit opportunities with you, and please also feel free to visit our IRA tax credits articles and webinars at <https://www.plantemoran.com/explore-our-thinking/areas-of-focus/inflation-reduction-act-tax-credits>.

### **Cybersecurity and Information Technology Controls**

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

### **OMB Revisions to the Uniform Guidance**

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

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

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

### **Capitalization Thresholds**

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

## **Section II - Legislative and Informational Items (Continued)**

### **Other New Legislation**

#### ***Upcoming Accounting Standards Requiring Preparation***

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

#### ***GASB Statement No. 103 - Financial Reporting Model Improvements***

This new accounting pronouncement will be effective for the Authority's fiscal year ending September 30, 2026. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis (MD&A); unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement requires that the MD&A be limited to the five topics noted in the standard and provides further guidance on how the MD&A should be written. For proprietary fund financial reporting, the statement defines nonoperating revenue and expense and introduces the concept of subsidies. It also requires new subtotals to present total noncapital subsidies and income or loss, including both operating activities and noncapital subsidies. The statement prescribes that the required budgetary comparison schedules be reported only in the required supplementary information section of the statements and dictates what variance information should be included. Next, the statement removes the option to present discretely presented component unit information as condensed information in the notes rather than in the statements. Lastly, the statement outlines how unusual or infrequent items should be presented separately on the financial statements.

#### ***GASB Statement No. 104 - Disclosure of Certain Capital Assets***

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

#### ***Significant GASB Proposal Worth Watching***

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. The GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step categorization process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions. The exposure draft for this project is expected sometime in 2026.

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

January 22, 2026

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

Dear Ms. Dina Reed:

Enclosed are your annual financial reports and report to the board for the year ended September 30, 2025, as follows:

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

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

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

- Financial statements
- Single audit report

#### **Single Audit Filing Requirements**

We are in the process of preparing the data collection form (DCF) on your behalf. You will receive emails from us providing instruction on reviewing and certifying the DCF.

- The DCF will be completed by us in the Excel workbooks provided by the FAC. Plante & Moran, PLLC, will send the completed workbooks for your review via email. Your review of the workbooks is critical, as we are unable to edit the form once it is uploaded to the FAC. Once your review is complete, communicate the status of your review to Pamela Hill.
- The certifying official for your organization will need to electronically certify the single audit data collection form. You will receive an email from Plane & Moran, PLLC with certification instructions.

We will upload the entire reporting package electronically to the FAC. You no longer need to send any hard copies of the reports to the clearinghouse.

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

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

Very truly yours,

**Plante & Moran, PLLC**

# AAATA and University of Michigan Coordination

Board Meeting  
February 19, 2026

# Outline

- U-M Campus Plan 2050 Overview
- Alignment of Plans
- Bus Lanes
- Park and Ride
- AAATA Service at Madison Transit Center



