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# *Ann Arbor Area Transportation Authority*

*Financial Statements as of and for the  
Years Ended September 30, 2014 and 2013 and  
Additional Information for the Year Ended  
September 30, 2014, Independent Auditor's Reports  
Required by the Office of Management and Budget  
Circular A-133 and Supplemental Schedule of  
Expenditures of Federal Awards for the  
Year Ended September 30, 2014, and  
Independent Auditor's Reports*

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-6
FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013:	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9-10
Notes to Financial Statements	11-23
REQUIRED GASB STATEMENT NO. 45 SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for Retired Employees Healthcare Plan	25
ADDITIONAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2014:	
Schedule of Revenues (Unaudited)	27
Schedule of Operating Expenses (Unaudited)	28
Schedule of Federal and State Interest in Capital Assets (Unaudited)	29
Schedule of Expenditures of Federal Awards (Unaudited)	30
Schedule of Expenditures of State Awards (Unaudited)	31
Schedule of Operating and Contract Expenses (Unaudited)	32
Schedule of Urban Regular Service Revenues (Unaudited)	33
Schedule of Urban Regular Service Expenses (Unaudited)	34
Schedule of Regular Service Nonfinancial Information (Unaudited)	35
Schedule of Nonurban Regular Service Revenues (Unaudited)	36
Schedule of Nonurban Regular Service Expenses (Unaudited)	37
Schedule of Regular Service Nonfinancial Information (Unaudited)	38
Schedule of Operating Assistance Calculation (Unaudited)	39
Notes to Schedule of Operating Assistance Calculation (Unaudited)	40

SINGLE AUDIT:

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	41-42
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO A MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	43-44
Supplemental Schedule of Expenditures of Federal Awards	45
Note to Schedule of Expenditures of Federal Awards	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	47
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	48

## Independent Auditor's Report

To the Board of Directors  
Ann Arbor Area Transportation Authority

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the years ended September 30, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Ann Arbor Area Transportation Authority as of September 30, 2014 and 2013 and the changes in its financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Ann Arbor Area Transportation Authority

***Other Matters***

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, 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 management's discussion and analysis 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.

*Other 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 supplemental schedule of expenditures of federal awards and additional information schedules, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 supplemental schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The additional information schedules, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ann Arbor Area Transportation Authority's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

January 9, 2015

# **ANN ARBOR AREA TRANSPORTATION AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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As management of the Ann Arbor Area Transportation Authority (the "Authority") in Ann Arbor, Michigan, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2014. We encourage readers to consider the information in conjunction with the financial statements, related note disclosures and the required supplementary and additional information as listed in the table of contents.

### **Five-Year Transit Improvement Plan**

In January 2014, the Board of Directors adopted the Five-Year Transit Improvement Plan for the Urban Core of Washtenaw County. Funding for this plan includes a five-year property tax millage, which was approved by the voters of the Cities of Ann Arbor and Ypsilanti and Ypsilanti Township on May 6, 2014. The first 0.7 mill property tax was levied on July 1, 2014, which raised \$4.5 million. These funds will be used to provide 44% more local transit service and buy 20 buses to provide the service. The complete rollout of the services is scheduled to be accomplished by May 2017.

### **Governance of the Authority**

In 2013, the Authority and the City of Ann Arbor approved the City of Ypsilanti's request to become a member of the Authority. In December 2014, the Authority and the Cities of Ann Arbor and Ypsilanti approved the request of the Charter Township of Ypsilanti to become a member of the Authority, creating a three-member authority. The Board of Directors has expanded from seven to 10 directors, by adding one director each from of the City of Ann Arbor, the City of Ypsilanti and the Charter Township of Ypsilanti.

### **Overview of the Financial Statements and Financial Analysis**

The discussion is intended to present an overview of the Authority's financial performance for the years ended September 30, 2014 and 2013 and does not purport to make any statement regarding the future operations of the organization. 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), statement of revenues, expenses and changes in net position (formerly net assets), and the statement of cash flows, prepared in accordance with GASB principles. This report also contains other supplementary 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, 2013 have been audited and are included herein for comparative purposes.

### **Financial Highlights**

The Authority's total assets increased from the prior year by \$2.6 million (3.9%), primarily due to an increase in cash and investments by \$4.6 million due to the July 1, 2014 property tax millage, an increase of \$3.5 (4.0%) in capital assets due to the rebuilding of the Blake Transit Center for \$7.2 million, and the purchase of 28 minivans for VanRide service for \$598,000, net of depreciation expense of \$5.3 million.

Cash and investments increased by \$4.6 million (36.0%) primarily due to the timing from the collection of the additional property tax millage of 0.7 mills, which was levied on July 1, 2014, collections on grant receivables and other receivables along with a decrease in accounts payable.

Total net position increased by \$3.1 million (5.0%) primarily because unrestricted net position increased by \$3.5 million due to the property tax millage of 0.7 mills. The Authority has ordered 13 expansion buses and will use \$3.85 million of the July 2014 property tax millage and \$1.05 million of the July 2015 property millage and \$1.0 million from a Federal grant to purchase them.

Total operating revenues is comprised of passenger fares and special fares, where someone other than the passenger pays the fare. These increased \$44,000 (0.7%) primarily due to an increase in the AirRide shuttle service fares compared to 2013, while other fare categories remained flat or decreased.

Total operating expenses increased \$2.7 million (7.5%) due to expanded service from the implementation of the 5YTIP in August 2014, higher depreciation expense from the recent purchases of buses and building expansion, higher biodiesel fuel costs, higher health care expenses and higher personnel costs to support the additional services.

### Statements of Net Position (formerly known as the Balance Sheet)

The statements of net position include all assets and liabilities. 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, 2014, 2013 and 2012 follows (in thousands):

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Assets:			
Current assets	\$22,205	\$19,172	\$17,109
Capital assets, net	<u>46,574</u>	<u>47,015</u>	<u>37,094</u>
<b>Total assets</b>	<b><u>\$68,779</u></b>	<b><u>\$66,187</u></b>	<b><u>\$54,203</u></b>
Liabilities:			
Current liabilities	\$2,465	\$3,102	\$1,619
Noncurrent liabilities	<u>1,516</u>	<u>1,376</u>	<u>1,233</u>
Total liabilities	3,981	4,478	2,852
Net Position:			
Invested in capital assets	46,574	47,015	37,094
Unrestricted	<u>18,224</u>	<u>14,694</u>	<u>14,257</u>
Total net position	<u>64,798</u>	<u>61,709</u>	<u>51,351</u>
<b>Total liabilities and net position</b>	<b><u>\$68,779</u></b>	<b><u>\$66,187</u></b>	<b><u>\$54,203</u></b>

At September 30, 2014, the Authority’s total assets were \$68.8 million, compared to \$66.2 million at September 30, 2013.

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

The Authority follows the provisions of the Governmental Accounting Standards Board (GASB) Statement #45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension". This Standard requires the Authority to recognize the expense related to these health care 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 unfunded actuarial accrued liability for the post-retirement health care and life insurance was \$1,646,000 as of September 30, 2014 based on the most recent available valuation, which was prepared as of September 30, 2014.

In 2008, the Authority implemented a defined contribution health care savings plan using a trust under the applicable Internal Revenue Code sections. The Authority contributed a one-time contribution to each individual employee account based on months of service, totaling \$3.4 million, using \$1.7 million from the accrued liability at September 30, 2007 and expensing \$1.7 million in 2008.

The total assets of the Authority exceeded its total liabilities by \$64.8 million (net position) as of September 30, 2014. Of this amount, \$18.2 million (unrestricted net position) may be used to fund future operations and meet future obligations of the Authority. The July 1, 2014 property tax levies of \$14.3 million have been included in nonoperating revenue for the year ended September 30, 2014 even though three quarters of it will be needed to help fund operations from October 1, 2014 to June 30, 2015. The Board has designated \$3.85 million of the \$4.5 million property levy toward the purchase of buses to provide additional transit services under the 5YTIP. Under GASB rules, the Board designation of \$3.85 million for future bus purchases is not allowed to be shown as a reduction or designation of unrestricted net position on the face of the statement of net position.

### 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, 2014, 2013 and 2012 follows (in \$1,000s):

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Operating revenues	\$5,977	\$5,933	\$5,694
Operating expenses	<u>(38,418)</u>	<u>(35,747)</u>	<u>(32,450)</u>
Operating loss	(32,441)	(29,814)	(26,756)
Non-operating revenues	<u>31,120</u>	<u>25,149</u>	<u>21,850</u>
Change in net position before capital contributions	(1,321)	(4,665)	(4,906)
Net Capital contributions	<u>4,410</u>	<u>15,023</u>	<u>10,537</u>
Change in net position	3,089	10,358	5,631
Net position, beginning of year	<u>61,709</u>	<u>51,351</u>	<u>45,720</u>
<b>Net position, end of year</b>	<b><u>\$64,798</u></b>	<b><u>\$61,709</u></b>	<b><u>\$51,351</u></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 \$38,418,000 include operations (\$26,153,000), vehicle and facility maintenance (\$4,241,000) and general administration (\$8,024,000). The largest portion of all expenses is for employee wages and fringe benefits of \$18,504,000 or 48.2% of all expenses.

