
Capital Area Transportation Authority

Lansing, Michigan

Financial Report
with Supplemental Information
September 30, 2022

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Independent Auditor's Report

To the Board of Directors
Capital Area Transportation Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the enterprise fund and fiduciary funds of the Capital Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and fiduciary funds of the Authority as of September 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Directors
Capital Area Transportation Authority

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

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

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

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information of the fiduciary fund statements and State-required schedules, except for schedules 6, 9, and 10, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the fiduciary fund statements and State-required schedules, except for schedules 6, 9, and 10, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the State-required schedules 6, 9, and 10 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Board of Directors
Capital Area Transportation Authority

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 20, 2023

As management of the Capital Area Transportation Authority (the "Authority"), we offer readers this narrative overview and analysis of the financial activities for the year ended September 30, 2022. The management's discussion and analysis is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

Financial Highlights

These statements reflect that the Authority is in very strong financial health. At September 30, 2022 (the Authority's 2022 fiscal year end), the Authority's net position stood at \$30,500,647, as compared to a net position of \$29,239,428 at fiscal year end 2021. Net position presents the assets of the Authority that can be used to provide for future operations. A portion of these assets is included in the net investment in capital assets, meaning that it has been invested in capital resources (generally vehicles and facilities), while a portion is unrestricted (generally cash and investments). The increase in net position during fiscal year 2022 can be mainly attributed to an increase in capital grant funds received by the Authority from the Federal Transit Administration (FTA) and the Michigan Department of Transportation (MDOT), as well as an increase in operating grant revenue through the Coronavirus Aid, Relief, and Economic Security (CARES) Act grant, which offset a reduction in farebox and contractual revenue due to the COVID-19 pandemic.

The Authority's current ratio at September 30, 2022 stood at 6.28, as compared with 6.81 at fiscal year end 2021. Current ratio is a liquidity measurement that reflects whether or not an organization has enough resources to meet its short-term obligations; it compares an organization's current assets to its current liabilities. In general terms, a current ratio in excess of 2.0 is considered to reflect strong liquidity.

At September 30, 2022, the Authority had cash and investments totaling \$26,067,438, while cash and investments stood at \$25,755,146 at fiscal year end 2021. As noted above, the Authority purchased nine new buses during fiscal year 2022. It is the Authority's policy to utilize its cash and invested funds to facilitate such purchases and then seek reimbursement from the FTA and MDOT subsequent to the expenditure. At fiscal year end 2022, the Authority was due \$8 million from those two agencies.

The Authority's year-end leverage ratio at September 30, 2022 stood at 2.02, as compared with 2.71 at fiscal year end 2021. Leverage ratio is a measurement of debt burden that reflects an organization's ability to weather significant changes in its financial environment; it compares an organization's total liabilities to its net position. Leverage ratios below 0.50 are generally considered to reflect a healthy financial position.

Revenue (both operating and nonoperating) and grants for the fiscal year ended September 30, 2022 amounted to \$61,103,180, while operating expenses amounted to \$59,839,227. Nonoperating expenses for the fiscal year ended September 30, 2022 totaled \$2,734. This resulted in an increase in net position of \$1,261,219 for the fiscal year ended September 30, 2022.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of two kinds of statements: (1) proprietary fund and (2) pension and OPEB trust funds, which are fiduciary funds. This report also includes supplemental information and compliance information intended to furnish additional detail to support the basic financial statements themselves.

- Proprietary funds - The proprietary fund statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The statement of revenue, expenses, and changes in net position accounts for all of the current year's revenue and expenses, regardless of when cash is received or paid.

Capital Area Transportation Authority

Management's Discussion and Analysis (Continued)

The net position of the proprietary fund is reported in the statement of net position. Net position, the difference between the Authority's assets plus deferred outflows and liabilities plus deferred inflows, is one way to measure the Authority's financial health or position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial position is improving or deteriorating. To assess the overall health of the Authority, you must also consider additional factors, such as changes in the Authority's tax base, the condition of its rolling stock and facilities, and changes in federal and state programs.

- Fiduciary funds - The Authority administers pension and OPEB plans that cover substantially all union and administrative employees. The Authority is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the proprietary fund financial statements because the Authority cannot use these assets to finance its operations.

As of September 30, 2022, the Authority's Union and Administrative Employees' retirement plans had fiduciary net positions as a percentage of total pension liabilities of 126 percent and 114 percent, respectively. The plans were evaluated in part based on an assumed 6 percent discount rate. The Authority's OPEB plan had fiduciary net position as a percentage of total OPEB liabilities of 18 percent.

The Authority's Net Position

The Authority's total net position at September 30, 2022 was approximately \$30.50 million, an increase from 2021. The change is largely attributable to the additional capital and operating grants in 2022. The following table shows, in a condensed format, the net position as of the current date and the same date of the prior year:

	Business-type Activities			
	2021	2022	Change	Percent Change
Assets				
Current and other assets	\$ 45,082,053	\$ 52,617,300	\$ 7,535,247	16.7
Capital assets	51,560,175	54,876,479	3,316,304	6.4
Total assets	96,642,228	107,493,779	10,851,551	11.2
Deferred Outflows of Resources	27,737,084	23,998,543	(3,738,541)	(13.5)
Liabilities				
Current liabilities	5,903,132	6,120,389	217,257	3.7
Noncurrent liabilities	73,342,209	55,575,881	(17,766,328)	(24.2)
Total liabilities	79,245,341	61,696,270	(17,549,071)	(22.1)
Deferred Inflows of Resources	15,894,543	39,295,405	23,400,862	147.2
Net Position				
Net investment in capital assets	51,560,175	54,876,479	3,316,304	6.4
Restricted - Capital purchases	59,215	81,063	21,848	-
Unrestricted	(22,379,962)	(24,456,895)	(2,076,933)	9.3
Total net position	\$ 29,239,428	\$ 30,500,647	\$ 1,261,219	4.3

Capital Area Transportation Authority

Management's Discussion and Analysis (Continued)

The Authority's Changes in Net Position

The following table compares the Authority's statement of revenue, expenses, and changes in net position from 2021 to 2022:

	Business-type Activities			
	2021	2022	Change	Percent Change
Revenue				
Operating revenue	\$ 8,272,859	\$ 10,891,427	\$ 2,618,568	31.7
Nonoperating revenue - Net of expenses	49,766,494	44,408,339	(5,358,155)	(10.8)
Total revenue	58,039,353	55,299,766	(2,739,587)	(4.7)
Expenses				
Operating expense before depreciation	55,308,152	53,037,186	(2,270,966)	(4.1)
Depreciation expense	7,372,402	6,802,041	(570,361)	(7.7)
Total expenses	62,680,554	59,839,227	(2,841,327)	(4.5)
Capital Contributions	10,208,948	5,800,680	(4,408,268)	(43.2)
Change in Net Position	5,567,747	1,261,219	(4,306,528)	(77.3)
Net Position - Beginning of year	23,671,681	29,239,428	5,567,747	23.5
Net Position - End of year	<u>\$ 29,239,428</u>	<u>\$ 30,500,647</u>	<u>\$ 1,261,219</u>	4.3

Capital Assets and Debt Administration

The Authority continues to invest in capital assets, including vehicles, infrastructure, and equipment. At September 30, 2022 and 2021, the Authority had approximately \$55 million and \$52 million, respectively, invested in capital assets. During fiscal year 2022, the Authority made capital additions of approximately \$10.4 million, of which \$9.9 million consisted of various outstanding projects as of year end, including vehicles, communication systems, and facilities upgrades.

Detailed information concerning capital assets can be found in Note 4 to the financial statements.

Long-term Debt

At year end, the Authority had no long-term installment debt. Additional detailed information concerning the Authority's long-term obligations can be found in the notes to the financial statements.

Factors Bearing on the Authority's Future

At the time these financial statements were prepared and audited, the Authority was aware of one circumstance that could significantly affect its financial health in the future. The Authority has had a significant decrease in ridership, leading to significant decreases in farebox and contractual revenue, due to the COVID-19 pandemic. Ridership increased in 2022 as compared to 2021 but is still well below 2019 (pre-COVID-19) levels. The Authority has been awarded grant funding through the CARES Act of approximately \$18.3 million, \$16.2 million in grant funding through the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), and \$26.2 million of American Rescue Plan Act (ARPA) funding. The Authority is evaluating how to best make use of these funds to serve the community over the next several years.

Requests for Further Information

This financial report is intended to provide a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Capital Area Transportation Authority at 4615 Tranter Ave., Lansing, MI 48910.