# Campus Plan 2050

<https://campusplan2050.umich.edu>

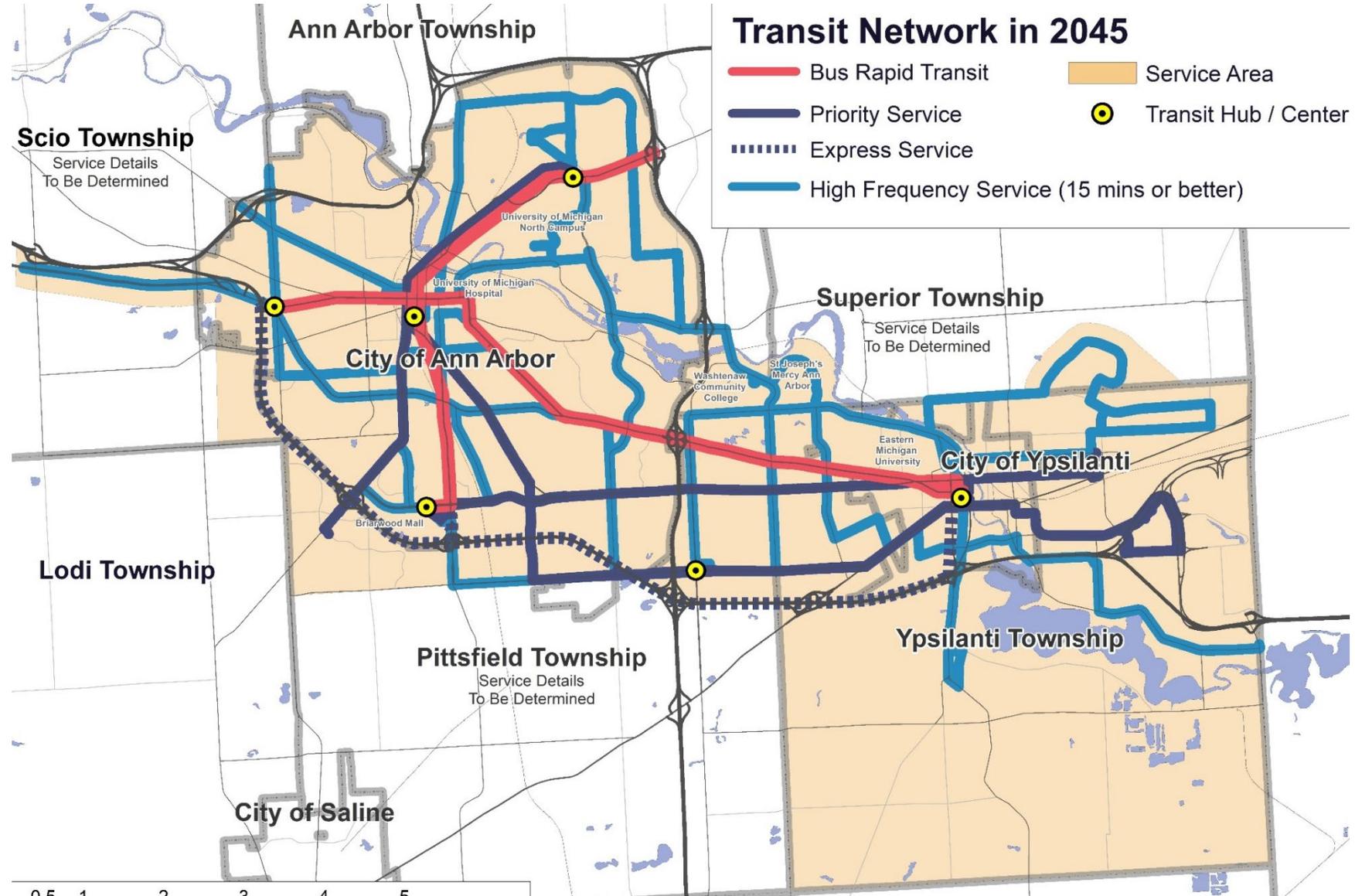
**Sue Gott**

Campus Plan Co-Lead,

Associate Director, Planning & Communication

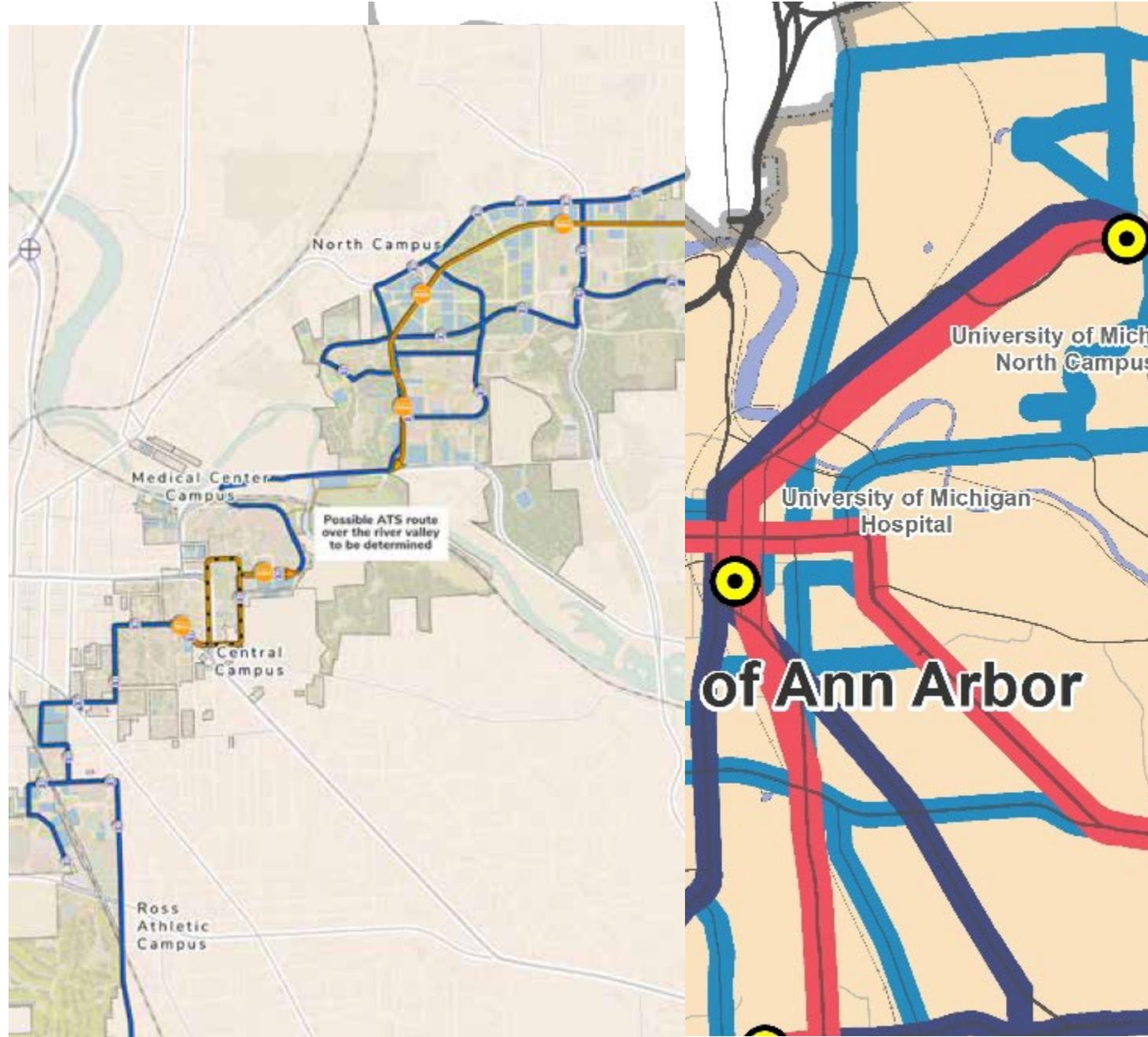
# TheRide 2045

- Extensive fixed-route network
- Better off-peak services
- Enhanced on-demand services
- A-Ride service improvements



# Plan Alignment

- Plymouth Rd BRT
- State St BRT
- Enhanced service to
  - Medical Campus
  - North Campus
  - Central Campus
- Connection with ATS



