

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

Finance Committee Meeting Review Date: February 10, 2026

Board of Directors Meeting Review Date: February 19, 2026

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

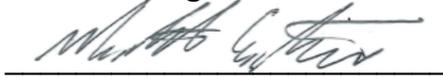
written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.

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

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

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

CEO’s Signature



Date

1/30/2025

ATTACHMENTS

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

Table of Contents

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

Preliminary CEO Interpretations and Evidence

POLICY 2.5

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

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

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

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

Measure/Standard & Level of Achievement

Compliance will be demonstrated when:

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

Rationales

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

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

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

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

Evidence

Source of Data: Internal Documentation

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

Data:

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

POLICY 2.5.1

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

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

Measure/Standards & Achievement

Compliance will be demonstrated when:

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

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

Rationale

This is reasonable because:

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

Evidence

Source of Data: Internal Documents

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

Data:

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

POLICY 2.5.2

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

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

Measure/Standards & Achievement

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

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

Rationale

This is reasonable because:

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

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

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

Evidence

Source of Data: Internal Documents

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

Data:

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

POLICY 2.5.3

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

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

Measure/Standards & Achievement

Compliance will be demonstrated when:

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

Rationale

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

Evidence

Source of Data: Internal Documents

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

Data:

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

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

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

POLICY 2.5.4.1

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

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

Measure/Standard & Level of Achievement

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

I define *significant* to mean:

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

Rationales

These interpretations are reasonable because:

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

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

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

Degree of Compliance: Compliant

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

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

POLICY 2.5.5

Allow expenditures that exceed the overall Board-approved budget.

Degree of Compliance: Compliant

Interpretation

Operational Definition

I interpret this to mean that the total of actual operating and capital expenses (excluding depreciation) for the fiscal year will not exceed total budgeted operating expenses as approved by the Board.

Measure/Standard & Level of Achievement

Compliance will be demonstrated when audited financial statements demonstrate that the actual expenses in the operating and capital budgets at the end of the fiscal year do not exceed the total operating (net of depreciation) and capital expenses set forth in the Board approved budget, including any budget amendments for the fiscal year.

Rationales

This is reasonable because audited financial statements are the accepted record of actual expenses for the fiscal year and a budget resolution approved by the Board explicitly provides authorized budgeted operating and capital expenses for the fiscal year. Note: Budgeted operating expenses do not include depreciation.

Evidence

Source of Data: Internal Documents

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

Data:

Operating

- For FY2025, the board approved operating expenditures of \$68,716,570 (Resolution 09/2024).
- Total actual operating expenses (before depreciation) are \$64,903,590 (FY2025 Audit Packet - AAATA, PDF pg. 55), which is less than budgeted operating expenses. (Note: Total operating expenses were \$70,444,332 when \$5,540,732 in depreciation expenses were included; the adopted operating budget does not include depreciation).

Capital

- For FY2025, the Board adopted a capital budget with a program of projects totaling \$34,866,296 (Resolution 09/2024).
- Total actual capital expenses, which are stated in the “Acquisition and construction of capital assets” line of the Statements of Cash Flows (FY2025 Audit Packet - AAATA, PDF pg. 22) are \$17,383,352, which is less than budgeted capital expenses.

POLICY 2.5.5.1
 Allow cost overruns on capital projects.

Degree of Compliance: Compliant

Interpretation

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

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

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

Evidence

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

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

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

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

Degree of Compliance: Compliant

Interpretation

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

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

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

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

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

Evidence

Source of Data: Internal Documents

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

Data:

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

POLICY 2.5.6.1

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

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

Measure/Standard & Level of Achievement

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

Rationales

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

Evidence

Source of Data: Internal Documents

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

Data:

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

POLICY 2.5.7

Use funds from the Capital Reserve.

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

Measure/Standard & Level of Achievement

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

Rationales

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

Evidence

Source of Data: Internal Documents

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

Data:

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

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

POLICY 2.5.8

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

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

Measure/Standard & Level of Achievement

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

Rationales

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

Evidence

Source of Data: Internal Documents

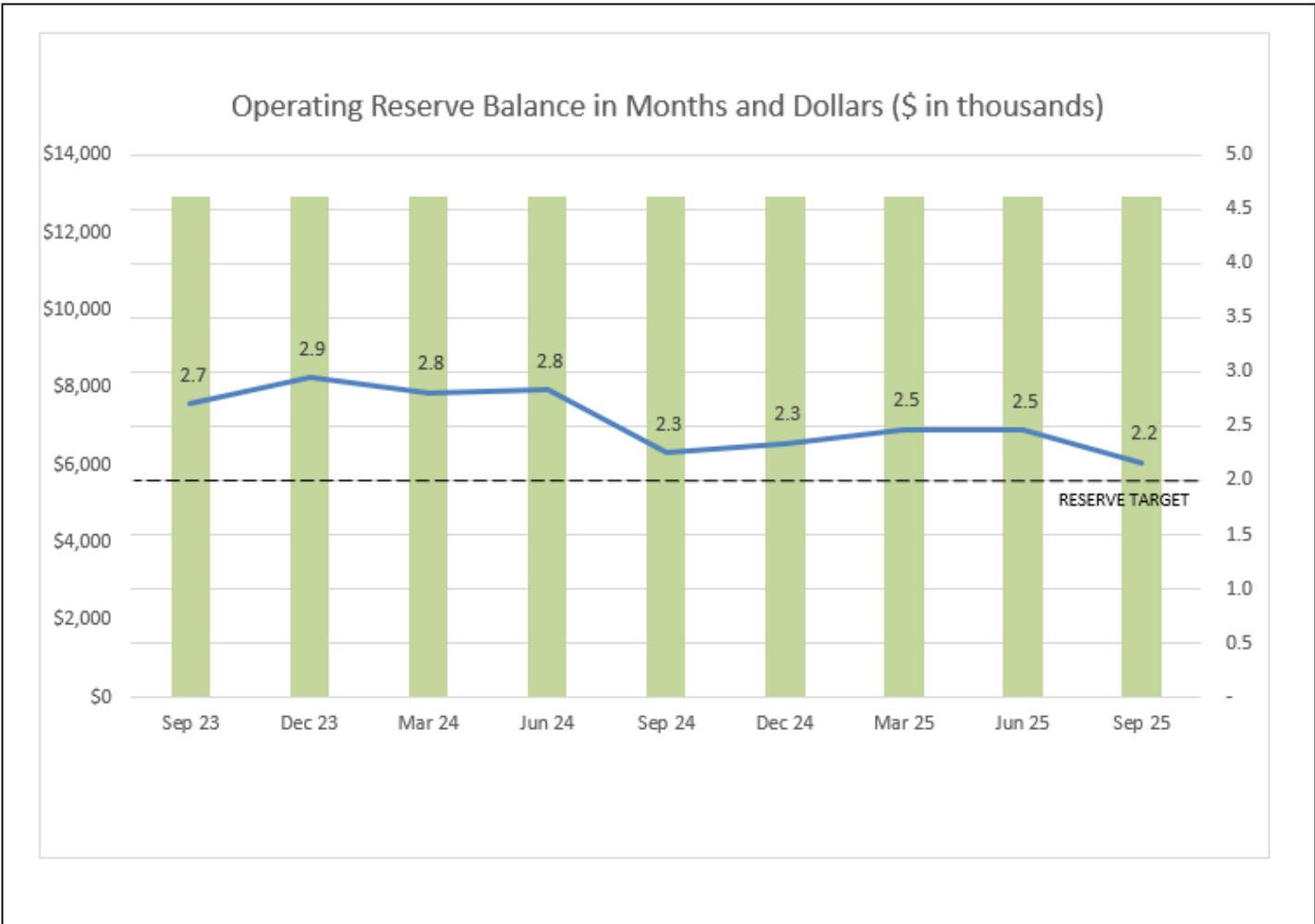
Date of Data Review: 01/26/2026 as verified by Dina Reed, DCEO of Finance and Administration

Data:

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

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

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



POLICY 2.5.9
Adjust tax rates assessed by the Authority.

Degree of Compliance: Compliant

Interpretation

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

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

Measure/Standard & Level of Achievement

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

Rationales

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

Evidence

Source of Data: Internal Documents

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

Data:

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

POLICY 2.5.10

Acquire, encumber, or dispose of real estate.

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

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

Measure/Standard & Level of Achievement

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

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

Rationales

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

Evidence

Source of Data: Internal Documents

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

Data:

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

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

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

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

POLICY 2.5.11

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

Degree of Compliance: Compliant

Interpretation

Operational Definition

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

Measure/Standard & Level of Achievement

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

Rationales

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

Evidence

Source of Data: Internal Documents

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

Data:

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

Policy Trendlines

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

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

Guidance on Determining “Reasonableness” of CEO Interpretations

Are the interpretations reasonable?

An interpretation is reasonable if the following are provided,

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

Is evidence verifiable?

Evidence is verifiable if there is

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

Board’s Conclusion on Monitoring Report

Board’s conclusion after monitoring the report.

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

(A) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations.

Board Notes: (If Applicable)