Capital Area Transportation Authority

Statement of Net Position

September 30, 2022

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 2,336,365
Investments (Note 3)	23,731,073
Receivables:	
Accrued interest receivable	94,106
Local contributions and contract revenue receivable	880,411
Due from other governments	1,243,919
Due from federal government	6,351,369
Due from state government	1,328,155
Inventories	1,518,234
Prepaid expenses	922,039

Total current assets 38,405,671

Noncurrent assets:

Net pension asset (Note 6)	14,211,629
Capital assets: (Note 4)	
Assets not subject to depreciation	12,356,654
Assets subject to depreciation - Net	42,519,825

Total noncurrent assets 69,088,108

Total assets 107,493,779

Deferred Outflows of Resources

Deferred outflows related to pensions (Note 6)	1,417,560
Deferred outflows related to OPEB (Note 7)	22,580,983

Total deferred outflows of resources 23,998,543

Liabilities

Current liabilities:

Accounts payable	2,167,991
Accrued liabilities and other	1,068,953
Unearned revenue	201,067
Accrued vacation, incentive, and sick pay	1,681,912
Reserve for workers' compensation claims (Note 5)	483,466
Reserve for health insurance costs (Note 5)	517,000

Total current liabilities 6,120,389

Noncurrent liabilities - Net OPEB liability (Note 7) 55,575,881

Total liabilities 61,696,270

Deferred Inflows of Resources

Deferred pension cost reductions (Note 6)	9,862,769
Deferred OPEB cost reductions (Note 7)	29,432,636

Total deferred inflows of resources 39,295,405

Net Position

Net investment in capital assets	54,876,479
Restricted - Capital purchases	81,063
Unrestricted	(24,456,895)

Total net position \$ 30,500,647

Capital Area Transportation Authority

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2022

Operating Revenue	
Linehaul	\$ 1,454,681
Contract services	8,093,851
Paratransit	546,255
Rural service	27,856
Senior shopping bus	1,772
Other revenue	<u>767,012</u>
Total operating revenue	10,891,427
Operating Expenses	
Labor and fringe benefits	32,802,249
Services	4,196,930
Advertising	768,493
Materials, fuel, and supplies	5,557,122
Utilities	810,563
Insurance and self-insured costs	1,470,437
Purchased transportation services	6,915,831
Miscellaneous	462,198
Lease and rentals	53,363
Depreciation	<u>6,802,041</u>
Total operating expenses	<u>59,839,227</u>
Operating Loss	(48,947,800)
Nonoperating (Expense) Revenue	
Investment loss - Net	(971,260)
Property tax revenue	19,103,342
Government operating grants - Federal	9,117,627
Government operating grants - State	17,161,364
Loss on sale of assets	<u>(2,734)</u>
Total nonoperating revenue	<u>44,408,339</u>
Loss - Before capital grants	(4,539,461)
Capital Grants	<u>5,800,680</u>
Change in Net Position	1,261,219
Net Position - Beginning of year	<u>29,239,428</u>
Net Position - End of year	<u><u>\$ 30,500,647</u></u>

Capital Area Transportation Authority

Statement of Cash Flows

Year Ended September 30, 2022

Cash Flows from Operating Activities

Receipts from operations	\$ 11,199,777
Payments to suppliers	(13,650,294)
Payments to employees and fringes	(32,616,165)
Payments for purchased transportation	(6,915,831)
Net cash and cash equivalents used in operating activities	(41,982,513)

Cash Flows from Noncapital Financing Activities

Federal operating grants	13,268,114
State of Michigan grants	16,318,523
Property taxes collected	18,851,973
Net cash and cash equivalents provided by noncapital financing activities	48,438,610

Cash Flows from Capital and Related Financing Activities

Receipt of capital grants	5,009,908
Proceeds from sale of capital assets	55,724
Purchase of capital assets	(10,176,803)
Net cash and cash equivalents used in capital and related financing activities	(5,111,171)

Cash Flows from Investing Activities

Investment loss	(1,032,634)
Purchases of investment securities	(12,903,224)
Net cash and cash equivalents used in investing activities	(13,935,858)

Net Decrease in Cash and Cash Equivalents

(12,590,932)

Cash and Cash Equivalents - Beginning of year

14,927,297

Cash and Cash Equivalents - End of year

\$ 2,336,365

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (48,947,800)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	6,802,041
Changes in assets and liabilities:	
Receivables	308,350
Inventories	(150,787)
Prepaid and other assets	(234,122)
Accrued vacation, incentive, and sick pay	119,210
Accounts payable	55,740
Net pension and OPEB liabilities and related deferrals	64,855
Total adjustments	6,965,287
Net cash and cash equivalents used in operating activities	<u><u>\$ (41,982,513)</u></u>

Capital Area Transportation Authority

Statement of Fiduciary Net Position

	Pension (December 31, 2021) and OPEB (September 30, 2022) Funds
Assets	
Investments: (Note 3)	
Mutual funds	\$ 11,645,512
Group annuity contracts	79,030,275
Receivables	754,356
	<hr/>
Total assets	91,430,143
Liabilities	
	<hr/>
	-
Net Position - Restricted	
Pension	79,030,275
Postemployment benefits other than pension	12,399,868
	<hr/>
Total net position	<u><u>\$ 91,430,143</u></u>

Capital Area Transportation Authority

Statement of Changes in Fiduciary Net Position

	Pension (Year Ended December 31, 2021) and OPEB (Year Ended September 30, 2022) Funds
Additions	
Investment income:	
Interest and dividends	\$ 821,932
Change in fair value of investments	<u>7,189,470</u>
Net investment income	8,011,402
Contributions:	
Employer contributions	3,410,306
Member contributions	<u>1,209,163</u>
Total contributions	<u>4,619,469</u>
Total additions	12,630,871
Deductions	
Benefit payments	3,851,064
Administrative expenses	<u>108,370</u>
Total deductions	<u>3,959,434</u>
Net Increase in Net Position	8,671,437
Net Position - Beginning of year	<u>82,758,706</u>
Net Position - End of year	<u><u>\$ 91,430,143</u></u>

September 30, 2022

Note 1 - Significant Accounting Policies

Reporting Entity

The Capital Area Transportation Authority (the "Authority") is a public body organized as a legal entity pursuant to the Mass Transportation System Authorities Act, Public Act 55 of 1963. The Authority has the capability and authority to provide public transportation to the general public in the greater Lansing area. Its member municipalities include the cities of Lansing and East Lansing, Michigan and the townships of Delhi, Lansing, and Meridian. The Authority is also authorized by the act to operate within certain service boundaries, which include the counties of Ingham, Eaton, and Clinton, Michigan. The Authority has contracted with the County of Ingham, Michigan to administer and manage transportation services to the area in the county not included in the municipalities listed above.

The Authority's operating fund and Retiree OPEB Trust fund have a September 30 year end. The pension plan funds are maintained on a calendar year reporting basis. The September 30, 2022 financial statements of the Authority include certain pension plan data as of December 31, 2021.

Discretely Presented Component Units

Fiduciary Component Units

Although legally separate from the Authority, the Union Pension Plan, Administrative Pension Plan, and Retiree OPEB Trust are reported as fiduciary component units because they are each governed by the Authority's board of directors and impose a financial burden on the Authority.

Accounting and Reporting Principles

The Capital Area Transportation Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Authority:

Report Presentation

This report includes the fund-based statements of the Authority. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

Fund Accounting

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Authority reports its operations in a single enterprise fund.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate the Authority's programs. The Authority reports pension and OPEB trust funds that account for the activities of the Union and Administrative Employees' Retirement plans and the Retiree OPEB Trust as fiduciary funds.

Basis of Accounting

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 1 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Pension plan investments in group annuity contracts are valued at net asset value, which approximates fair value.

Inventories and Prepaid Items

Inventories are valued at cost on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, vehicles, and equipment, are reported in the proprietary fund financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings	10-40
Equipment	3-10
Vehicles	4-12
Bus shelters	15
Furniture, fixtures, and equipment	5-12

Local Contributions and Contract Revenue

In accordance with the property tax levies in each of the member municipalities, the Authority has recorded accounts receivable for amounts levied but not yet remitted to the Authority. In addition, the Authority has recorded accounts receivable related to contract services provided and not yet paid in accordance with the contracts in place with the contracted service providers.

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 the 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.

Note 1 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows of resources related to pensions and OPEB.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources related to pensions and OPEB.

Net Position Flow Assumption

The Authority will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Property Tax Revenue

Property taxes are levied on each December 1 or July 1 and become an enforceable lien at that time by the counties of Ingham, Eaton, and Clinton, Michigan; cities of Lansing and East Lansing, Michigan; and townships of Delhi, Lansing, and Meridian. Property taxes are recognized as revenue when levied, with proper allowances made for estimated adjustments and Michigan Tax Tribunal refunds.

Pension

The Authority offers defined benefit pension plans to its employees. The Authority records a net pension liability (asset) for the difference between the total pension liability calculated by the actuary and the pension plans' fiduciary net position. For the purpose of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Union and Administrative Employees' Retirement plans and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Other Postemployment Benefit Costs

The Authority offers retiree health care benefits to eligible retirees. The Authority records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accrued Vacation, Incentive, and Sick Pay

It is the Authority's policy not to permit employees to accumulate unused vacation time from year to year. The liability recorded at year end represents earned vacation, incentive, and paid personal time earned but not yet paid. The operating fund is used to liquidate these obligations.

September 30, 2022

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

The Authority distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority is charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2023.

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

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Authority does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2024.

Note 1 - Significant Accounting Policies (Continued)

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2025.

Note 2 - State of Michigan Operating Assistance Funds

Under Act 51 of the Public Acts of 1951, as amended, the State of Michigan makes distributions of funds that have been appropriated for mass transit operating assistance. The Authority has recorded operating grant revenue under Act 51 based on a formula that takes into account the eligible costs incurred by the Authority and preliminary information made available by the Michigan Department of Transportation (MDOT) as to the eligible expenses reimbursement percentage for the fiscal year ended September 30, 2022.

The latest final determination of State of Michigan operating assistance allocable to the Authority in accordance with the Act 51 funding formula was for the fiscal year ended September 30, 2019. There are no further adjustments as a result to closing out this year. Furthermore, the Authority awaits the final determination for the years ended September 30, 2020, 2021, and 2022 (open years). The Authority has recorded an estimated aggregate payable of approximately \$230,000 as of September 30, 2022 based on management's anticipation of the results of the State's final determination of the Act 51 funding formula for the open years.

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	Business-type Activities	Fiduciary Activities	Total
Cash and cash equivalents	\$ 2,336,365	\$ -	\$ 2,336,365
Investments	23,731,073	90,675,787	114,406,860
Total deposits and investments	<u>\$ 26,067,438</u>	<u>\$ 90,675,787</u>	<u>\$ 116,743,225</u>

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust funds and retiree health care fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Note 3 - Deposits and Investments (Continued)

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, commercial paper rated at the time of purchase within the two highest classifications established, and investment pools organized by a financial institution whose deposits are insured by an agency of the United States government.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had bank deposits of \$3,231,639 (checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not have specific limits in excess of state law on investment maturities, other than limiting investments in commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Authority had the following investments:

Investment	Carrying Value	Weighted- average Maturity (Years)
Business-type Activities		
U.S. Treasury securities	\$ 20,590,943	1.99
U.S. government agency securities	3,140,130	0.66
Total	<u>\$ 23,731,073</u>	
Investment	Carrying Value	Weighted- average Maturity (Years)
Fiduciary Funds		
Group annuity contracts	\$ 79,030,275	N/A
Mutual funds	4,159,646	8.57
Total	<u>\$ 83,189,921</u>	

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices, other than limiting commercial paper to mature no more than 270 days after the date of purchase.