# Bus Lanes



## Bus Lane Network Proposal

TheRide & UM Joint Proposal

*Draft for Discussion*

September 2025  
Matt Carpenter

ANN ARBOR AREA TRANSPORTATION AUTHORITY



# Bus Lanes



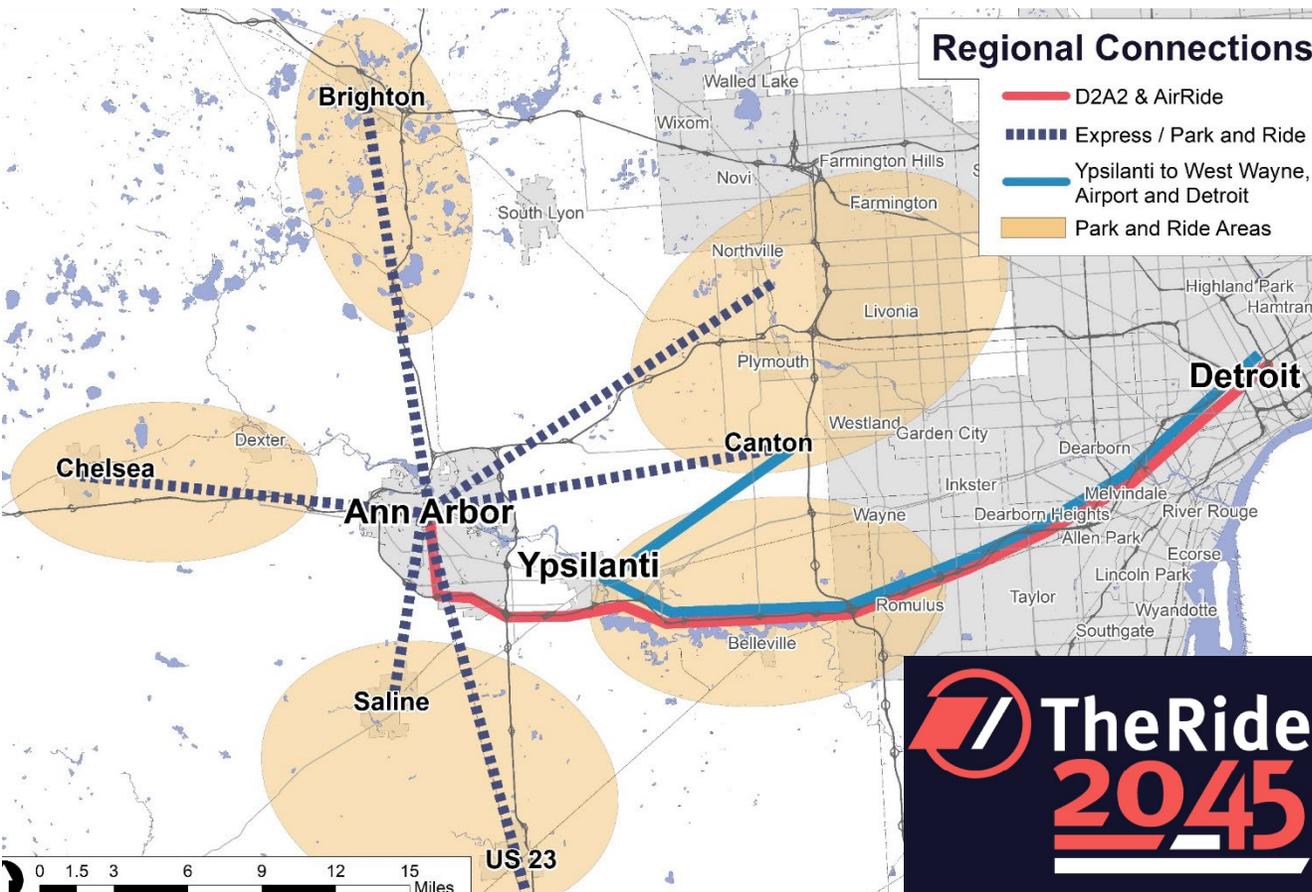
## State Street (South U to William)