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

Capital contributions represent Federal and State grants for the purchase of new capital assets. In 2014, the Authority purchased 28 minivans for VanRide service for \$598,000, and completed construction of the rebuilt Blake Transit Center for \$3.4 million. The purchase of the buses was funded by Federal formula grants (Section 5307) administered by the Federal Transportation Administration (FTA). The State of Michigan Department of Transportation (MDOT) provided matching grants for the purchases. A portion of Federal formula dollars (Section 5307) can be used as operating assistance. In 2014 and 2013, the Authority used \$4,275,000 and \$3,210,000, respectively, for operating assistance, such as operating assistance, preventive maintenance, planning and capital cost of contracting.

### **Notes to the Financial Statements**

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

### **Capital Assets**

The Authority continues to invest in vehicles, facilities and equipment. In 2014, the Authority purchased 28 minivans for the VanRide program and completed the rebuild of the Blake Transit Center. The Authority's largest capital investments include buses and related equipment, net of depreciation, of \$24.9 million in 2014 and \$28.0 million in 2013 and the land and buildings, net of depreciation, of \$20.3 million in 2014 and \$18.1 million in 2013.

### **Economic Factors and Next Year's Budget (Fiscal Year 2015)**

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

The Authority also receives significant funding through the property tax levy on the citizens of the City of Ann Arbor, the City of Ypsilanti and the Charter Township of Ypsilanti. The July 1, 2014 property tax levy increased 46.6% from the July 1, 2013 levy due to the voter-approved 0.7 property tax millage.

For fiscal year 2015, the Board of Directors adopted a \$37.2 million balanced budget with a surplus of \$1,465,000.

### **Request 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 Controller/Manager of Finance, Ann Arbor Area Transportation Authority, 2700 South Industrial Highway, Ann Arbor, Michigan 48104.

The Authority website at [www.theride.org](http://www.theride.org) contains copies of the annual operating budgets, annual audits and monthly financial operating reports. This information is located under About Us >> Dashboard Facts >> Financial Information.

These and prior year audited financial statements are also available on the State of Michigan website at <https://treas-secure.state.mi.us/LAFDocSearch/>. Once there, select "Washtenaw County" for County, select the "2014" (or a previous year as far back as 2007) for the Year and "Authority, Drain District" for the Municipality Type. Then you can select the "Ann Arbor Area Transportation Authority" for the Municipality. Financial audits and single audits are also available for all other governmental entities in the State of Michigan on this website.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## STATEMENTS OF NET POSITION SEPTEMBER 30, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS:		
Cash (Note 2)	\$ 7,628,677	\$ 5,671,720
Investments (Note 2)	9,820,985	7,155,767
Accounts receivable, less allowance of \$0 in 2014 and 2013	761,975	783,617
Grants receivable (Note 3)	2,121,175	3,672,508
Other receivables (Note 4)	518,967	255,350
Inventory	759,982	775,387
Prepaid expenses	593,398	857,323
Total current assets	<u>22,205,159</u>	<u>19,171,672</u>
CAPITAL ASSETS (Note 5):		
Land and improvements	2,270,821	2,270,821
Park and Ride lot construction	5,759,849	5,722,594
Buildings and improvements	26,967,835	20,653,299
Equipment and other	54,549,737	53,328,865
Construction in progress	37,561	4,127,969
Total capital assets	<u>89,585,803</u>	<u>86,103,548</u>
Less accumulated depreciation	<u>43,011,896</u>	<u>39,088,092</u>
Net capital assets	<u>46,573,907</u>	<u>47,015,456</u>
TOTAL ASSETS	<u>\$ 68,779,066</u>	<u>\$ 66,187,128</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,448,054	\$ 2,208,670
Grant refunds payable (Note 3)	121,960	105,184
Accrued payroll	365,138	278,553
Accrued compensated absences, current portion	140,055	125,694
Other accrued expenses	106,771	132,779
Unearned revenue (Note 6)	282,976	251,341
Total current liabilities	<u>2,464,954</u>	<u>3,102,221</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences	1,260,498	1,131,243
Post-retirement benefit obligation (Note 12)	255,374	244,586
Total non-current liabilities	<u>1,515,872</u>	<u>1,375,829</u>
Total liabilities	<u>3,980,826</u>	<u>4,478,050</u>
NET POSITION:		
Net investment in capital assets	46,573,907	47,015,456
Unrestricted	18,224,333	14,693,622
Total net position	<u>64,798,240</u>	<u>61,709,078</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 68,779,066</u>	<u>\$ 66,187,128</u>

See notes to financial statements.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

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	<b>2014</b>	<b>2013</b>
OPERATING REVENUES (Note 9)	\$ 5,977,174	\$ 5,932,794
OPERATING EXPENSES (Notes 7, 9, 12 and 13):		
Operations	26,153,314	24,811,414
Maintenance	4,240,370	3,676,734
General administration	<u>8,023,895</u>	<u>7,258,563</u>
Total operating expenses	<u>38,417,579</u>	<u>35,746,711</u>
OPERATING LOSS	(32,440,405)	(29,813,917)
NONOPERATING REVENUES:		
Local	15,800,972	11,855,737
State	9,714,823	8,814,129
Federal	<u>5,603,758</u>	<u>4,479,007</u>
Total nonoperating revenues	<u>31,119,553</u>	<u>25,148,873</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(1,320,852)	(4,665,044)
CAPITAL CONTRIBUTIONS - FEDERAL AND STATE	<u>4,410,014</u>	<u>15,023,274</u>
CHANGE IN NET POSITION	3,089,162	10,358,230
TOTAL NET POSITION, BEGINNING OF YEAR	<u>61,709,078</u>	<u>51,350,848</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 64,798,240</u>	<u>\$ 61,709,078</u>
UNRESTRICTED NET POSITION, END OF YEAR	<u>\$ 18,224,333</u>	<u>\$ 14,693,622</u>

See notes to financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from transit operations	\$ 3,980,992	\$ 4,049,339
Payments for salaries and wages and fringe benefits	(18,282,940)	(17,330,540)
Payments to suppliers	(7,859,976)	(5,787,202)
Payments for claims and insurance	(348,954)	(724,851)
Payments for purchased transportation	(4,323,705)	(4,140,240)
Net cash used in operating activities	<u>(26,834,583)</u>	<u>(23,933,494)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Nonoperating revenue:		
Local	15,715,078	11,759,451
State	9,579,739	9,441,449
Federal	6,925,663	3,293,793
Net cash provided by noncapital financing activities	<u>32,220,480</u>	<u>24,494,693</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(5,599,383)	(14,127,223)
Capital contributed by state and federal grants	4,791,301	16,334,710
Proceeds from sales of equipment	17,825	50,797
Net cash (used in) provided by capital and related financing activities	<u>(790,257)</u>	<u>2,258,284</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investment securities	(17,448,139)	(6,887,000)
Proceeds from sale and maturities of investment securities	14,782,921	7,717,747
Interest income	26,535	40,845
Net cash (used in) provided by investing activities	<u>(2,638,683)</u>	<u>871,592</u>
<b>NET INCREASE IN CASH</b>	<b>1,956,957</b>	<b>3,691,075</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u><b>5,671,720</b></u>	<u><b>1,980,645</b></u>
<b>CASH AT END OF YEAR</b>	<u><u><b>\$ 7,628,677</b></u></u>	<u><u><b>\$ 5,671,720</b></u></u>

See notes to financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## STATEMENTS OF CASH FLOWS (Continued) YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<b>2014</b>	<b>2013</b>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (32,440,405)	\$ (29,813,917)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	5,267,033	5,118,789
Changes in assets and liabilities which provided (used) cash:		
Receivables	21,642	(40,265)
Inventory	15,405	48,758
Prepaid expenses	263,925	21,052
Payables	(177,164)	482,400
Accrued payroll	86,585	43,216
Other accrued expenses	128,396	206,473
Total adjustments	<u>5,605,822</u>	<u>5,880,423</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (26,834,583)</u>	<u>\$ (23,933,494)</u>
NONCASH TRANSACTIONS:		
Subcontracted revenue - urban demand response (Note 9)	\$ 636,695	\$ 636,979
Subcontracted revenue - interurban airport shuttle (Note 9)	901,806	740,799
Nonurban - passenger fares and other governmental sources	<u>473,580</u>	<u>449,972</u>
Total noncash transactions	<u>\$ 2,012,081</u>	<u>\$ 1,827,750</u>

See notes to financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2014 and 2013

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### 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 became a member 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.

In December 2013, the Authority and the Cities of Ann Arbor and Ypsilanti approved the request of the Charter Township of Ypsilanti to become a member of the Authority, creating a three-member authority. The Board of Directors has expanded from seven to 10 directors by adding one director each from of the City of Ann Arbor, the City of Ypsilanti and the Charter Township of Ypsilanti. 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.

#### **Significant Accounting Policies**

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

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

***Cash and Cash Equivalents*** - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of 28 days or less 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, wherein 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, City of Ann Arbor 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 and State 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.