Investment	Carrying Value	Rating	Rating Organization
Business-type Activities			
U.S. Treasury securities	\$ 20,590,943	AA+	S&P
U.S. government agency securities	3,140,130	AA+	S&P
Total	<u>\$ 23,731,073</u>		

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Group annuity contracts	\$ 79,030,275	N/A	N/A
Mutual funds	4,159,646	3 stars	Morningstar
Total	<u>\$ 83,189,921</u>		

Fair Value Measurements

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

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

September 30, 2022

Note 3 - Deposits and Investments (Continued)

The Authority has the following recurring fair value measurements as of September 30, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2022
Assets				
Trading securities:				
Debt securities - U.S.				
Treasury securities	\$ -	\$ 20,590,943	\$ -	\$ 20,590,943
Debt securities - U.S. government agency securities	-	3,140,130	-	3,140,130
Mutual funds - Fixed income	4,159,646	-	-	4,159,646
Mutual funds - Equities	7,485,866	-	-	7,485,866
Total assets	\$ 11,645,512	\$ 23,731,073	\$ -	\$ 35,376,585

Mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. debt securities at September 30, 2022 was determined primarily based on Level 2 inputs. The Authority estimates the fair value of these investments using quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the table below.

Investments in Entities that Calculate Net Asset Value per Share

The Authority holds shares or interests in group annuity contracts where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At September 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Group annuity contracts	\$ 79,030,275	\$ -	N/A	None

The group annuity contracts are investment contracts with principal and stated rates of return guaranteed by Principal Life Insurance Company. The group annuity contracts invest the majority of their assets in common stocks and bonds. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

September 30, 2022

Note 4 - Capital Assets

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

	Balance October 1, 2021	Reclassifications and Adjustments	Additions	Disposals	Balance September 30, 2022
Capital assets not being depreciated:					
Land	\$ 2,442,267	\$ -	\$ -	\$ -	\$ 2,442,267
Construction in progress	248,178	-	9,914,387	(248,178)	9,914,387
Subtotal	2,690,445	-	9,914,387	(248,178)	12,356,654
Capital assets being depreciated:					
Buildings	40,973,480	-	9,141	-	40,982,621
Vehicles	67,076,627	-	94,408	(1,341,795)	65,829,240
Furniture, fixtures, and computers	8,512,614	-	229,767	-	8,742,381
Bus shelters and signs	1,324,690	-	99,121	-	1,423,811
Equipment	2,239,606	-	22,560	(49,001)	2,213,165
Subtotal	120,127,017	-	454,997	(1,390,796)	119,191,218
Accumulated depreciation:					
Buildings	23,789,081	-	1,296,000	-	25,085,081
Vehicles	37,432,535	-	4,875,590	(1,341,794)	40,966,331
Furniture, fixtures, and computers	7,949,611	-	375,183	-	8,324,794
Bus shelters and signs	639,711	-	89,543	-	729,254
Equipment	1,446,349	-	165,725	(46,141)	1,565,933
Subtotal	71,257,287	-	6,802,041	(1,387,935)	76,671,393
Net capital assets being depreciated	48,869,730	-	(6,347,044)	(2,861)	42,519,825
Net business-type activities capital assets	\$ 51,560,175	\$ -	\$ 3,567,343	\$ (251,039)	\$ 54,876,479

Depreciation expense recognized in fiscal year 2022 is \$6,802,041.

Capital Commitments

The Authority has active projects at year end. At year end, the Authority's commitments with contractors are approximately as follows:

	Spent to Date	Remaining Commitment
Radio project	\$ 4,000,000	\$ 1,000,000
Bus purchases	4,700,000	700,000
Vans	-	1,000,000
Small buses	-	1,750,000
Total	\$ 8,700,000	\$ 4,450,000

Note 5 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has established a limited risk management program for workers' compensation. An excess coverage insurance policy covers individual claims in excess of \$500,000, aggregate claims in excess of \$1,505,000, and maximum insurance of \$5,000,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Authority estimates the liability for workers' compensation and health and related benefits claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the current fiscal and prior years were as follows:

	Workers' Compensation		Health and Related Benefit Claims	
	2022	2021	2022	2021
Estimated liability - Beginning of year	\$ 199,173	\$ 259,076	\$ 385,000	\$ 552,000
Estimated claims incurred, including changes in estimates	701,802	414,717	6,265,919	5,828,545
Claim payments	(417,509)	(474,620)	(6,133,919)	(5,995,545)
Estimated liability - End of year	<u>\$ 483,466</u>	<u>\$ 199,173</u>	<u>\$ 517,000</u>	<u>\$ 385,000</u>

Note 6 - Pension Plans

Plan Description

The Capital Area Transportation Authority provides a monthly retirement benefit to union and administrative employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Union Employees' Retirement Plan and the Administrative Employees' Retirement Plan, single-employer pension plans administered by the Authority.

The financial statements of each pension system are included in these financial statements as a pension trust fund (a fiduciary fund).

Benefits Provided

The Union Employees' Retirement Plan and Administrative Employees' Retirement Plan provide retirement, disability, and death benefits to union and administrative retirees. Retirement benefits are calculated as years of accrued service multiplied by scheduled rates, as determined by the employee's retirement date. To be eligible, employees must have a minimum number of years of service (100 percent vested after 10 years of service), as well as meeting minimum retirement age (59, or early retirement beginning at age 55). The benefits also include disability, single-sum death, and survivor annuity death.

Benefit terms are generally established and amended by authority of the Authority's board of directors, subject to the terms of collective bargaining.

Note 6 - Pension Plans (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Union Employees' Retirement Plan	Administrative Employees' Retirement Plan
Date of member count	December 31, 2021	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	154	30
Inactive plan members entitled to but not yet receiving benefits	61	49
Active plan members	204	60
Total employees covered by the plan	419	139

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The Authority hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to make pension contributions of \$86.50 per week through November 2021, which then increased to \$90.00 per week, to the Union Employees' Retirement Plan and 7 percent of compensation paid per month to the Administrative Employees' Retirement Plan. The Authority's required contribution is determined after consideration of the required contribution rate of employees, including a required match of all participant contributions to the Union Employees' Retirement Plan. For the year ended September 30, 2022, the Authority's average contribution rate was 10 percent and 16 percent of annual payroll for the Union Employees' Retirement Plan and Administrative Employees' Retirement Plan, respectively.

Net Pension Liability

The Authority chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	Union Employees' Retirement Plan	Administrative Employees' Retirement Plan
Measurement date used for the Authority's net pension liability	December 31, 2021	December 31, 2021
Based on a comprehensive actuarial valuation as of	December 31, 2021	December 31, 2021

Note 6 - Pension Plans (Continued)

Changes in the net pension asset during the measurement year were as follows:

Union Employees' Retirement Plan

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at January 1, 2021	\$ 42,967,808	\$ 47,264,358	\$ (4,296,550)
Changes for the year:			
Service cost	842,601	-	842,601
Interest	2,594,602	-	2,594,602
Differences between expected and actual experience	(277,074)	-	(277,074)
Changes in assumptions	(178,196)	-	(178,196)
Contributions - Employer	-	949,929	(949,929)
Contributions - Employee	-	949,929	(949,929)
Net investment income	-	8,130,975	(8,130,975)
Benefit payments, including refunds	(2,031,191)	(2,031,191)	-
Administrative expenses	-	(49,858)	49,858
Net changes	950,742	7,949,784	(6,999,042)
Balance at December 31, 2021	\$ 43,918,550	\$ 55,214,142	\$ (11,295,592)

The Union Employees' Retirement Plan's fiduciary net position represents 125.72 percent of the total pension liability.

Administrative Employees' Retirement Plan

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at January 1, 2021	\$ 20,845,146	\$ 21,452,005	\$ (606,859)
Changes for the year:			
Service cost	641,235	-	641,235
Interest	1,246,975	-	1,246,975
Differences between expected and actual experience	(349,437)	-	(349,437)
Changes in assumptions	(76,885)	-	(76,885)
Contributions - Employer	-	600,000	(600,000)
Contributions - Employee	-	259,234	(259,234)
Net investment income	-	2,277,258	(2,277,258)
Benefit payments, including refunds	(713,852)	(713,852)	-
Administrative expenses	-	(58,512)	58,512
Miscellaneous other charges	(693,086)	-	(693,086)
Net changes	54,950	2,364,128	(2,309,178)
Balance at December 31, 2021	\$ 20,900,096	\$ 23,816,133	\$ (2,916,037)

The Administrative Employees' Retirement Plan's fiduciary net position represents 113.95 percent of the total pension liability.

September 30, 2022

Note 6 - Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the Authority recognized combined pension recovery of \$(2,911,660) from both plans.