# Bus Lanes



## North University (State to Fletcher)

# Park and Ride

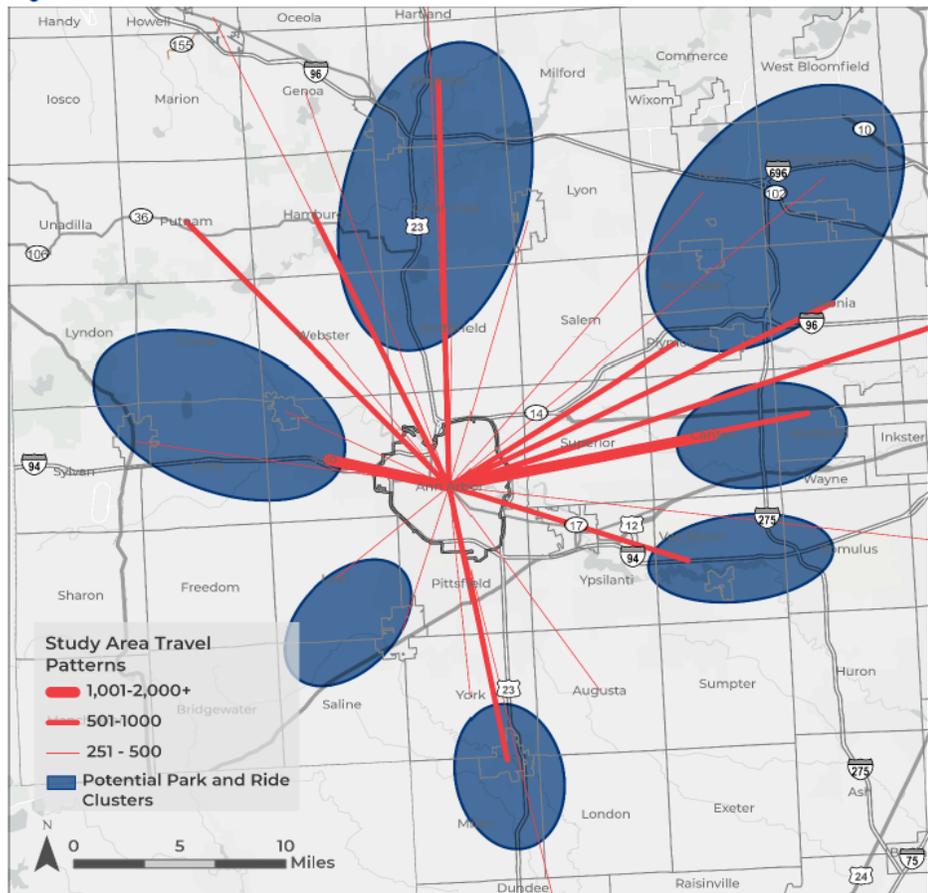


## Promote Perimeter Campus Parking

- » Create additional ADA-compliant accessible parking.
- » Integrate remote parking options that connect directly to the improved transit, pedestrian, and bicycle networks.
- » Encourage individuals to utilize remote parking and/or minimize the need for personal vehicle trips by implementing incentives and educational programs and by creating a seamless transit network that is an attractive and viable alternative to on-campus parking.