**Derivative Financial Instruments** - The Authority periodically enters into heating oil contracts to manage a portion of the exposure to fluctuating biodiesel fuel prices. Changes in the price of heating oil contracts have a high correlation to changes in the price of biodiesel fuel. These derivative financial instruments, which inherently contain market risk, are generally effective in reducing fluctuation in biodiesel fuel prices. The market risk is the potential adverse effect on the value of heating oil contracts that results from a change in heating oil prices. The Authority does not enter into fuel future contracts for trading or speculative purposes.

The Authority records the fair market value of the fuel hedge contracts in investments. The resulting realized gains and losses are recorded as an offset to the expense (gain) or an additional expense (loss) in the Statement of Revenues, Expenses and Changes in Net Position in the fuel and lubricants expense line item.

**Compensated Absences** - The Authority records the expense for vacation and sick pay benefits when earned by the employees. The portion of the accrual for unused vacation and sick leave that is reported as a current liability is based on an estimate of the amount employees are expected to use in the upcoming year. The remainder of the accrual is reported as a non-current liability.

**Inventory** is stated at the lower of cost (first-in, first-out basis) or market.

**Cash Flows - Cash and Investment Classification** - For purposes of the statements of cash flows, the Authority considers all cash investments with an original maturity of 28 days or more when purchased to be investments, which is consistent with how investments have been classified on the statements of net position.

**Capital Assets** - Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 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 estimated fair 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:

	<u>Years</u>
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.

**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 revenue 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 statement of revenue, expenses, and changes in net position when the related qualified expenditures are incurred.

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

**Net Position** is displayed in two 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 “invested in capital assets.”

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

## 2. CASH AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2014 and 2013:

Statements of Net Position:	<b>2014</b>	<b>2013</b>
Cash	\$ 7,628,677	\$ 5,671,720
Investments	<u>9,820,985</u>	<u>7,155,767</u>
<b>Total</b>	<b><u>\$17,449,662</u></b>	<b><u>\$12,827,487</u></b>

	2014	2013
<b>Deposits and Investments:</b>		
Bank deposits (checking, savings and certificates of deposit)	\$17,277,716	\$12,630,633
Investment in government liquid asset fund accounts	30,675	30,644
Money market fund	107,166	107,290
Heating oil futures account	31,285	56,100
Cash on hand	<u>2,820</u>	<u>2,820</u>
<b>Total</b>	<b><u>\$17,449,662</u></b>	<b><u>\$12,827,487</u></b>

Public Act 20 of 1943, as amended, authorizes the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments. It has not been determined if heating oil futures are in compliance with applicable State statutes.

**Investments** - In addition to the State restrictions noted above, the Authority's policy is to limit investments to the following:

- Certificates of deposit, depository receipts, and repurchase agreements (covered by direct obligations of the United States Treasury) with any financial institution that maintains a principal office or branch office located in the state of Michigan. The total investment (exclusive of checking accounts) in any one financial institution shall not exceed the lesser of 20 percent of that financial institution's capital and surplus or \$4,000,000.
- Bonds and other direct obligations of the United States or any agency thereof with a maturity of three years or less.
- Top-rated commercial paper of corporations, acquired through the bidding process or through the secondary market with a maturity not more than 270 days after the date of purchase. Not more than \$500,000 may be invested in a single corporation.
- Governmental mutual funds which invest only in authorized investments for local units of government under state law and which offer daily liquidity.

The Authority chooses to disclose its investments by specifically identifying each. As of September 30, 2014, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Rating</u>
RBC Wealth Management Money Market Fund	N/A	0.01%	\$ 79,502	Moody's Aa3
Government Liquid Assets Funds	N/A	Various	30,675	Not rated
JPMorgan Chase Money Market Fund	N/A	0.04%	13,782	Moody's Aaa-mf
Comerica Money Market Fund	N/A	0.02%	<u>13,882</u>	Not rated
			<b><u>\$ 137,841</u></b>	

## **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.

*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, 2014.

*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, 2014, \$7,866,968 of the Authority's bank balance of \$17,722,481 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

### 3. GRANTS RECEIVABLE/GRANT REFUNDS PAYABLE

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, State, and Local Awards (unaudited) on pages 30 and 31. The following grant amounts were outstanding at September 30:

	<b>2014</b>	<b>2013</b>
Michigan Department of Transportation:		
Rideshare program	\$ 364,475	\$ 285,284
Operating assistance	148,301	213,993
Capital Cost of Contracting	30,000	20,000
Planning	39,224	38,752
Preventive maintenance	175,000	
Buses and related equipment	15	87,850
Computer hardware and software	4,353	8,773
Passenger shelters	2,873	16,323
Facilities	11,780	28,713
Transit Centers	119,525	205,759
Job Access/Reverse Commute (State match)	29,640	83,202
Federal Transit Administration:		
Buses and related equipment	12,952	
Bikeshare	54,132	
Passenger shelters	8,004	14,013
Facilities		78,376
Transit Centers	673,216	823,037
Job Access/Reverse Commute	56,877	22,812
New Freedom	1,787	23,620
Operating assistance		1,474,000
Planning	195,732	133,003
Computer hardware and software	4,520	9,814
NET GRANTS RECEIVABLE (REFUNDS PAYABLE)	<u>\$ 1,932,406</u>	<u>\$ 3,567,324</u>

The grants receivable/grant refunds payable are reported on the statements of net position as follows:

	<b>2014</b>	<b>2013</b>
Grants receivable	\$ 2,121,175	\$ 3,672,508
Grant refunds payable	<u>(121,960)</u>	<u>(105,184)</u>
Net grants receivable (refunds payable)	<u>\$ 1,999,215</u>	<u>\$ 3,567,324</u>

#### 4. OTHER RECEIVABLES

Other receivables consist of the following amounts:

	<b>2014</b>	<b>2013</b>
City of Ann Arbor - property tax levy	\$ 320,218	\$ 195,879
City of Ypsilanti - property tax levy	87,912	59,242
Charter Township of Ypsilanti - property tax levy	110,561	
Interest receivable	<u>276</u>	<u>229</u>
<b>Total</b>	<b><u>\$ 518,967</u></b>	<b><u>\$ 255,350</u></b>

#### 5. CAPITAL ASSETS

Capital asset activity during the fiscal year ended September 30, 2014 is as follows:

	<b>Balance October 1 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30 2014</b>
Capital assets not being depreciated:				
Land and improvements	\$ 2,270,821			\$ 2,270,821
Construction in progress	<u>4,127,969</u>	\$ 32,962	\$ 4,123,370	<u>37,561</u>
Total capital assets not being depreciated	6,398,790	32,962	4,123,370	2,308,382
Capital assets being depreciated:				
Park and ride lot construction	5,722,594	37,255		5,759,849
Buildings	20,653,299	7,538,980	1,224,444	26,967,835
Vehicles and related equipment	44,566,259	813,901	44,203	45,335,957
Radio and telephone systems	222,793			222,793
Fare collection equipment	1,035,416			1,035,416
Maintenance equipment	497,196			497,196
Office equipment and furniture	2,305,597	243,845	234,082	2,315,360
Passenger shelters	1,245,668	83,152	17,941	1,310,879
Other	136,095	389,206		525,301
Advanced operating system	<u>3,319,841</u>		<u>13,006</u>	<u>3,306,835</u>
Total capital assets being depreciated	79,704,758	9,106,339	1,533,676	87,277,421
Less accumulated depreciation:				
Park and ride lot construction	1,357,768	179,773		1,537,541
Buildings	13,317,928	900,887	1,044,988	13,173,827
Vehicles and related equipment	17,164,609	3,768,820	33,420	20,900,009
Radio and telephone systems	181,739	25,616		207,355
Fare collection equipment	483,380	103,542		586,922
Maintenance equipment	482,907	4,073		486,980
Office equipment and furniture	1,972,179	158,194	233,874	1,896,499
Passenger shelters	707,445	79,468	17,941	768,972
Other	136,094	19,795		155,889
Advanced operating system	<u>3,284,043</u>	<u>26,865</u>	<u>13,006</u>	<u>3,297,902</u>
Total accumulated depreciation	39,088,092	5,267,033	1,343,229	43,011,896
Total capital assets being depreciated, net	<u>40,616,666</u>	<u>3,839,306</u>	<u>190,447</u>	<u>44,265,525</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<b><u>\$ 47,015,456</u></b>	<b><u>\$ 3,872,268</u></b>	<b><u>\$ 4,313,817</u></b>	<b><u>\$ 46,573,907</u></b>

Capital asset activity during the fiscal year ended September 30, 2013 is as follows:

	<b>Balance October 1 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30 2013</b>
Capital assets not being depreciated:				
Land and improvements	\$ 2,270,821			\$ 2,270,821
Construction in progress	<u>515,572</u>	<u>\$ 3,712,232</u>	<u>\$ 99,835</u>	<u>4,127,969</u>
Total capital assets not being depreciated	2,786,393	3,712,232	99,835	6,398,790
Capital assets being depreciated:				
Park and ride lot construction	5,474,429	248,165		5,722,594
Buildings	20,385,123	268,176		20,653,299
Vehicles and related equipment	38,161,435	10,453,071	4,048,247	44,566,259
Radio and telephone systems	222,793			222,793
Fare collection equipment	1,035,416			1,035,416
Maintenance equipment	499,025		1,829	497,196
Office equipment and furniture	2,096,134	224,962	15,499	2,305,597
Passenger shelters	1,054,326	233,944	42,602	1,245,668
Other	136,095			136,095
Advanced operating system	<u>3,319,841</u>			<u>3,319,841</u>
Total capital assets being depreciated	72,384,617	11,428,318	4,108,177	79,704,758
Less accumulated depreciation:				
Park and ride lot construction	1,175,799	181,969		1,357,768
Buildings	12,465,750	852,178		13,317,928
Vehicles and related equipment	17,537,577	3,675,279	4,048,247	17,164,609
Radio and telephone systems	147,583	34,156		181,739
Fare collection equipment	375,962	107,418		483,380
Maintenance equipment	479,250	5,486	1,829	482,907
Office equipment and furniture	1,856,692	130,986	15,499	1,972,179
Passenger shelters	664,587	85,460	42,602	707,445
Other	136,094			136,094
Advanced operating system	<u>3,238,186</u>	<u>45,857</u>		<u>3,284,043</u>
Total accumulated depreciation	38,077,480	5,118,789	4,108,177	39,088,092
Total capital assets being depreciated, net	<u>34,307,137</u>	<u>6,309,529</u>		<u>40,616,666</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u><u>\$ 37,093,530</u></u>	<u><u>\$ 10,021,761</u></u>	<u><u>\$ 99,835</u></u>	<u><u>\$ 47,015,456</u></u>

## 6. UNEARNED REVENUE

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

	<b>2014</b>	<b>2013</b>
Federal Capital	\$ 41,991	\$ 27,731
State Capital	10,498	6,933
Ypsilanti DDA - Ypsilanti Transit Center Renovations	20,000	
Local share of North/South Rail intergovernmental revenues	144,736	150,926
GetDowntown Program	<u>65,751</u>	<u>65,751</u>
Total	<u>\$ 282,976</u>	<u>\$ 251,341</u>

## 7. 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. Employees are eligible to participate after one year of employment. The Authority's contributions for each employee and interest allocated to the employee's account are fully vested after five years of employment. Authority contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current year contribution requirement. Employees contribute 4% of their gross earnings to the plan, effective January 1, 2011. Previously, employees contributed 3% of their gross earnings. Employee contributions amounted to \$452,600 and \$416,500 for the years ended September 30, 2014 and 2013, respectively. The Authority's contribution to the plan is 8% of the employee's gross earnings, less forfeitures. Authority contributions amounted to \$905,000 and \$833,000 for the years ended September 30, 2014 and 2013, respectively. Total payroll and covered payroll was approximately \$13,146,000 and \$11,315,000, respectively, for 2014 and \$12,439,000 and \$10,413,000, respectively, for 2013.

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

## 8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to vehicle liability, property loss, torts, errors and omissions, storage tanks and employee injuries (workers' compensation). The Authority is also a defendant in several pending personal injury lawsuits. The Authority has purchased commercial insurance for personal injury, vehicle liability, property loss, general commercial liability, public officials, employee practices liability, storage tank and workers' compensation insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. 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.

## 9. SUBCONTRACT SERVICE

The Authority subcontracts with taxi cab and other transportation companies to provide certain services. The Authority pays the companies fees based on the level of service provided, and the companies collect and retain the passenger fares as an advance against the monthly billings. Operating revenues and operating expenses include approximately \$1,538,500 and \$1,378,000 of fares for these services in the years ended September 30, 2014 and 2013, respectively. These amounts are disclosed as noncash transactions on the Statements of Cash Flows.

## 10. 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.

## 11. INFORMATIONAL SUMMARY OF PROJECTED REVENUES, EXPENDITURES AND METHOD OF FINANCING CAPITAL PROJECTS

The Authority has prepared and made available for inspection the informational summary of projected revenues, expenses and capital project costs recommended in Section 15, subsection 1(h), Act 621, PA 1978, as amended, (MCLA 141.435) (MSA 5.3228 (35)) and as required in Act 51, 10e (1) (d) (vii).

## 12. POST EMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS (OPEB)

**Plan Description.** The Authority provides contributory and noncontributory medical benefits and basic life insurance coverage for eligible retirees and their spouses. Effective January 1, 2008, the medical benefits portion of this plan was significantly modified. The benefits for bargaining employees are specified by union contract while the Board of Directors establishes those for non-bargaining employees. 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. 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 core 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.

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.

**Funding Policy and Annual OPEB Cost.** For this plan, contribution requirements of the plan members and the Authority are established and may be amended by union contract for bargaining employees and for non-bargaining employees by the Board of Directors. The Authority has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The Authority's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount determined in accordance with the parameters of GASB Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" using the Alternative Measurement Method (AMM) as permitted for employers in plans with fewer than 100 total plan members.

**Funding Progress.** The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 25 years, as of the most recent valuation date. The following schedule shows the components of the Authority's annual OPEB cost for the current year, the amount actually contributed to the plan and the changes in the net OPEB obligation:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Annual required contribution (recommended)	\$ 82,701	\$ 80,645	\$ 89,545
Interest on net OPEB obligation	4,892	7,454	7,454
Adjustment to annual required contribution	<u>(11,118)</u>	<u>(8,254)</u>	<u>(8,254)</u>
Total annual OPEB cost	76,475	79,845	88,745
Employer contributions made -			
Payment of current health care premiums	<u>(65,687)</u>	<u>(70,095)</u>	<u>(81,150)</u>
Increase in net OPEB obligation	10,788	9,750	7,595
OPEB obligation - beginning of year	244,586	208,178	200,583
Adjustment to beginning balance	-	26,658	-
<b>OPEB obligation - end of year</b>	<b><u>\$ 255,374</u></b>	<b><u>\$ 244,586</u></b>	<b><u>\$ 208,178</u></b>

The Authority's annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the years ended September 30 for the plan are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2009	\$145,395	45.7%	\$ 162,136
9/30/2010	\$ 83,987	80.3%	\$ 179,685
9/30/2011	\$ 86,310	75.8%	\$ 200,583
9/30/2012	\$ 88,745	91.4%	\$ 208,178
9/30/2013	\$ 79,845	87.8%	\$ 244,586
9/30/2014	\$ 76,475	85.9%	\$ 255,374

**Funded Status and Funding Progress.** The funded status of the plan as of September 30, 2014, the most recent available actuarial valuation, is as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Actuarial accrued liabilities (a)	\$ 1,643,567	\$ 1,682,715	\$ 1,656,087
Actuarial value of plan assets (b)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Unfunded actuarial accrued liability (a) - (b)</b>	<b><u>\$ 1,643,567</u></b>	<b><u>\$ 1,682,715</u></b>	<b><u>\$ 1,656,087</u></b>
Funded ratio (b) / (a)	0%	0%	0%
Covered payroll (c)	\$ 91,396	\$ 132,944	\$ 218,584
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c)	1,801%	1,266%	758%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

**Actuarial Methods and Assumptions.** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation date and the historical pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. As permitted by GASB Statement No. 45, the Alternative Measurement Method with its simplifications of certain assumptions was employed in measuring actuarial accrued liabilities and the ARC. The Plan currently covers four active employees, 11 retirees and three retirees' spouses. The following simplifying assumptions were made pursuant to the Alternative Measurement Method:

Actuarial valuation date	September 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Remaining amortization period	21 years
Asset valuation method	N/A

Actuarial assumptions:

Investment rate of return	2.0%
Projected salary increases	2.0%
Healthcare cost trend rate	5.9% through 2019
Inflation rate	1.0%
Payroll growth rate	2.0%
Retirement age	65
Marital status	Marital status to continue throughout retirement
Mortality	2002 United States for males and females life tables
Turnover	0%

### 13. HEALTH CARE SAVINGS PLAN

Effective January 1, 2008, the Authority established a defined contribution Health Care Savings Plan (HCSP) under the Internal Revenue Code. The HCSP is a public employer-sponsored program administered by the Municipal Employees' Retirement System of Michigan (MERS), which allows employees to save pre-tax money to pay post-employment medical expenses and/or health insurance premiums. Virtually all full-time active employees participate and vested funds accumulated in the plan shall become accessible to the employee upon the 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. One-time lump-sum contributions are subject to the same 10 years of continuous vesting requirement as monthly contributions. The total of this one-time contribution was \$3,442,000. Of this total, \$1,714,000 was funded from the accrued post-retirement benefit obligation as of September 30, 2007 and the remaining amount of \$1,728,000 was expensed as a fringe benefit in the year ended September 30, 2008.