At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions for both plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 142,745	\$ (526,688)
Changes in assumptions	242,152	(232,744)
Net difference between projected and actual earnings on pension plan investments	-	(9,103,337)
Employer contributions to the plan subsequent to the measurement date	1,032,663	-
Total	\$ 1,417,560	\$ (9,862,769)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending September 30	Amount
2023	\$ (2,442,935)
2024	(3,536,334)
2025	(2,097,078)
2026	(1,401,525)
Total	\$ (9,477,872)

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Union Employees' Retirement Plan	Administrative Employees' Retirement Plan
Inflation	2.00%	2.00%
Salary increases (including inflation)	4.00%	4.00%
Investment rate of return (net of investment expenses)	6.00%	6.00%
Mortality rates	Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables for annuitants and nonannuitants, Public General employment, sex distinct, MP-2020 improvement scale	Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables for annuitants and nonannuitants, Public General employment, sex distinct, MP-2020 improvement scale

Note 6 - Pension Plans (Continued)

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2021 measurement date for each major asset class included in the pension plans' target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Union Employees' Retirement Plan		Administrative Employees' Retirement Plan	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Large Cap S&P 500 Index Fund	55.00 %	8.00 %	- %	- %
General Investment Fund	45.00	3.50	-	-
Large U.S. equity	-	-	30.60	11.29
Small/Mid U.S. equity	-	-	5.20	10.09
International equity	-	-	18.20	3.17
Real estate	-	-	6.00	10.83
Fixed income	-	-	40.00	1.84

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Authority, calculated using the discount rate of 6.0 percent, as well as what the Authority's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.0%)	Current Discount Rate (6.0%)	1 Percentage Point Increase (7.0%)
Net pension asset of the Union Employees' Retirement Plan	\$ (6,336,136)	\$ (11,295,592)	\$ (15,309,740)
Net pension asset of the Administrative Employees' Retirement Plan	(480,156)	(2,916,037)	(4,948,520)

Assumption Changes

The mortality assumptions were updated to the most recent improvement scale for both the Union Employees' Retirement Plan and the Administrative Employees' Retirement Plan.

September 30, 2022

Note 6 - Pension Plans (Continued)

Investment Policy

The pension plans' policy in regard to the allocation of invested assets is established and may be amended by the authority board by a majority vote of its members. It is the policy of the authority board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the authority board's adopted asset allocation policy as of September 30, 2022:

Asset Class	Target Allocation - Union Employees' Retirement Plan	Target Allocation - Administrative Employees' Retirement Plan
Large Cap S&P 500 Index Fund	55.00 %	- %
General Investment Fund	45.00	-
Large U.S. equity	-	30.60
Small/Mid U.S. equity	-	5.20
International equity	-	18.20
Real estate	-	6.00
Fixed income	-	40.00
Total	100.00 %	100.00 %

Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.2 percent for the union plan and 14.3 percent for the administrative plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 7 - Other Postemployment Benefit Plan

Plan Description

The Authority administers the retiree health care benefits plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for union and administrative employees of the Authority.

Management of the Plan is vested with the Authority's board, which consists of 10 members.

Subsequent to year end, the plan was amended to be closed to new members.

Benefits Provided

The Plan provides health care for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	October 1, 2021
Inactive plan members or beneficiaries currently receiving benefits	159
Active plan members	297
Total plan members	456

September 30, 2022

Note 7 - Other Postemployment Benefit Plan (Continued)

Contributions

The contribution requirements of the plan members and the Authority are established and may be amended by the authority board. Actively employed plan members have no obligation to contribute to the plan. Retiree health care costs are recognized when paid by the Authority on a pay-as-you-go basis. The Authority has no obligation to make contributions in advance of when the insurance premiums are due for payment. At its discretion, the Authority will contribute to the trust as able.

Net OPEB Liability

The Authority has chosen to use the September 30 measurement date as its measurement date for the net OPEB liability. The September 30, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the September 30, 2022 measurement date. The September 30, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of October 1, 2021, and projections were used to roll the information forward to the measurement date.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at October 1, 2021	\$ 87,384,552	\$ 14,042,343	\$ 73,342,209
Changes for the year:			
Service cost	4,421,394	-	4,421,394
Interest	2,746,713	-	2,746,713
Differences between expected and actual experience	742,865	-	742,865
Changes in assumptions	(26,213,754)	-	(26,213,754)
Contributions - Employer	-	1,860,377	(1,860,377)
Net investment loss	-	(2,396,831)	2,396,831
Benefit payments, including refunds	(1,106,021)	(1,106,021)	-
Net changes	(19,408,803)	(1,642,475)	(17,766,328)
Balance at September 30, 2022	<u>\$ 67,975,749</u>	<u>\$ 12,399,868</u>	<u>\$ 55,575,881</u>

The Plan's fiduciary net position represents 18.24 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the Authority recognized OPEB expense of \$6,362,520.

At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,756,177	\$ (620,722)
Changes in assumptions	12,108,654	(28,811,914)
Net difference between projected and actual earnings on OPEB plan investments	1,716,152	-
Total	<u>\$ 22,580,983</u>	<u>\$ (29,432,636)</u>

Note 7 - Other Postemployment Benefit Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and therefore will not be included in future OPEB expense):

Years Ending September 30	Amount
2023	\$ 273,962
2024	34,730
2025	141,120
2026	321,081
2027	(4,204,376)
Thereafter	<u>(3,418,170)</u>
Total	<u>\$ (6,851,653)</u>

Actuarial Assumptions

The total OPEB liability in the October 1, 2021 actuarial valuation was determined using an inflation assumption included in the expected return; assumed salary increases (including inflation) of 3.5 percent; an investment rate of return (net of investment expenses, including inflation) of 7.0 percent; a health care cost trend rate of 7.25 percent, graded 0.25 percent per year to an ultimate rate of 4.5 percent; and the Pub-2010 mortality tables with MP-2021 improvement scale. All assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.16 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the Plan's net position was projected to be insufficient to make projected future benefit payments of current plan members beyond 2038. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the September 30, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Stock market index fund	8.50 %
Bond and corporate index fund	4.75

September 30, 2022

Note 7 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority, calculated using the discount rate of 5.16 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.16%)	Current Discount Rate (5.16%)	1 Percentage Point Increase (6.16%)
Net OPEB liability of the Plan	\$ 65,814,527	\$ 55,575,881	\$ 47,285,561

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Authority, calculated using the health care cost trend rate of 7.25 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Health Care Cost Trend Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB liability of the Plan	\$ 45,831,491	\$ 55,575,881	\$ 67,834,728

Assumption Changes

Since the prior valuation, the discount rate increased from 3.01 percent to 5.16 percent.

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board's adopted asset allocation policy as of September 30, 2022:

Asset Class	Target Allocation
Stock market index fund	60.00 %
Bond and corporate index fund	40.00
Total	<u>100.00 %</u>

Concentrations

At September 30, 2022, the Plan held approximately 100 percent of its investment portfolio in three Vanguard mutual funds.

Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (17.07) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

September 30, 2022

Note 8 - Commitments

Bus tires are to be furnished to the Authority under the terms of a supplier agreement effective January 1, 2019. Payments for the use of the tires are to be made monthly and are based on the number of miles run. Bus tire expense under this agreement for the year ended September 30, 2022 was \$168,144.

Note 9 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial. A provision for vehicle claims that existed at September 30, 2022 is recorded as a reserve for vehicle liability claims, as estimated by management, on the statement of net position.

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

Note 10 - Cost Allocation Plan

The Authority has a cost allocation plan for all allocated expenses. The three allocation plans were approved by the State's Bureau of Passenger Transportation (BPT). The first allocation plan is the 2012 Administrative Cost Plan approved in 2012, which was the allocation plan used in the preparation of the financial statements for all expenses except for Meals on Wheels expenses and Job Access and Reverse Commute (JARC) program expenses. There are separate allocation plans for the Meals on Wheels service (approved in 2013) and JARC program expenses (approved in 2015).

Note 11 - Eligible and Ineligible Costs

The State's Office of Passenger Transportation (OPT) requires the Authority to include supplemental schedules to the financial statements. These supplemental schedules are included among the other supplemental information of this report. These schedules include eligible expenses to be reimbursed with state funds that have been appropriate for mass transit operating assistance under Act 51. The schedules also detail ineligible expenses that cannot be reimbursed. The supplemental schedules detail any Section 5307 (capital funding) and any other grant funding used to pay operating expenses and either subtract them out as ineligible or do not include them in the total expenses to be reimbursed.

Depreciation expense on assets purchased with state or federal grant funds is shown as ineligible expenses. The ineligible depreciation amount of \$6,801,327 on assets purchased with state or federal funds has been reported in PTMS (Public Transportation Management System) code 55007. Depreciation expense of assets purchased with local funds where the useful life of the asset purchased has been approved by the OPT is reported as an eligible expense.

The revenue schedules report \$23,500 as building rental, \$95,235 as parking lot rental, and \$389,275 in other nontransportation revenue. Expenses of \$133,518 associated with building rental are shown as ineligible under PTMS code 56004. Expense of \$89,114 associated with other nontransportation revenue is shown as ineligible under PTMS code 55010.

Other expenses in the amount of \$219,537 are reported as ineligible under PTMS code 55008. This includes \$3,852 in Meals on Wheels revenue that was reported in revenue code 40400 and other ineligible items, such as gifts and donations. Ineligible interest of \$0 was reported under PTMS code 55006.

A portion of ineligible association dues in the amount of \$10,981 was reported as ineligible under PTMS code 55009.

September 30, 2022

Note 11 - Eligible and Ineligible Costs (Continued)

Other operating expenses that were paid for by capital contract are subtracted out as ineligible. Expenses include preventive maintenance expenses of \$1,550,000 (PTMS code 55011) and operating expenses paid by capital contract of \$359,319 (PTMS code 57604).

Loss on disposal of assets in the amount of \$2,859 was included in expenses and shown as ineligible under PTMS code 58009.

The Authority had a pension recovery of \$(2,911,660), of which \$(4,432,299) has been shown as ineligible under PTMS code 58020 - Ineligible DB Pension. The amount of \$1,554,810 was paid into the pension trust in fiscal year 2022 by the Authority.

The Authority expensed \$6,362,520 in other postemployment benefits, of which \$4,497,043 has been shown as ineligible expense under PTMS code 58020 - Ineligible DB OPEB. An amount of \$754,356 was paid to the OPEB trust in fiscal year 2022. An additional \$2,136,372 was also paid in retirement health care expenses in fiscal year 2022 and is reported in fringe benefit expenses.