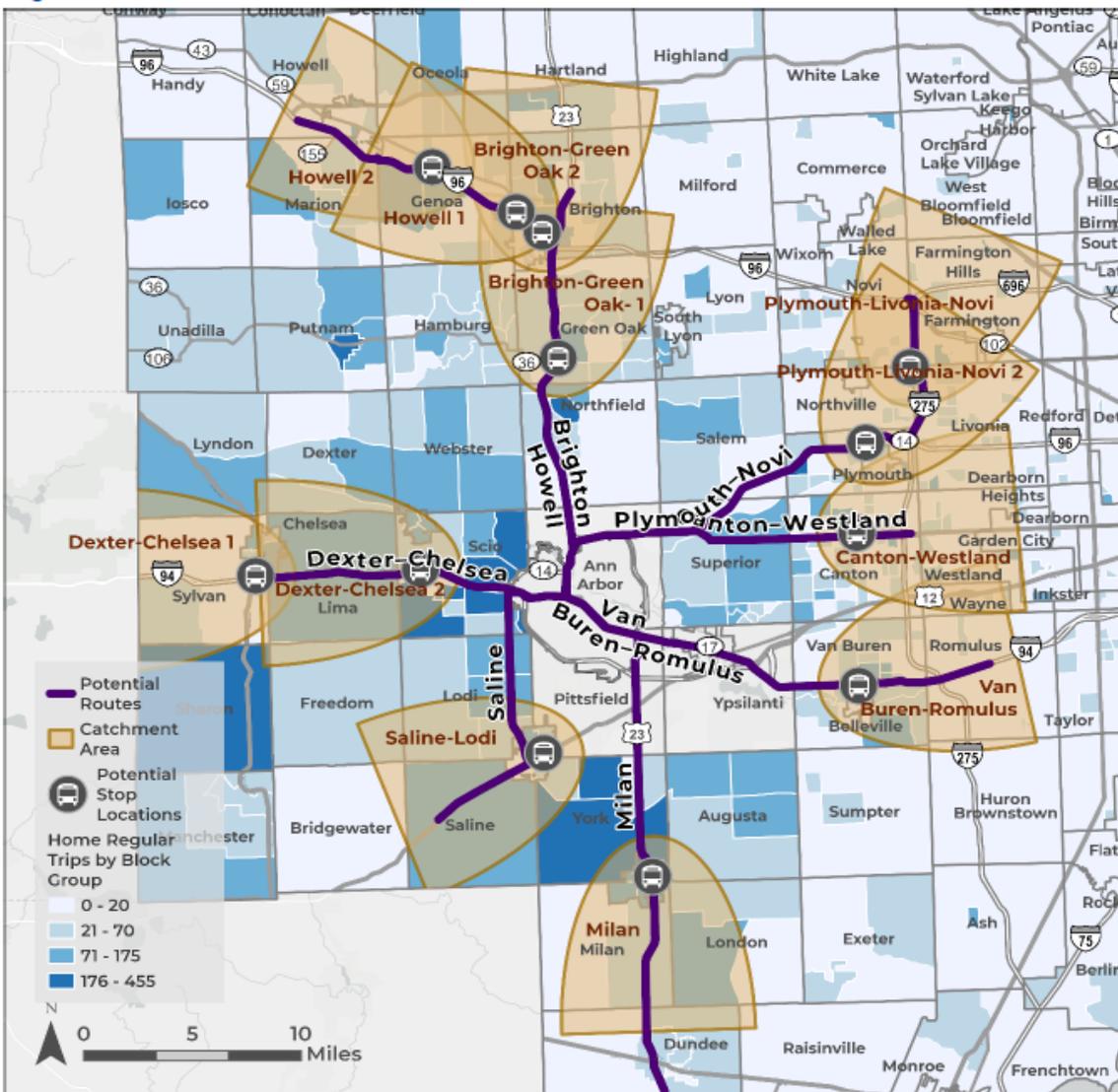
# Park and Ride

Figure 7: Potential Park and Ride Clusters\*



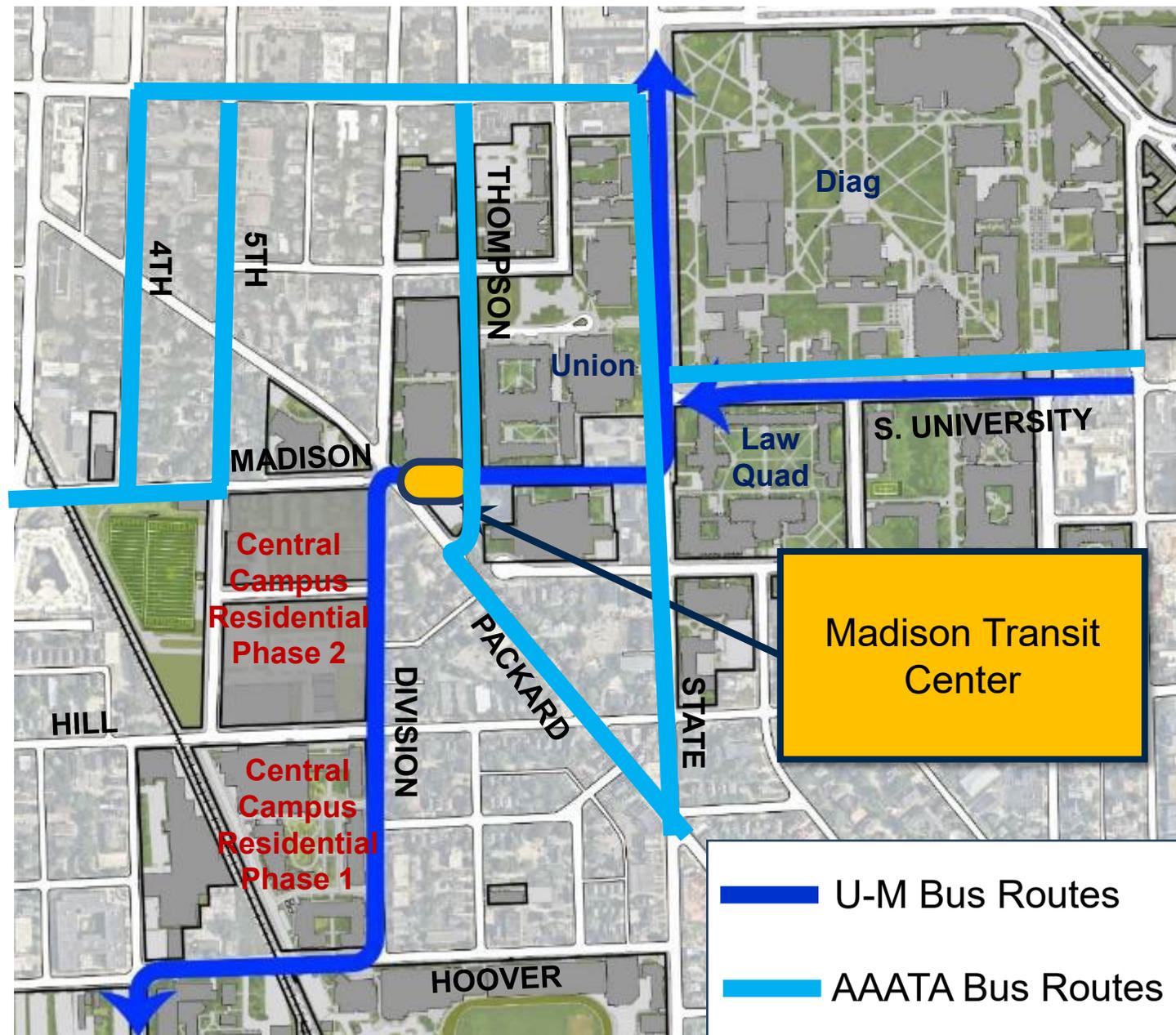
Source: LOCUS Location-Based Services Data (Q3 2023-Q2 2024).  
 \*Note: The size of the cluster is not proportional to the number of trips, but is intended to broadly demonstrate which communities were grouped together to identify potential corridors in the next step.

Figure 9: Potential Routes and Catchment Areas



Source: LOCUS Location-Based Services Data (Q3 2023-Q2 2024).

# AAATA Service at Madison Transit Center



A map of the Ann Arbor area showing various transit routes in different colors (blue, orange, red, grey). Key locations labeled include North Campus, Medical Center Campus, Central Campus, Ross Athletic Campus, University of Michigan North Campus, University of Michigan Hospital, Briarwood Mall, and City of Ann Arbor. The text 'Thank you!' is prominently displayed in the center. There are also some partially visible words like 'rship', 'ails', 'ined', and 'vnship' scattered on the map.

**Thank you!**