Effective January 1, 2013, the Authority makes pre-tax contributions of \$130 each month into each eligible employee's HCSP account. From January 1, 2008 to December 31, 2012, the Authority made pre-tax contributions of \$125 per month. The employees shall make a mandatory monthly pre-tax contribution of \$10 per pay period. Employees may make voluntary pre-tax contributions to the HCSP to the extent allowable by the HCSP or by law. Employer contributions amounted to \$292,440 and \$281,540 for the years ended September 30, 2014 and 2013, respectively.

#### **14. COMMITMENTS**

At September 30, 2014, the Authority had outstanding commitments relating to the purchase of 27 buses for \$12.9 million and the purchase of six minivans for the VanRide program for \$128,000.

At September 30, 2013, the Authority had outstanding commitments relating to the continuing construction of the Blake Transit Center for \$3.9 million.

Funding for these commitments are through Federal and State capital grants, except for the minivans, which are purchased using local funds.

Required GASB Statement No. 45  
Supplementary Information  
September 30, 2014

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**GASB STATEMENT 45 REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR RETIRED EMPLOYEES HEALTHCARE PLAN**

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<b>Fiscal Year Ending</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
9/30/2009	9/30/2008	\$ -	\$ 2,025,259	\$ 2,025,259	\$ -	\$ 9,631,900	21.0%
9/30/2010	9/30/2010	\$ -	\$ 1,656,087	\$ 1,656,087	\$ -	\$ 195,288	848.0%
9/30/2011	9/30/2010	\$ -	\$ 1,656,087	\$ 1,656,087	\$ -	\$ 201,147	823.3%
9/30/2012	9/30/2010	\$ -	\$ 1,656,087	\$ 1,656,087	\$ -	\$ 218,584	757.6%
9/30/2013	9/30/2013	\$ -	\$ 1,682,715	\$ 1,682,715	\$ -	\$ 132,944	1265.7%
9/30/2014	9/30/2014	\$ -	\$ 1,643,567	\$ 1,643,567	\$ -	\$ 91,396	1798.3%

Additional Information for the Year Ended  
September 30, 2014

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF REVENUES - UNAUDITED YEARS ENDED SEPTEMBER 30, 2014 AND 2013

LOCAL OPERATING REVENUES:	2014	2013
Passenger fares:		
Urban fixed route	\$ 2,183,989	\$ 2,242,036
Urban demand response	623,483	604,457
Commuter express	159,670	136,973
Interurban airport shuttle	901,806	740,799
Mobility Management demand response	13,212	32,522
VanRide fares	57,320	6,323
Nonurban demand response	93,458	116,543
Special Fares:		
City of Ann Arbor DDA (go!pass)	546,742	557,130
City of Ann Arbor - Downtown Development Authority (NightRide)	17,809	15,440
Ann Arbor Public Schools	34,362	13,720
Eastern Michigan University	202,218	143,322
University of Michigan (MRide)	1,078,448	1,254,445
Washtenaw Community College	64,657	69,084
TOTAL LOCAL OPERATING REVENUE	<u>\$ 5,977,174</u>	<u>\$ 5,932,794</u>
LOCAL NONOPERATING REVENUE:		
Purchase of service agreements:		
Pittsfield Township	\$ 168,273	\$ 150,959
Superior Township	37,277	33,872
City of Ypsilanti		227,632
Ypsilanti Township	164,755	306,328
City of Chelsea (ExpressRide)	15,000	
Total purchase of service agreements	<u>385,305</u>	<u>718,791</u>
City of Ann Arbor - property tax levy	13,056,992	9,499,470
City of Ypsilanti - property tax levy	489,200	273,797
Ypsilanti Township - property tax levy	779,435	
City of Ann Arbor - Downtown Development Authority (GetDowntown)	36,908	72,143
City of Ann Arbor - Downtown Development Authority (route #4 & #5 expansion)	72,941	
City of Ann Arbor - Downtown Development Authority (Connector Study)	10,808	10,671
City of Ann Arbor (Connector Study)	10,808	10,671
City of Ann Arbor (GetDowntown)	7,900	7,900
University of Michigan (Connector Study)	54,040	53,353
North/South Rail partner contributions (provides planning grant match)	6,190	6,074
Job Access/Reverse Commute pass-through	209,277	154,290
Nonurban - Other governmental and local sources	380,122	333,429
Interurban airport shuttle - private contractor contribution	175,550	243,425
Interest income	26,582	40,892
Advertising income	250,958	349,310
Other revenue	38,404	30,724
(Loss) gain on sale of equipment	(190,448)	50,797
Total local nonoperating revenue	<u>15,800,972</u>	<u>11,855,737</u>
Total local operating and nonoperating revenue	<u>21,778,146</u>	<u>17,788,531</u>
STATE OF MICHIGAN NONOPERATING REVENUE:		
Formula operating assistance - urban (Act 51)	8,384,292	7,856,980
Formula operating assistance - nonurban (Act 51)	407,746	369,188
Prior years formula adjustments - urban and nonurban	94,920	(15,145)
Capital Cost of Contracting	60,000	50,000
Job Access/Reverse Commute (State Match)	71,696	85,610
Planning	81,355	62,682
Preventive maintenance	525,000	315,000
Specialized services	89,814	89,814
Total state nonoperating revenue	<u>9,714,823</u>	<u>8,814,129</u>
FEDERAL NONOPERATING REVENUE:		
Operating Assistance (Section 5307)	1,540,000	1,474,000
Unified planning program passed through SEMCOG (Section 5303)	49,440	49,440
Planning (Sections 5307 and 5336)	826,797	702,850
Federal operating assistance - nonurban (Section 5311) - passed through the State	166,003	153,469
Capital cost of contracting (Section 5307)	240,000	200,000
Job Access/Reverse Commute	148,201	83,878
New Freedom	49,692	80,995
Preventive maintenance (Section 5307)	2,100,000	1,260,000
State planning and research (Section 5304 - passed through the State of Michigan)	28,625	19,375
Travel Demand Management (CMAQ - passed through the State of Michigan)	455,000	455,000
Total federal nonoperating revenue	<u>5,603,758</u>	<u>4,479,007</u>
TOTAL NONOPERATING REVENUES	<u>\$ 31,119,553</u>	<u>\$ 25,148,873</u>

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES - UNAUDITED YEAR ENDED SEPTEMBER 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Operations	Maintenance	General Administration	2014 Total	2013 Total
LABOR:					
Operators' salaries and wages	\$ 6,136,269			\$ 6,136,269	\$ 5,877,424
Other salaries and wages	989,052	\$ 1,801,351	\$ 2,210,147	5,000,550	4,691,059
FRINGE BENEFITS					
Fringe wages	1,166,872	352,911	489,113	2,008,896	1,870,714
Social Security payroll taxes	605,084	155,109	187,599	947,792	903,934
Medical insurance	1,639,388	520,929	235,552	2,395,869	2,196,537
Pension	546,673	161,605	196,906	905,184	833,061
Health care savings plan	192,530	55,250	44,660	292,440	281,540
Post-retirement medical benefits	51,831	14,822	9,822	76,475	120,009
Other fringe benefits	599,095	133,469	7,539	740,103	797,039
SERVICES:					
Advertising fees			141,644	141,644	131,583
Other services	330,024	704,767	1,360,684	2,395,475	1,809,961
Auditing fees			21,195	21,195	23,923
MATERIALS AND SUPPLIES					
CONSUMED:					
Fuel and lubricants	2,253,815	7,292		2,261,107	2,209,862
Tires and tubes	61,503	520		62,023	13,867
Materials and supplies	675,676	318,910	543,027	1,537,613	1,393,394
UTILITIES			510,019	510,019	404,002
CASUALTY AND LIABILITY COSTS:					
Premiums for public liability and property damage insurance	520,595			520,595	501,612
Other casualty and liability costs			146,304	146,304	126,068
PURCHASED TRANSPORTATION	6,341,529			6,341,529	5,983,430
MISCELLANEOUS EXPENSES:					
Travel and meetings			44,868	44,868	54,406
Advertising and promotion media			226,048	226,048	152,344
Association dues and subscriptions			86,923	86,923	69,767
Other		9,362	294,043	303,405	146,194
LEASES AND RENTALS	39,067		9,153	48,220	36,192
DEPRECIATION	<u>4,004,311</u>	<u>4,073</u>	<u>1,258,649</u>	<u>5,267,033</u>	<u>5,118,789</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 26,153,314</u></b>	<b><u>\$ 4,240,370</u></b>	<b><u>\$ 8,023,895</u></b>	<b><u>\$ 38,417,579</u></b>	<b><u>\$ 35,746,711</u></b>

**ADDITIONAL INFORMATION**  
**SCHEDULE OF FEDERAL AND STATE INTEREST IN CAPITAL ASSETS - UNAUDITED**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