Required Supplemental Information

Capital Area Transportation Authority

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Union Employees' Retirement Plan

**Last Eight Fiscal Years
Measurement Date is December 31 of the Previous Year**

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 842,601	\$ 884,959	\$ 884,008	\$ 761,585	\$ 778,029	\$ 769,047	\$ 901,345	\$ 878,914
Interest	2,594,602	2,523,871	2,278,649	2,020,369	1,929,620	1,835,268	1,731,432	1,566,841
Changes in benefit terms	-	-	-	1,713,717	-	-	-	-
Differences between expected and actual experience	(277,074)	(150,927)	265,057	287,885	137,767	474,688	600,589	336,591
Changes in assumptions	(178,196)	(92,796)	790,739	709,441	49,796	54,395	45,762	-
Benefit payments, including refunds	(2,031,191)	(1,672,256)	(1,777,201)	(1,439,726)	(1,734,240)	(1,442,944)	(1,408,792)	(1,698,741)
Other	-	-	1,598,420	-	-	-	-	-
Net Change in Total Pension Liability	950,742	1,492,851	4,039,672	4,053,271	1,160,972	1,690,454	1,870,336	1,083,605
Total Pension Liability - Beginning of year	42,967,808	41,474,957	37,435,285	33,382,014	32,221,042	30,530,588	28,660,252	27,576,647
Total Pension Liability - End of year	\$ 43,918,550	\$ 42,967,808	\$ 41,474,957	\$ 37,435,285	\$ 33,382,014	\$ 32,221,042	\$ 30,530,588	\$ 28,660,252
Plan Fiduciary Net Position								
Contributions - Employer	\$ 949,929	\$ 989,886	\$ 984,997	\$ 1,015,952	\$ 968,784	\$ 871,474	\$ 897,960	\$ 825,579
Contributions - Member	949,929	989,886	984,997	1,015,951	968,784	871,474	897,960	825,579
Net investment income (loss)	8,130,975	4,486,330	6,011,788	(352,613)	3,856,679	3,964,867	569,654	2,632,772
Administrative expenses	(49,858)	(47,488)	(52,973)	(46,522)	(41,047)	(51,928)	(1,408,792)	(63,761)
Benefit payments, including refunds	(2,031,191)	(1,672,256)	(1,777,201)	(1,439,726)	(1,734,240)	(1,442,944)	(73,743)	(1,698,741)
Other	-	-	-	-	-	(6,907)	-	-
Net Change in Plan Fiduciary Net Position	7,949,784	4,746,358	6,151,608	193,042	4,018,960	4,206,036	883,039	2,521,428
Plan Fiduciary Net Position - Beginning of year	47,264,358	42,518,000	36,366,392	36,173,350	32,154,390	27,948,354	27,065,315	24,543,887
Plan Fiduciary Net Position - End of year	\$ 55,214,142	\$ 47,264,358	\$ 42,518,000	\$ 36,366,392	\$ 36,173,350	\$ 32,154,390	\$ 27,948,354	\$ 27,065,315
Authority's Net Pension (Asset) Liability - Ending	\$ (11,295,592)	\$ (4,296,550)	\$ (1,043,043)	\$ 1,068,893	\$ (2,791,336)	\$ 66,652	\$ 2,582,234	\$ 1,594,937
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	125.72 %	110.00 %	102.51 %	97.14 %	108.36 %	99.79 %	91.54 %	94.44 %
Covered Payroll	\$ 9,748,713	\$ 11,374,377	\$ 12,282,176	\$ 15,464,724	\$ 13,242,033	\$ 13,751,977	\$ 13,051,323	\$ 12,216,374
Authority's Net Pension (Asset) Liability as a Percentage of Covered Payroll	(115.87)%	(37.77)%	(8.49)%	6.91 %	(21.08)%	0.48 %	19.79 %	13.06 %

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Union Employees' Retirement Plan (Continued)

Last Eight Fiscal Years
Measurement Date is December 31 of the Previous Year

This schedule is intended to show information for 10 years. Additional years' information will be reported as it becomes available.

Assumption Changes

With the 2019 actuarial valuation, the mortality assumption was updated to the Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables with MP-2018 improvement scale from the RP-2014 Mortality Tables with MP-2018 improvement scale.

With the 2018 actuarial valuation, the mortality assumption was updated to the RP-2014 Mortality Tables from the RP-2000 Mortality Tables.

Benefit Changes

With the 2018 actuarial valuation, the most recent plan amendment executed on January 24, 2018 is reflected, which includes an increase of \$6 in the normal retirement benefit rate for termination dates after September 30, 2019.

Capital Area Transportation Authority

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Administrative Employees' Retirement Plan

**Last Eight Fiscal Years
Measurement Date is December 31 of the Previous Year**

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 641,235	\$ 567,379	\$ 567,036	\$ 559,994	\$ 441,360	\$ 505,572	\$ 414,794	\$ 424,887
Interest	1,246,975	1,204,422	1,135,258	1,198,325	1,181,777	1,192,736	1,137,093	1,065,211
Changes in benefit terms	-	-	205,693	-	-	-	-	-
Differences between expected and actual experience	(349,437)	7,800	(269,239)	(1,115,225)	1,751,137	110,949	232,973	329,293
Changes in assumptions	(76,885)	(41,736)	398,989	445,745	25,631	23,815	432,360	-
Benefit payments, including refunds	(713,852)	(798,063)	(972,660)	(3,321,283)	(3,164,209)	(738,853)	(2,022,338)	(952,299)
Miscellaneous other charges	(693,086)	-	-	-	-	-	-	-
Net Change in Total Pension Liability	54,950	939,802	1,065,077	(2,232,444)	235,696	1,094,219	194,882	867,092
Total Pension Liability - Beginning of year	20,845,146	19,905,344	18,840,267	21,072,711	20,837,015	19,742,796	19,547,914	18,680,822
Total Pension Liability - End of year	\$ 20,900,096	\$ 20,845,146	\$ 19,905,344	\$ 18,840,267	\$ 21,072,711	\$ 20,837,015	\$ 19,742,796	\$ 19,547,914
Plan Fiduciary Net Position								
Contributions - Employer	\$ 600,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 633,906	\$ 395,223	\$ 409,598
Contributions - Member	259,234	228,558	222,366	217,558	192,200	88,907	180,979	193,090
Net investment income (loss)	2,277,258	2,156,534	3,421,692	(317,632)	2,776,672	846,742	144,288	1,556,717
Administrative expenses	(58,512)	(26,817)	(24,284)	(25,389)	(29,531)	(51,063)	(42,357)	(35,930)
Benefit payments, including refunds	(713,852)	(798,063)	(972,660)	(3,321,283)	(3,164,209)	(738,853)	(2,022,338)	(952,299)
Other	-	-	-	-	-	(4,358)	-	-
Net Change in Plan Fiduciary Net Position	2,364,128	2,260,212	3,347,114	(2,746,746)	475,132	775,281	(1,344,205)	1,171,176
Plan Fiduciary Net Position - Beginning of year	21,452,005	19,191,793	15,844,679	18,591,425	18,116,293	17,341,012	18,685,217	17,514,041
Plan Fiduciary Net Position - End of year	\$ 23,816,133	\$ 21,452,005	\$ 19,191,793	\$ 15,844,679	\$ 18,591,425	\$ 18,116,293	\$ 17,341,012	\$ 18,685,217
Authority's Net Pension (Asset) Liability - Ending	\$ (2,916,037)	\$ (606,859)	\$ 713,551	\$ 2,995,588	\$ 2,481,286	\$ 2,720,722	\$ 2,401,784	\$ 862,697
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	113.95 %	102.91 %	96.42 %	84.10 %	88.23 %	86.94 %	87.83 %	95.59 %
Covered Payroll	\$ 3,680,728	\$ 3,440,784	\$ 3,089,692	\$ 3,262,260	\$ 3,153,829	\$ 2,344,817	\$ 2,981,719	\$ 3,039,472
Authority's Net Pension (Asset) Liability as a Percentage of Covered Payroll	(79.22)%	(17.64)%	23.09 %	91.83 %	78.68 %	116.03 %	80.55 %	28.38 %

This schedule is intended to show information for 10 years. Additional years' information will be reported as it becomes available.

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Administrative Employees' Retirement Plan (Continued)

**Last Eight Fiscal Years
Measurement Date is December 31 of the Previous Year**

Assumption Changes

With the 2019 actuarial valuation, the mortality assumption was updated to the Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables with MP-2018 improvement scale from the RP-2014 Mortality Tables with MP-2018 improvement scale.

With the 2018 actuarial valuation, the mortality assumption was updated to the RP-2014 Mortality Tables from the RP-2000 Mortality Tables.

Capital Area Transportation Authority

**Required Supplemental Information
Schedule of Pension Investment Returns**

	Last Eight Fiscal Years							
	Measurement Date is December 31 of the Previous Year							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Union Employees' Retirement Plan - Annual money-weighted rate of return - Net of investment expense	17.20 %	11.50 %	18.23 %	(0.78)%	12.52 %	7.38 %	2.07 %	10.20 %
Administrative Employees' Retirement Plan - Annual money-weighted rate of return - Net of investment expense	14.30 %	12.00 %	20.01 %	(2.00)%	16.57 %	8.07 %	0.80 %	8.60 %