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	<b>2014</b>	<b>2013</b>
FEDERAL AND STATE INTEREST IN CAPITAL ASSETS:		
Balance, beginning of year	\$ 45,386,041	\$ 35,321,161
Contributions - Federal and State capital grants	4,410,014	15,023,274
Adjustment to prior year State capital contributions		(3,185)
Loss on disposal of capital assets (Federal and State)	(93,295)	
Depreciation on assets purchased with Federal and State capital grants	<u>(5,049,029)</u>	<u>(4,955,209)</u>
Balance, end of year	<u>\$ 44,653,731</u>	<u>\$ 45,386,041</u>
Detail of Federal and State interest in capital assets at September 30		
Federal government	\$ 70,238,000	\$ 67,335,118
State of Michigan	<u>13,840,715</u>	<u>13,255,139</u>
Total	84,078,715	80,590,257
Less accumulated depreciation on contributed assets	<u>39,424,984</u>	<u>35,204,216</u>
Net Federal and State interest in capital assets	44,653,731	45,386,041
Net local interest in capital assets	<u>1,920,176</u>	<u>1,629,415</u>
Net investment in capital assets	<u>\$ 46,573,907</u>	<u>\$ 47,015,456</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2014**

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			Local
<b>U. S. Department of Transportation (Federal):</b>									
<b>Direct assistance - Capital Grants:</b>									
Capital (Section 5309) (Downtown Transit Center) (80/20)	20.500	MI03-0221	\$1,608,012	\$1	\$1	\$0	\$0	\$1,608,011	\$0
Capital (Section 5309) (State of Good Repair) (80/20)	20.500	MI04-0064	1,013,000	445,425	445,425	0	0	567,575	0
Capital (Section 330 FHWA) (Blake Transit Center) (100/0)	20.205	MI70-X003	993,500	993,500	993,500	0	0	0	0
Capital (Section 5307) (FY 2010) (80/20 or 100/0)	20.507	MI90-X615	515,000	49,205	49,205	0	0	465,795	0
Capital (Section 5307) (FY 2011 & 2012) (80/20 or 100/0)	20.507	MI90-X641-01	11,800,000	928,384	928,384	0	0	10,528,795	342,821
Capital (Section 5307) (FY 2013) (80/20)	20.507	MI90-X671	2,532,810	991,249	991,249	0	0	0	1,541,561
Capital (Section 5307) (FY 2014) (80/20)	20.507	MI90-X684	1,555,951	0	0	0	0	0	1,555,951
Surface Transportation Program (CTC) (80/0)	20.507	MI95-X052-01	906,193	20,859	20,859	0	0	832,815	52,519
Federal Highway - Capital Grant - Section 330 (BikeShare)	20.507	MI95-X106	500,000	337,426	337,426	0	0	0	162,574
Subtotal - Direct Federal Capital			<u>\$21,424,466</u>	<u>\$3,766,049</u>	<u>\$3,766,049</u>	<u>\$0</u>	<u>\$0</u>	<u>\$14,002,991</u>	<u>\$3,655,426</u>
<b>Direct assistance - Operating grants:</b>									
Unified Planning Program (Section 5303) (80/0)	20.505	14005	49,440	61,800	49,440	0	12,360	0	0
Planning (Section 5307) (FY 2011) (80/20)	20.507	MI90-X641-01	320,000	138,327	138,327	0	0	151,370	30,303
Planning (Section 5307) (FY 2012) (80/20)	20.507	MI90-X671	320,000	237,144	239,144	0	0	0	80,856
Planning (Section 5307) (FY 2013) (80/20)	20.507	MI90-X684	320,000	17,004	17,004	0	0	0	302,996
Planning (Section 5339) Connector Study Alternatives (80/0)	20.522	MI39-0004	1,200,000	540,403	432,322	0	108,081	0	340,849
Capital cost of contracting (Section 5307) (80/20)	20.507	MI90-X671	240,000	240,000	240,000	0	0	0	0
Capital cost of contracting (Section 5307) (80/20)	20.507	MI90-X684	120,000	0	0	0	0	0	120,000
Preventive Maintenance (Section 5307) (80/20)	20.507	MI90-X641-01	1,680,000	420,000	420,000	0	0	0	0
Preventive Maintenance (Section 5307) (80/20)	20.507	MI90-X671	1,680,000	1,680,000	1,680,000	0	0	0	0
Preventive Maintenance (Section 5307) (80/20)	20.507	MI90-X684	1,560,000	0	0	0	0	0	1,560,000
Operating assistance (Section 5307) (50/50)	20.507	MI90-X684	2,400,000	1,540,000	1,540,000	0	1,540,000	0	860,000
Job Access/Reverse Commute (JARC)	20.516	MI37-X039	125,000	50,775	50,775	0	0	74,225	0
Job Access/Reverse Commute (JARC)	20.516	MI37-X044-01	452,367	97,426	97,426	0	0	149,468	205,473
New Freedom (Mobility Management)	20.521	MI57-X012	60,000	19,451	19,451	0	0	40,549	0
New Freedom (Mobility Management)	20.521	MI57-X016	151,110	30,241	30,241	0	0	62,429	58,440
Subtotal - Direct Federal Operating			<u>10,677,917</u>	<u>5,072,571</u>	<u>4,954,130</u>	<u>0</u>	<u>1,660,441</u>	<u>478,041</u>	<u>3,558,917</u>
<b>Passed Through Michigan Department of Transportation:</b>									
Congestion Mitigation/Air Quality (Rideshare FY 2013)	20.507	2014-0009	455,000	455,000	455,000	0	0	0	0
Planning (Wally Commuter Rail) (Section 5304)	20.515	2007-0162/Z25	48,000	35,781	28,625	0	7,156	19,375	0
Nonurban Areas, Passed through MDOT (Section 5311)	20.509	2012-0033/P14	166,003	166,003	166,003	0	0	0	0
Subtotal - Federal Passed Through MDOT Operating			<u>669,003</u>	<u>656,784</u>	<u>649,628</u>	<u>0</u>	<u>7,156</u>	<u>19,375</u>	<u>0</u>
<b>Transfer - Capital grants:</b>									
Capital (Insurance proceeds)	20.507	MI90-X380	90,708	0	0	0	0	62,977	27,731
			<u>90,708</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,977</u>	<u>27,731</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$32,862,094</u>	<u>\$9,495,404</u>	<u>\$9,369,807</u>	<u>\$0</u>	<u>\$1,667,597</u>	<u>\$14,563,384</u>	<u>\$7,242,074</u>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS - UNAUDITED (Continued) YEAR ENDED SEPTEMBER 30, 2014

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			Local
<b>Michigan Department of Transportation (State):</b>									
<b>Direct assistance - Capital grants:</b>									
Capital (State of Good Repair)	N/A	2007-0162/Z30	\$253,250	\$111,346	\$0	\$111,346	\$0	\$141,904	\$0
Capital (FY 2007)	N/A	2007-0162/Z5	911,831	0	0	0	0	866,508	45,323
Capital (FY 2011 and FY 2012)	N/A	2007-0162/Z32 R1	2,920,600	233,026	0	233,026	0	2,630,514	57,060
Capital (FY 2013)	N/A	2012-0033/P9	633,203	247,812	0	247,812	0	0	385,391
Capital (FY 2014)	N/A	2012-0033/P17	388,988	0	0	0	0	0	388,988
Capital (BikeShare)	N/A	2014-0065	100,000	51,780	0	51,780	0	0	48,220
Subtotal - Direct State Capital			5,207,872	643,964	0	643,964	0	3,638,926	924,982
<b>Direct assistance - Operating grants:</b>									
Operating assistance - Act 51 Urban	N/A	N/A	8,384,292	8,384,292	0	8,384,292	0	0	0
Operating assistance - Act 51 Non-Urban	N/A	N/A	407,746	407,746	0	407,746	0	0	0
Prior year formula adjustments	N/A	N/A	94,920	94,920	0	94,920	0	0	0
Planning (FY 2011 and FY 2012)	N/A	2007-0162/Z32 R1	110,589	17,318	0	17,318	0	93,271	0
Planning (FY 2013)	N/A	2012-0033/P9	80,000	59,786	0	59,786	0	0	20,214
Planning (FY 2014)	N/A	2012-0033/P17	80,000	4,251	0	4,251	0	0	75,749
Capital Cost of Contracting	N/A	2012-0033/P9	60,000	60,000	0	60,000	0	0	0
Capital Cost of Contracting	N/A	2012-0033/P17	30,000	0	0	0	0	0	30,000
Preventive Maintenance (FY 2011 and FY 2012)	N/A	2007-0162/Z32 R1	756,000	105,000	0	105,000	0	651,000	0
Preventive Maintenance (FY 2013)	N/A	2012-0033/P9	420,000	420,000	0	420,000	0	0	0
Preventive Maintenance (FY 2014)	N/A	2012-0033/P17	390,000	0	0	0	0	0	390,000
Specialized Services (FY 2014)	N/A	2012-0033/P12	89,814	289,582	0	89,814	199,768	0	0
Job Access/Reverse Commute (FY 2009)	N/A	2007-0162/Z20	31,250	12,694	0	12,694	0	18,556	0
Job Access/Reverse Commute (FY 2010)	N/A	2007-0162/Z27 R1	452,367	59,002	0	59,002	0	160,006	233,359
Subtotal - Direct State Operating			11,386,978	9,914,591	0	9,714,823	199,768	922,833	749,322
<b>Transfer - Capital grants:</b>									
Capital (Insurance proceeds)	N/A	2002-0007/Z4	22,677	0	0	0	0	15,744	6,933
Subtotal - Transfer			22,677	0	0	0	0	15,744	6,933
<b>TOTAL STATE EXPENDITURES</b>			<b>\$16,617,527</b>	<b>\$10,558,555</b>	<b>\$0</b>	<b>\$10,358,787</b>	<b>\$199,768</b>	<b>\$4,577,503</b>	<b>\$1,681,237</b>
<b>STATE PASS-THROUGH:</b>									
Specialized Services (FY 2014)		2012-0033/P12	\$87,026	\$64,840	\$0	\$64,840	\$0	\$0	\$22,186
Specialized Services (FY 2013)		2012-0033/P6	87,026	21,756	0	21,756	0	65,270	0
Total -State Pass-Through Special Services			\$174,052	\$86,596	\$0	\$86,596	\$0	\$65,270	\$22,186

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING AND CONTRACT EXPENSES - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2014, WITH COMPARATIVE TOTALS FOR 2013**

	Specialized Services 2012-0033/P12 FY 2014	Job Access/ Reverse Commute	New Freedom MI57-0012 MI57-0016	Rideshare Program 2014-0009 FY 2014	Non Urban Operations	Urban Operations		2014 Total	2013 Total
		MI37-X039 MI37-X044 2007-0162/Z20 2007-0162/Z27			(Sec. 5311: 2012-0033/P14 FY 2014	Demand-Response	Fixed-Route		
TOTAL OPERATING EXPENSES:									
Labor		\$ 69,694	\$ 15,627	\$ 206,315	\$ 17,619	\$ 255,809	\$ 10,571,755	\$ 11,136,819	\$ 10,568,483
Fringe benefits		25,978	5,791	69,968	7,883	161,210	7,095,929	7,366,759	7,002,834
Services		394		80,718	5,136	957	2,471,109	2,558,314	1,965,467
Materials and supplies		465		18,890	2,857	35,593	3,802,938	3,860,743	3,617,123
Utilities						22,441	487,578	510,019	404,002
Casualty and liability costs					4,467	53,352	609,080	666,899	627,680
Purchased transportation	\$ 289,582	332,643	28,274	29,598	999,205	3,412,840	1,249,387	6,341,529	5,983,430
Other				49,511	354	2,027	609,352	661,244	422,711
Leases and rentals							48,220	48,220	36,192
Depreciation						44,158	5,222,875	5,267,033	5,118,789
<b>TOTAL EXPENSES</b>	<b>\$ 289,582</b>	<b>\$ 429,174</b>	<b>\$ 49,692</b>	<b>\$ 455,000</b>	<b>\$ 1,037,521</b>	<b>\$ 3,988,387</b>	<b>\$ 32,168,223</b>	<b>\$ 38,417,579</b>	<b>\$ 35,746,711</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE REVENUES - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2014**

<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	\$ 3,302,785	\$ 636,695	\$ 3,939,480
40200	Contract Fares	1,944,236		1,944,236
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>			
40615	Advertising	250,958		250,958
<b>407 :</b>	<b>NonTransit Revenue</b>			
40799	Gain (Loss) on Sale of Equipment	(190,448)		(190,448)
40799	Other Revenue	38,404		38,404
<b>408 :</b>	<b>Local Revenue</b>			
40800	Taxes Levied Directly for Transit Agency	13,464,652	860,975	14,325,627
<b>409 :</b>	<b>Local Revenue</b>			
40910	Local Operating Assistance	212,792	172,513	385,305
40999	Other Local - Local Match	375,145		375,145
<b>411 :</b>	<b>State Formua and Contracts</b>			
41101	State Operating Assistance	7,254,034	1,130,258	8,384,292
41101	Prior Year Formula Adjustments	94,920		94,920
41111	Preventive Maintenance	525,000		525,000
41112	Capital Cost of Contracting		60,000	60,000
41112	Planning	81,355		81,355
<b>413 :</b>	<b>Federal Contracts</b>			
41302	Operating Assistance (Sec 5307)	1,370,125	169,875	1,540,000
41311	Preventive Maintenance (Sec 5307)	2,100,000		2,100,000
41312	Capital Cost of Contracting (Sec 5307)		240,000	240,000
41312	Planning (Sec 5307)	826,797		826,797
41312	Unified Planning (Sec 5303)	49,440		49,440
41399	State Planning & Research - North/South Rail	28,625		28,625
<b>414 :</b>	<b>Other Revenue</b>			
41400	Interest Revenue	26,582		26,582
<b>Total</b>		<b>\$ 31,755,402</b>	<b>\$ 3,270,316</b>	<b>\$ 35,025,718</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE EXPENSES - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2014**

Code	Description	Operations		Maintenance		General Administration		Total
		Fixed-Route	Demand Response	Fixed-Route	Demand Response	Fixed-Route	Demand Response	
<b>501:</b>	<b>Labor</b>							
50101	Operators Salaries & Wages	\$ 6,136,269						\$ 6,136,269
50102	Other Salaries & Wages	877,288	\$ 115,596	\$ 1,597,798	\$ 27,150	\$ 1,960,400	\$ 113,063	4,691,295
<b>502:</b>	<b>Fringe Benefits</b>							
50200	Other Fringe Benefits	4,095,394	63,850	1,188,378	14,997	939,417	62,451	6,364,487
50201	Pensions	529,896	8,998	154,543	2,113	188,301	8,801	892,652
<b>503:</b>	<b>Services</b>							
50302	Advertising Fees					107,253	157	107,410
50305	Audit Costs					20,395	800	21,195
50399	Other Services	322,858		689,464		1,331,139		2,343,461
<b>504:</b>	<b>Materials and Supplies</b>							
50401	Fuel & Lubricants	2,253,815		7,292				2,261,107
50402	Tires & Tubes	61,503		520				62,023
50499	Other Materials & Supplies	650,275	15,641	306,921	7,382	522,612	12,570	1,515,401
<b>505:</b>	<b>Utilities</b>							
50500	Utilities					487,578	22,441	510,019
<b>506:</b>	<b>Insurance</b>							
50603	Liability Insurance	520,595						520,595
50699	Other Insurance					88,485	53,352	141,837
<b>508:</b>	<b>Purchased Transportation</b>							
50800	Purchased Transportation	1,249,387	3,412,840					4,662,227
<b>509:</b>	<b>Miscellaneous Expenses</b>							
50902	Travel, Meeting & Training					43,662		43,662
50903	Association Dues & Subscriptions					85,798		85,798
50999	Other Misc Expenses			8,486	36	471,406	1,991	481,919
<b>512:</b>	<b>Operating Leases &amp; Rentals</b>							
51200	Operating Leases & Rentals	39,067				9,153		48,220
<b>513:</b>	<b>Depreciation</b>							
51300	Depreciation	3,970,739	44,158	4,039		1,248,097		5,267,033
	<b>Total Urban Expenses</b>	<b>20,707,086</b>	<b>3,661,083</b>	<b>3,957,441</b>	<b>51,678</b>	<b>7,503,696</b>	<b>275,626</b>	<b>36,156,610</b>
<b>550:</b>	<b>Ineligible Expenses</b>							
55007	Ineligible Depreciation	3,876,302	44,158	2,125		1,126,444		5,049,029
55009	Ineligible Association Dues					9,025		9,025
55010	Ineligible Nontransportation Revenue					38,404		38,404
55011	Ineligible Preventive Maintenance (5307)			2,625,000				2,625,000
<b>570:</b>	<b>Ineligible Expenses</b>							
57099	Ineligible - Planning (Sec 5307)					908,152		908,152
57602	Ineligible - Unified Planning (Sec 5303)					61,800		61,800
57602	Ineligible - Capital Cost of Contracting		300,000					300,000
57604	Ineligible - State Planning and Research (Sec 5304)					35,781		35,781
<b>580:</b>	<b>Ineligible Expenses</b>							
58007	Ineligible - Health Care Savings Plan	56,363		16,174		13,073		85,610
58007	Ineligible - Post-retirement Benefit Accrual	51,831		14,822		9,822		76,475
58007	Ineligible - Post-retirement Benefits Paid	(44,519)		(12,731)		(8,437)		(65,687)
						<b>Fixed-Route</b>	<b>Demand Response</b>	<b>Total</b>
						Total Expenses	\$ 3,988,387	\$ 36,156,610
						Total Ineligible Expenses	(344,158)	(9,123,589)
						Total Eligible Expenses	\$ 3,644,229	\$ 27,033,021

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

ADDITIONAL INFORMATION - SCHEDULE OF REGULAR SERVICE NONFINANCIAL INFORMATION - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2014 - OPEN

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### PUBLIC SERVICE - FIXED-ROUTE

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	195,443	11,637	6,358	213,438
611	Vehicle Miles	3,179,814	204,844	121,981	3,506,639

### PUBLIC SERVICE - DEMAND-RESPONSE

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	66,139	8,332	6,410	80,881
611	Vehicle Miles	1,087,067	136,940	105,353	1,329,360

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES - UNAUDITED YEAR ENDED SEPTEMBER 30, 2014