Capital Area Transportation Authority

Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Six Fiscal Years					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 4,421,394	\$ 5,363,106	\$ 1,934,910	\$ 2,022,770	\$ 1,781,196	\$ 1,738,555
Interest	2,746,713	2,251,420	2,136,164	2,021,059	1,377,737	1,299,584
Differences between expected and actual experience	742,865	(876,766)	14,139,217	(80,917)	341,423	75,294
Changes in assumptions	(26,213,754)	(9,268,940)	20,889,644	(155,995)	1,155,482	-
Benefit payments, including refunds	(1,106,021)	(1,052,591)	(1,660,107)	(1,229,414)	(947,617)	(1,185,270)
Net Change in Total OPEB Liability	(19,408,803)	(3,583,771)	37,439,828	2,577,503	3,708,221	1,928,163
Total OPEB Liability - Beginning of year	87,384,552	90,968,323	53,528,495	50,950,992	47,242,771	33,602,319
Total OPEB Liability - End of year	\$ 67,975,749	\$ 87,384,552	\$ 90,968,323	\$ 53,528,495	\$ 50,950,992	\$ 35,530,482
Plan Fiduciary Net Position						
Contributions - Employer	\$ 1,860,377	\$ 1,731,854	\$ 2,344,240	\$ 1,880,969	\$ 1,568,146	\$ 1,725,577
Contributions - Employee	-	39,077	43,679	-	-	50,673
Net investment (loss) income	(2,396,831)	2,205,104	1,154,874	470,085	841,383	794,781
Benefit payments, including refunds	(1,106,021)	(1,052,591)	(1,660,107)	(1,229,414)	(947,617)	(1,185,271)
Other	-	-	(43,687)	-	-	3,047
Net Change in Plan Fiduciary Net Position	(1,642,475)	2,923,444	1,838,999	1,121,640	1,461,912	1,388,807
Plan Fiduciary Net Position - Beginning of year	14,042,343	11,118,899	9,279,900	8,158,260	6,696,348	5,307,541
Plan Fiduciary Net Position - End of year	\$ 12,399,868	\$ 14,042,343	\$ 11,118,899	\$ 9,279,900	\$ 8,158,260	\$ 6,696,348
Net OPEB Liability - Ending	\$ 55,575,881	\$ 73,342,209	\$ 79,849,424	\$ 44,248,595	\$ 42,792,732	\$ 28,834,134
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	18.24 %	16.07 %	12.22 %	17.34 %	16.01 %	18.85 %
Covered-employee Payroll	\$ 20,797,521	\$ 20,486,818	\$ 22,057,485	\$ 21,304,311	\$ -	\$ -
Net OPEB Liability as a Percentage of Covered-employee Payroll	267.22 %	358.00 %	362.01 %	- %	- %	- %

This schedule is intended to show information for 10 years. Additional years' information will be reported as it becomes available. During 2018, the Authority and actuary identified an addition to the total OPEB liability that should have been included in the 2017 total OPEB liability. This adjustment was added to the beginning liability for 2018; as a result, that amount does not equal the 2017 ending liability.

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios (Continued)

Last Six Fiscal Years

Assumption Changes

In the 2022 valuation, the discount rate increased from 3.01 percent to 5.16 percent.

In the 2021 valuation, the discount rate increased from 2.35 percent to 3.01 percent.

In the 2020 valuation, the mortality assumption was updated, and the discount rate decreased from 3.91 percent to 2.35 percent.

In the 2019 valuation, the mortality assumption was updated, and the discount rate increased from 3.86 percent to 3.91 percent.

Capital Area Transportation Authority

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended September 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 15,194,263	\$ 15,309,872	\$ 8,657,571	\$ 7,677,439	\$ 5,138,595	\$ 4,705,924	\$ 2,848,496	\$ 2,529,661	\$ 2,529,661	\$ 2,551,485
Contributions in relation to the actuarially determined contribution	1,860,377	1,731,854	2,344,240	1,880,969	1,568,146	1,725,577	2,168,986	983,504	1,422,339	1,304,228
Contribution Deficiency	\$ (13,333,886)	\$ (13,578,018)	\$ (6,313,331)	\$ (5,796,470)	\$ (3,570,449)	\$ (2,980,347)	\$ (679,510)	\$ (1,546,157)	\$ (1,107,322)	\$ (1,247,257)
Covered-employee Payroll	\$ 20,797,521	\$ 20,486,818	\$ 22,057,485	\$ 21,304,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Contributions for the Authority's fiscal year ended September 30, 2022 were determined based on the actuarial valuation as of September 30, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percent)
Amortization method	Level dollar, closed
Remaining amortization period	7 years
Asset valuation method	Equal to market value of asset
Inflation	Included in the expected return
Health care cost trend rates	7.25 percent, graded 0.25 percent per year to an ultimate rate of 4.50 percent
Salary increase	3.50 percent
Investment rate of return	7.00 percent
Retirement age	60 years
Mortality	PubH 2010 mortality tables with the MP-2021 improvement scale

Capital Area Transportation Authority

**Required Supplemental Information
Schedule of OPEB Investment Returns**

**Last Five Fiscal Years
Years Ended September 30**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return - Net of investment expense	(17.07)%	19.83 %	12.23 %	5.65 %	11.35 %

Other Supplemental Information

Capital Area Transportation Authority

Other Supplemental Information Statement of Fiduciary Net Position Fiduciary Funds

	Union Pension Plan December 31, 2021	Admin Pension Plan December 31, 2021	Retiree OPEB Trust September 30, 2022	Total Pension and OPEB Fiduciary Funds
Assets				
Investments:				
Mutual funds	\$ -	\$ -	\$ 11,645,512	\$ 11,645,512
Group annuity contracts	55,214,142	23,816,133	-	79,030,275
Receivables	-	-	754,356	754,356
Total assets	<u>55,214,142</u>	<u>23,816,133</u>	<u>12,399,868</u>	<u>91,430,143</u>
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - Restricted				
Pension	55,214,142	23,816,133	-	79,030,275
Postemployment benefits other than pension	-	-	12,399,868	12,399,868
Total net position	<u>\$ 55,214,142</u>	<u>\$ 23,816,133</u>	<u>\$ 12,399,868</u>	<u>\$ 91,430,143</u>

Capital Area Transportation Authority

Other Supplemental Information Statement of Changes in Fiduciary Net Position Fiduciary Funds

	Union Pension Plan Year Ended December 31, 2021	Admin Pension Plan Year Ended December 31, 2021	Retiree OPEB Trust Year Ended September 30, 2022	Total Pension and OPEB Fiduciary Funds
Additions				
Investment income (loss):				
Interest and dividends	\$ 574,296	\$ 18,130	\$ 229,506	\$ 821,932
Change in fair value of investments	7,556,679	2,259,128	(2,626,337)	7,189,470
Net investment income	8,130,975	2,277,258	(2,396,831)	8,011,402
Contributions:				
Employer contributions	949,929	600,000	1,860,377	3,410,306
Member contributions	949,929	259,234	-	1,209,163
Total contributions	1,899,858	859,234	1,860,377	4,619,469
Total additions	10,030,833	3,136,492	(536,454)	12,630,871
Deductions				
Benefit payments	2,031,191	713,852	1,106,021	3,851,064
Administrative expenses	49,858	58,512	-	108,370
Total deductions	2,081,049	772,364	1,106,021	3,959,434
Net Increase (Decrease) in Net Position Held in Trust	7,949,784	2,364,128	(1,642,475)	8,671,437
Net Position - Beginning of year	47,264,358	21,452,005	14,042,343	82,758,706
Net Position - End of year	\$ 55,214,142	\$ 23,816,133	\$ 12,399,868	\$ 91,430,143

Other Supplemental Information
1. Schedule of Operating Revenues

Year Ended September 30, 2022

Local operating revenues:

40100	Linehaul - Farebox (Urban)	\$	1,451,443
40100	Paratransit - Farebox (Urban)		549,493
40100	Rural Services - Farebox		27,856
40100	Senior shopping bus - Fare Box		1,772
40400	Meals on Wheels		3,852
40610	Concessions		2,811
40615	Advertising		225,000
40620	Intercity Ticket Sales		27,338
40720	Rental of Building		23,500
40725	Parking Lot		95,235
40760	Gain on Sale of Assets		125
40799	Other Miscellaneous Revenue		389,275
40950	Contract Services		8,093,851

Total local operating revenues 10,891,551

State of Michigan operating grants:

41101	Operating grant (Act 51) - Urban		14,196,626
41101	Operating grant (Act 51) - Urban - PY		1,602,781
41101	Operating grant (Act 51) - Rural		852,415
41101	Operating grant (Act 51) - Rural - PY		102,451
41101	Specialized Services		25,437
41101	Specialized Services - PY		82
41111	Operating grant - Preventative Maintenance		310,000
41114	Other Capital Contract Reimburse for Operating Expenses		71,572

Total State of Michigan operating grants 17,161,364

Federal operating grants:

41301	Operating Grant - Rural - 5311		-
41301	Operating Grant - Rural - 5311 - PY		-
41311	Federal grant - Preventative Maintenance		1,240,000
41314	Other Capital Contract Reimburse for Operating Expenses		287,745
41360	Operating Grant - Rural - 5311 CARES Act Flex		-
41361	Operating Grant - 5311 CARES Act		6,615,286
41362	Operating Grant - Rural - 5311 CRRSA Act		974,596

Total Federal operating grants 9,117,627

Local nonoperating revenues:

40800	Property tax		19,103,342
41400	Investment Income		(971,260)

Total Local nonoperating revenue 18,132,082

Total nonoperating revenue 44,411,073

Total Revenue \$ 55,302,624

2. Schedule of Expenditures for Federal and State Awards

Year Ended September 30, 2022

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Project Number	State Project Number	Federal Expenditures	State Expenditures	Total Expenditures
U.S. Department of Transportation - Direct programs:						
Federal Transit Cluster:						
Federal Transit - Capital Investment Grants	20.500	MI-2016-0002	2012-0055-P027	\$ -	\$ -	\$ -
Federal Transit - Capital Investment Grants	20.500	MI-0004-0085	No State match	-	-	-
Federal Transit - Formula Grants (CARES Act)	20.507	MI-0090-X839	No State match	6,615,286	-	6,615,286
Federal Transit - Formula Grants	20.507	MI-0090-X789	2012-0055-P03D	88,905	22,226	111,131
Federal Transit - Formula Grants	20.507	MI-2017-014-01	2017-0027-P03A	-	-	-
Federal Transit - Formula Grants	20.507	MI-0090-X782	2012-0055-P28C	510,507	127,627	638,134
Federal Transit - Formula Grants	20.507	MI-0095-X127	2012-0055-P28A	-	-	-
Federal Transit - Formula Grants	20.507	MI-0090-X647	2012-0055-P005	-	-	-
Federal Transit - Formula Grants	20.507	MI-0090-X672	2012-0055-P015	296,691	74,173	370,864
Federal Transit - Formula Grants	20.507	MI-0095-X105	2012-0055-P012	-	-	-
Federal Transit - Formula Grants	20.507	MI-0090-X805	2017-0027-P06D	52,308	13,077	65,385
Federal Transit - Formula Grants	20.507	MI-0090-X819	2019-0027-P11D	355,778	88,945	444,723
Federal Transit - Formula Grants	20.507	MI-0095-0007	2017-0027-P06A	-	-	-
Federal Transit - Formula Grants	20.507	MI-0090-X855	2017-0027-P013D	2,442,587	610,647	3,053,234
Federal Transit - Formula Grants	20.507	MI-0090-X870	2017-0027-P017D	771,753	192,938	964,691
Federal Transit - Formula Grants	20.507	MI-0095-0013	2019-0027-P11A	-	-	-
Federal Transit - Formula Grants	20.507	MI-0090-X888	2022-0027-P04	1,240,000	310,000	1,550,000
Federal Transit - Formula Grants	20.507	MI-0090-X376	2002-0024-Z004	-	-	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0115	2017-0027-P017D	396,566	99,142	495,708
Bus and Bus Facilities Formula Program	20.526	MI-0034-0001	2012-0055-P011	-	-	-
Bus and Bus Facilities Formula Program	20.526	MI-0016-X015	2012-0055-P28D	-	-	-
Bus and Bus Facilities Formula Program	20.526	MI-2017-014-03	2017-0027-P03C	-	-	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0057	2017-0027-P06B	-	-	-
Bus and Bus Facilities Competitive Program	20.526	MI-0034-0074	2017-0027-P11B	11,737	2,934	14,671
Bus and Bus Facilities Formula Program	20.526	MI-0034-0074	2019-0027-P11B	-	-	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0074	2019-0027-P11B	-	-	-
				-	-	-
Total Federal Transit Cluster				12,782,118	1,541,709	14,323,827
Transit Services Program Cluster:						
Formula Grants for Enhanced Mob of Sr & Ind. W Disab	20.513	MI-0016-X010	2012-0055-P013	1,456	-	1,456
U.S. Department of Transportation - Pass-through programs from Michigan Department of Transportation (MDOT)						
Formula Grants for Rural Areas						
Section 5311 Operating Formula Grant - CRRSAA	20.509	MI-2022-0027-P2		974,596	-	974,596
Section 5311 Operating Formula Grant - CARES Act Flex	20.509	MI-2017-027-P15		-	-	-
Section 5311 Operating Formula Grant - CARES Act	20.509	MI-2017-027-P14-R1		-	-	-
				974,596	-	974,596
Michigan Department of Transportation						
Operating Assistance - Act 51 (FY 19)						
Urban - Current Year	N/A		N/A		14,196,626	14,196,626
Urban - Prior Year	N/A		N/A		1,602,781	1,602,781
Nonurban - Current Year	N/A		N/A		852,415	852,415
Nonurban - Prior Year	N/A		N/A		102,451	102,451
				-	16,754,273	16,754,273
Specialized Services FY 21	N/A	N/A	2017-0027-P7	-	25,437	25,437
Specialized Services Prior Year	N/A	N/A	2017-0027-P7	-	82	82
Total				\$ 13,758,170	\$ 18,321,501	\$ 32,079,671

Other Supplemental Information
3. Schedule of Expense by Contract and General Operations
 For the Year Ended September 30, 2022

Description	MI-0090-X789	MI-90-X782	MI-90-X672	MI-0090-X805	MI-0090-X819	MI-0090-X855	MI-0090-X870	MI-0016-X010	MI-0090-X839	MI-0090-X888	General Operations Urban Large	General Operations Nonurban	Total
	2017-0027-P03D FY 17 S-5307	2012-0055-P28C FY 16 S-5307	2012-0055-P15 FY 15 S-5307	2017-0027-P06D FY 18 S-5307	2017-0027-P11D FY 19 S-5307	2017-0027-P013D FY 20 S-5307	2017-0027-P017D FY 21 S-5307	2012-0055-P013 FY 14 S-5310	FY 20 S-5307 CARES ACT	2022-0027-P04 FY 22 S-5307 Preventative Maintenance			
Labor									\$ 6,551,128	\$ -	\$ 12,884,053	\$ 399,946	\$ 19,835,127
Other fringe benefits											12,703,682	261,421	12,965,103
Purchased services:													
Advertising											734,102	34,390	768,492
Other	54		16,581	6,101	213,242	49,781	18,533				3,720,860	175,121	4,200,273
Materials & Supplies			20,347			33,224		1,456	64,158	1,550,000	3,938,389	131,047	5,738,621
Utilities											774,289	36,273	810,562
Casualty and liability costs											1,404,596	65,801	1,470,397
Purchased transportation											5,554,540	1,361,291	6,915,831
Miscellaneous expenses											269,773	12,504	282,277
Leases and rentals											50,975	2,388	53,363
Depreciation											6,497,647	304,394	6,802,041
Total	\$ 54	\$ -	\$ 36,928	\$ 6,101	\$ 213,242	\$ 83,005	\$ 18,533	\$ 1,456	\$ 6,615,286	\$ 1,550,000	\$ 48,532,906	\$ 2,784,576	\$ 59,842,087

(1) Includes all expenses associated with this contract
 (2) Includes only expenses reimbursed under this contract

Capital Area Transportation Authority

Other Supplemental Information 4. Urban Regular Service Revenue Report

Year Ended September 30, 2022

Code	Description	Amount
	Fare Revenue	
40100	Passenger fares	\$ 2,002,708
	Auxiliary Transportation Revenue	
40610	Concessions	2,811
40615	Advertising	225,000
40620	Intercity Ticket Sales	27,338
	Nontransportation Revenue	
40720	Rental of buildings or other properties	23,500
40725	Parking Lot Revenue	95,235
40760	Gain from Sale of Capital Assets	125
40799	Other Non-Transportation Revenue	389,275
	Local Revenue	
40800	Taxes levied directly for/by transit agency	19,103,342
	Local Revenue	
40950	Local Service Contracts/Local Source	6,848,760
	State Revenue	
41101	State operating assistance	14,196,626
41101	State operating assistance - Prior Year	1,602,781
41111	Preventative maintenance	310,000
41114	Other Capital Contract Reimburse for Operating Expenses	71,572
41199	Other MDOT/OPT Contracts - Specialized Service	25,437
41199	Other MDOT/OPT Contracts - Specialized Service - Prior Year	82
	Federal Revenue	
41311	Preventative maintenance	1,240,000
41314	Other Capital Contract Reimburse for Operating Expenses	287,745
41361	CARES Act	6,615,286
	Other Revenue	
41400	Investment Income	(971,260)
Total Urban Regular Service Revenue		\$ 52,096,363

Other Supplemental Information
 5. Urban Regular Service Expense Report

Year Ended September 30, 2022

Code	Description	Line Haul	Demand Response	Total
Labor:				
50101	Operator salaries & wages	\$ 11,213,434	\$ 1,114,315	\$ 12,327,749
50102	Other salaries & wages	4,987,360	2,120,072	7,107,432
Fringe Benefits				
50200	Other fringe benefits	7,748,444	1,546,928	9,295,372
50220	Defined Benefit Pension	(2,362,463)	(471,651)	(2,834,114)
50250	Other post retirement benefits	5,203,565	1,038,859	6,242,424
Services				
50302	Advertising	455,985	278,117	734,102
50305	Audit costs	49,183	29,998	79,181
50399	Other	2,559,749	1,386,222	3,945,971
Materials and supplies				
50401	Fuel and Lubricants	2,567,757	435,994	3,003,751
50402	Tires and tubes	152,040	14,332	166,372
50499	Other materials and supplies	1,828,005	609,446	2,437,451
Utilities				
50500	Utilities	480,947	293,342	774,289
Insurance				
50603	Liability insurance	872,460	532,136	1,404,596
Taxes and fees				
50700	Taxes and fees	1,222	745	1,967
Purchased transportation services				
50800	Purchased transportation services		5,554,540	5,554,540
Miscellaneous expenses				
50902	Travel, meetings & training	57,009	34,772	91,781
50903	Association dues & subscriptions	107,561	65,605	173,166
50909	Loss on disposal of assets	2,859	0	2,859
Operating leases & rentals				
51200	Operating leases & rentals	31,663	19,312	50,975
Depreciation				
51300	Depreciation	4,035,991	2,461,656	6,497,647
Total Expenses		<u>39,992,771</u>	<u>17,064,740</u>	<u>57,057,511</u>
Ineligible Expenses				
55004	Other ineligible state contracts (Specialized services)		25,437	25,437
55007	Ineligible depreciation	4,035,991	2,460,974	6,496,965
55008	Other ineligible	178,529	0	178,529
55009	Ineligible percent of association dues	6,516	3,974	10,490
55010	Ineligible expense associated with other revenue	89,114	0	89,114
55011	Ineligible preventative maintenance	962,777	587,223	1,550,000
56004	Ineligible expenses associated w/rentals	133,518	0	133,518
57604	Other ineligible operating expense paid by capital contract	359,319	0	359,319
58009	Loss on disposal of assets	2,859	0	2,859
58020	Ineligible DB Pension	(3,622,586)	(721,707)	(4,344,293)
58050	Ineligible DB OPEB	3,675,512	732,251	4,407,763
58099	Other ineligible benefits	39,170	7,804	46,974
Total Ineligible Expenses		<u>5,860,719</u>	<u>3,095,956</u>	<u>8,956,675</u>
Total Eligible Expenses		<u>\$ 34,132,052</u>	<u>\$ 13,968,784</u>	<u>\$ 48,100,836</u>

6. Urban Regular Service Nonfinancial Report (Unaudited)

Year Ended September 30, 2022

Code	Description	Weekday		Saturday		Sunday		Total
		LH	DR	LH	DR	LH	DR	
610	Vehicle hours	232,417	150,264	27,072	15,753	15,292	10,448	451,246
611	Vehicle miles	3,071,993	2,114,110	343,958	197,870	207,801	138,600	6,074,332

Miscellaneous Information

Description	LH	DR	Total
Vehicle Revenue Miles	3,406,949	2,077,987	5,484,936
Non-Revenue (Service) Vehicle Miles			383,393
Gallons Fuel - LPG	-	0	0
Gallons Fuel - Diesel	719,484	201,548	921,032
Concession Square Footage	260		
Total CTC Building Square Footage	14,000		

Capital Area Transportation Authority

Other Supplemental Information

7. Nonurban County Regular Service Revenue Report

Year Ended September 30, 2022

<u>Code</u>	<u>Description</u>	<u>Amount</u>
	Fare Revenue	
40100	Passenger fares	\$ 27,856
	Package Delivery/Meal Delivery Programs	
40400	Package delivery/meal delivery programs	3,852
	Local Service Contract	
40950	Local service contract/local source	1,245,091
	State Revenue	
41101	State operating assistance	852,415
41101	State operating assistance - Prior Year	102,451
	Federal Revenue	
41362	Section 5311 Operating - CRRSAA	974,596
Total Revenue		\$ 3,206,261

Other Supplemental Information
8. Nonurban County Regular Service Expense Report

Year Ended September 30, 2022

Code	Description	Total
	Labor:	
50101	Operator salaries & wages	\$ 137,790
50102	Other salaries & wages	262,156
	Fringe Benefits	
50200	Other fringe benefits	191,284
50220	Defined Benefit Pension	(58,322)
50250	Other post retirement benefits	128,459
	Services	
50302	Advertising	34,390
50305	Audit costs	3,709
50399	Other	171,412
	Materials and supplies	
50401	Fuel and Lubricants	53,913
50402	Tires and tubes	1,772
50499	Other materials and supplies	75,362
	Utilities	
50500	Utilities	36,273
	Insurance	
50603	Liability insurance	65,801
	Taxes and fees	
50700	Taxes and fees	92
	Purchased transportation services	
50800	Purchased transportation services	1,361,291
	Miscellaneous expenses	
50902	Travel, meetings & training	4,300
50903	Association dues & subscriptions	8,112
	Operating leases & rentals	
51200	Operating leases & rentals	2,388
	Depreciation	
51300	Depreciation	304,394

Capital Area Transportation Authority

Other Supplemental Information
8. Nonurban County Regular Service Expense Report

Year Ended September 30, 2022

<u>Code</u>	<u>Description</u>	<u>Total</u>
Total Expenses		<u>2,784,576</u>
Ineligible Expenses		
55006	Other ineligible interest expense	0
55007	Ineligible depreciation	304,362
55008	Other ineligible expenses	41,008
55009	Ineligible percent of association dues	491
58020	Ineligible DB Pension	(88,006)
58050	Ineligible DB OPEB	89,280
58099	Other ineligible benefits	952
Total Ineligible Expenses		<u>348,087</u>
Total Eligible Expenses		<u>\$ 2,436,489</u>

Capital Area Transportation Authority

Other Supplemental Information

9. Nonurban County Regular Service Nonfinancial Report (Unaudited)

Year Ended September 30, 2022

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicles hours	17,169	661	-	17,830
611	Vehicle miles	368,177	14,720	-	382,897

Miscellaneous Information

Description	Total
Vehicle Revenue Miles	256,952
Gallons Fuel - Gasoline	140,780

Capital Area Transportation Authority

Other Supplemental Information

10. Specialized Services Nonfinancial Report (Unaudited)

Year Ended September 30, 2022

<u>Code</u>	<u>Description</u>	<u>Weekday</u>
610	Vehicles hours	2,005
611	Vehicle miles	15,940

Miscellaneous Information

<u>Description</u>	<u>Total</u>
Vehicle Revenue Miles	12,985
Gallons Fuel - Diesel	3,700

Other Supplemental Information
11. Operating Assistance Calculation

Year Ended September 30, 2022

	Urban	Nonurban
Total Expenses	\$ 57,057,511	\$ 2,784,576
Less: Ineligible expenses		
Ineligible depreciation	6,496,965	304,362
Ineligible state contracts	25,437	-
Ineligible interest expense	-	-
Other ineligible	178,529	41,008
Ineligible percent of association dues	10,490	491
Ineligible expense associated with other revenue	89,114	-
Ineligible preventative maintenance	1,550,000	-
Ineligible expenses associated w/rentals	133,518	-
Other ineligible operating expenses paid by capital contract	359,319	-
Loss on disposal of assets	2,859	-
Ineligible DB Pension	(4,344,293)	(88,006)
Ineligible DB OPEB	4,407,763	89,280
Other ineligible benefits	46,974	952
Total Ineligible Expenses Per R&E Manual	8,956,675	348,087
Total State Eligible Expenses	\$ 48,100,836	\$ 2,436,489

Eligible Expenses for State Reimbursement	\$ 48,100,836	\$ 2,436,489
x Reimbursement Percentage (Budgeted)	29.51430%	34.98540%
State Operating Assistance	<u>\$ 14,196,625</u>	<u>\$ 852,415</u>

Total Federal Eligible Expenses

Eligible Expenses for Federal Reimbursement	\$ 2,436,489
x Reimbursement Percentage (per Project Authorization)	40.00%
State Operating Assistance	<u>\$ 974,596</u>

Capital Area Transportation Authority

**Federal Awards Supplemental Information
September 30, 2022**

Independent Auditor's Reports

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance 1

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 2-3

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

Independent Auditor's Report

To the Board of Directors
Capital Area Transportation Authority

We have audited the financial statements of the enterprise fund and fiduciary funds of Capital Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated February 20, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to February 20, 2023.

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

Plante & Moran, PLLC

February 20, 2023

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
Capital 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 financial statements of the enterprise fund and fiduciary funds of Capital Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

To Management and the Board of Directors
Capital Area Transportation Authority

Purpose of This Report

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

Plante & Moran, PLLC

February 20, 2023

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

Independent Auditor's Report

To the Board of Directors
Capital Area Transportation Authority

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Capital Area Transportation Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2022. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

To the Board of Directors
Capital Area Transportation Authority

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

To the Board of Directors
Capital Area Transportation Authority

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

Plante & Moran, PLLC

February 20, 2023

Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2022

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Federal Project Number	State Project Number	Pass-through Entity Identifying Number	Federal Expenditures	State Expenditures	Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation - Direct programs -								
Federal Transit Cluster:								
COVID-19 - Federal Transit - Formula Grants	20.507	MI-0090-X839	No State match		\$ 6,615,286	\$ -	\$ 6,615,286	\$ -
Federal Transit - Formula Grants	20.507	MI-0090-X789	2017-0027-P03D		88,905	22,226	111,131	-
Federal Transit - Formula Grants	20.507	MI-0090-X782	2012-0055-P28C		510,507	127,627	638,134	-
Federal Transit - Formula Grants	20.507	MI-0090-X672	2012-0055-P015		296,691	74,173	370,864	-
Federal Transit - Formula Grants	20.507	MI-90-X888	2022-0027-P04		1,240,000	310,000	1,550,000	-
Federal Transit - Formula Grants	20.507	MI-0090-X805	2017-0027-P06D		52,308	13,077	65,385	-
Federal Transit - Formula Grants	20.507	MI-0090-X819	2017-0027-P11D		355,778	88,945	444,723	-
Federal Transit - Formula Grants	20.507	MI-0090-X855	2017-0027-P013D		2,442,587	610,647	3,053,234	-
Federal Transit - Formula Grants	20.507	MI-0090-X870	2017-0027-P017D		771,753	192,938	964,691	-
Bus and Bus Facilities Formula Program	20.526	MI-34-0115	2017-0027-P017D		396,566	99,142	495,708	-
Bus and Bus Facilities Competitive Program	20.526	MI-0034-0074	2017-0027-P11B		11,737	2,934	14,671	-
Total Federal Transit Cluster					12,782,118	1,541,709	14,323,827	-
Transit Services Program Cluster - Enhanced Mobility of Seniors and								
Individuals with Disabilities - Formula Grants	20.513	MI-16-X010	2012-0055-P013		1,456	-	1,456	-
Formula Grants for Rural Areas - U.S. Department of Transportation -								
Pass-through programs from Michigan Department of Transportation (MDOT) - Formula Grants for Rural Areas -								
Section 5311 Operating Formula Grant	20.509	MI-2022-0027-P2	No State match	MI-2022-0027-P2	974,596	-	974,596	-
Michigan Department of Transportation Operating Assistance - Act 51:								
Urban - Current Year	N/A	N/A	N/A		-	14,196,626	14,196,626	-
Urban - Prior Year	N/A	N/A	N/A		-	1,602,781	1,602,781	-
Nonurban - Current Year	N/A	N/A	N/A		-	852,415	852,415	-
Nonurban - Prior Year	N/A	N/A	N/A		-	102,451	102,451	-
Specialized Services FY 22	N/A	N/A	N/A		-	25,437	25,437	-
Specialized Services Prior Year	N/A	N/A	N/A		-	82	82	-
Total Michigan Department of Transportation					-	16,779,792	16,779,792	-
Total federal and state awards					\$ 13,758,170	\$ 18,321,501	\$ 32,079,671	\$ -

Notes to Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Capital Area Transportation Authority (the "Authority") under programs of the federal government and the State of Michigan for the year ended September 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and the State of Michigan Department of Transportation *Local Public Transit Revenue and Expense Manual*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and frequently asked questions outlined in the 2022 Compliance Supplement Addendum wherein certain types of expenditures are not allowable or are limited as to reimbursement. The state expenditures are recognized following the State of Michigan Department of Transportation *Local Public Transit Revenue and Expense Manual*. The pass-through entity identifying numbers are presented where available.

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

Capital Area Transportation Authority

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes 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 2 CFR 200.516(a)? Yes No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
20.507, 20.526	Federal Transit Cluster

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Audit Findings

Current Year None

Section III - Federal Program Audit Findings

Current Year None