Code	Description	Total Nonurban
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 93,457
40200	Contract Fares	
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>	
40615	Advertising	
<b>407 :</b>	<b>NonTransit 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	370,315
40999	Other Local	
<b>411 :</b>	<b>State Formua and Contracts</b>	
41101	State Operating Assistance	407,746
411	Prior Year Formula Adjustments	
<b>413 :</b>	<b>Federal Contracts</b>	
41301	Federal Section 5311	166,003
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Revenue	
	Other	
<b>Total</b>		<b>\$ 1,037,521</b>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2014**

Code	Description	DEMAND-RESPONSE			Total
		Operations	Maintenance	General Administration	
<b>501: Labor</b>					
50102	Other Salaries & Wages			\$ 17,619	\$ 17,619
<b>502: Fringe Benefits</b>					
50200	Other Fringe Benefits			6,473	6,473
50201	Pensions			1,410	1,410
<b>503: Services</b>					
50305	Other Services	\$ 708	1,511	2,917	5,136
<b>504: Materials and Supplies</b>					
50499	Other Materials & Supplies	1,255	\$ 593	1,009	2,857
<b>506: Insurance</b>					
50699	Other Insurance			4,467	4,467
<b>508: Purchased Transportation</b>					
50800	Purchased Transportation	999,205			999,205
<b>509: Miscellaneous Expenses</b>					
50999	Other Misc Expenses		6	348	354
<b>550: Ineligible Expenses</b>					
<b>570: Ineligible Expenses</b>					
				Total Expenses	\$ 1,037,521
				Total Ineligible Expenses	
				Total Eligible Expenses	<u>\$ 1,037,521</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF REGULAR SERVICE NONFINANCIAL INFORMATION - UNAUDITED  
YEAR ENDED SEPTEMBER 30, 2014**

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**PUBLIC SERVICE - DEMAND-RESPONSE**

<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
610	Vehicle Hours	31,102	2,031		33,133
611	Vehicle Miles	363,429	23,733		387,162

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION - UNAUDITED YEAR ENDED SEPTEMBER 30, 2014

	<u>Urban</u>		Nonurban
	Line-Haul	Demand Response	
Total Expenses	\$ 32,168,223	\$ 3,988,387	\$ 1,037,521
Less Ineligible Expenses:			
Federal Preventive Maintenance (Sec. 5307)	\$ 2,100,000		
Federal Planning (Section 5307 and 5336)	826,797		
Federal Unified Planning (Section 5303)	61,800		
Federal Capital Cost of Contracting (Sec 5307)		\$ 240,000	
Federal and State Depreciation Expense	5,004,871	44,158	
State Preventive Maintenance	525,000		
State Planning	81,355		
State Planning and Research (Section 5304)	35,781		
State Capital Cost of Contracting		60,000	
Health Care Savings Plan Contributions	85,610		
Post-Retirement Medical Benefits Accrual	76,475		
Post-Retirement Medical Benefits Paid	(65,687)		
Other Revenue	38,404		
Association Dues (Ineligible Portion)	9,025		
Total Ineligible Expenses	8,779,431	344,158	
<b>Total State Eligible Expenses</b>	<b>23,388,792</b>	<b>3,644,229</b>	<b>1,037,521</b>

Eligible Expenses for State Reimbursement	\$ 23,388,792	\$ 3,644,229	\$ 1,037,521
x Reimbursement Percentage	31.0150%	31.0150%	39.3000%
State Operating Assistance	\$ 7,254,034	\$ 1,130,258	\$ 407,746
Total Operating Assistance - Urban		<u>\$ 8,384,292</u>	

#### Total Federal Eligible Expenses

Eligible Expenses for Federal Reimbursement	\$ 1,037,521
x Reimbursement Percentage	16.0000%
Federal Operating Assistance (Section 5311)	<u>\$ 166,003</u>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - NOTES TO SCHEDULE OF OPERATING ASSISTANCE CALCULATION - UNAUDITED YEAR ENDED SEPTEMBER 30, 2014

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### A. ITEMS REIMBURSED BY FEDERAL GRANTS

Items reimbursed directly by Federal operating and capital grants, including Sections 5303, 5304, 5307 and 5336, 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. HEALTH CARE SAVINGS PLAN CONTRIBUTIONS AND POST-RETIREMENT MEDICAL BENEFITS PLAN EXPENSE

The ineligible amounts represent a portion of the health care savings plan contributions that were paid during the year. The Authority recorded expenses in previous years for the postretirement medical benefits under SFAS Financial Accounting Standards Board (FASB) #106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" totaling \$3,768,804 from 1991 to 2005 and received State funding for them. The Authority will carry forward the remainder of these expenses as ineligible expenses to future years until the total reaches \$3,768,804. The amount remaining from 2013 of \$85,611 was reflected as an ineligible expense in 2014 and there is currently none remaining after 2014. The amount paid for post-retirement medical benefits is eligible and subtracted out from the ineligible expenses.

### D. OTHER REVENUES AND ADVERTISING REVENUES

Other income includes other miscellaneous income. These items are subtracted out as ineligible expenses. 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.

### E. 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, 16.3% and 17.0%, respectively, to influencing legislation which is not eligible for reimbursement according to OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments".

### F. 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.

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2014 and the related notes to the basic financial statements, and have issued our report thereon dated January 9, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Ann Arbor Area Transportation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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 may exist that have not been identified.

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

### **Compliance and Other Matters**

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

### **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*

Ann Arbor, Michigan  
January 9, 2015

Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors  
Ann Arbor Area Transportation Authority

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

We have audited the Ann Arbor Area Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. Ann Arbor Area Transportation Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Ann Arbor Area Transportation Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ann Arbor Area Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Ann Arbor Area Transportation Authority's compliance.

To the Board of Directors  
Ann Arbor Area Transportation Authority

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

In our opinion, the Ann Arbor Area Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

**Report on Internal Control Over Compliance**

Management of the Ann Arbor Area Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Ann Arbor Area Transportation Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

Ann Arbor, Michigan  
January 9, 2015

# Ann Arbor Area Transportation Authority

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Project Number	Federal Expenditures
U.S. Department of Transportation:				
Federal Transit Cluster - Direct programs:				
Investment Grant - Capital Assistance	20.500		MI03-0221	\$ 1
Investment Grant - Capital Assistance	20.500		MI04-0064	445,425
Investment Grant - Capital Assistance	20.507		MI95-0106	<u>337,426</u>
Total Federal Transit - Investment Grants				782,852
Urbanized Area Formula Grants:				
Capital, Planning and Operating Grant	20.507		MI90-X615	49,205
Capital, Planning and Operating Grant	20.507		MI90-X641	1,486,711
Capital, Planning and Operating Grant	20.507		MI90-X671	3,150,393
Capital, Planning and Operating Grant	20.507		MI90-X684	1,557,004
Surface Transportation Program	20.507		MI95-X052	<u>20,859</u>
Total Federal Transit - Formula Grants				<u>6,264,172</u>
Total Federal Transit Cluster				7,047,024
Highway Planning and Construction Cluster:				
Direct program - Investment Grant - Capital Assistance	20.205		MI70-0003	993,500
Michigan Department of Transportation - Pass-through Congestion Mitigation/Air Quality Grants	20.205	2014-0009		<u>455,000</u>
Total Highway Planning and Construction Cluster				1,448,500
Transit Services Program Cluster - Direct programs:				
Section 5316 Job Access and Reverse Commute	20.516		MI37-0039	50,775
Section 5316 Job Access and Reverse Commute	20.516		MI37-0044	97,426
Section 5317 New Freedom	20.521		MI57-0012	19,451
Section 5317 New Freedom	20.521		MI57-0016	<u>30,241</u>
Total Transit Services Program Cluster				197,893
FTA Alternatives Analysis Grant (Section 5336) - Direct program	20.522		MI39-0004	432,322
Michigan Department of Transportation - Pass-through State Planning and Research Grant	20.515	2007-0162/Z25	MI80-0004	28,625
Public Transportation for Nonurbanized Areas - Pass-through Michigan Department of Transportation Operating Assistance (Section 5311)	20.509	2012-0033/P_	MI80-X050-XX	166,003
Federal Transit Technical Studies Grant - Pass-through Southeastern Michigan Council of Governments (SEMCOG) - Planning Grant (Section 5303)	20.505	14005	-	<u>49,440</u>
Total expenditures of federal awards				<u><b>\$ 9,369,807</b></u>

See Note to Schedule of Expenditures  
of Federal Awards.

# Ann Arbor Area Transportation Authority

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## Note to Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

### Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Ann Arbor Area Transportation Authority under programs of the federal government for the year ended September 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the Ann Arbor Area Transportation Authority, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of the Ann Arbor Area Transportation Authority. Pass-through entity identifying numbers are presented where available.

# Ann Arbor Area Transportation Authority

## Schedule of Findings and Questioned Costs Year Ended September 30, 2014

### 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  No

#### 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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes  X  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster
20.500, 20.507	Federal Transit Cluster
20.522	FTA Alternatives Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

# **Ann Arbor Area Transportation Authority**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2014**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None