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# Capital Area Transportation Authority

Lansing, Michigan

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**Financial Report**  
**with Supplementary Information**  
**September 30, 2023**

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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, 2023 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, 2023 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.

#### ***Emphasis of Matter***

As described in Note 1 to the financial statements, in 2023, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides accounting guidance for subscription-based information technology arrangements. Our opinion is not modified with respect to this matter.

#### ***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.

To the Board of Directors  
Capital Area Transportation Authority

### ***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.

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 Supplementary Information***

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

To the Board of Directors  
Capital Area Transportation Authority

***Other Supplementary 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 supplementary 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 supplementary information of the fiduciary fund statements and State-required schedules, except for schedules 6, 9, and 10, 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 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.

***Additional Information***

Management is responsible for the accompanying State-required schedules 6, 9, and 10, which are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024 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.



March 7, 2024

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, 2023. 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, 2023 (the Authority's 2023 fiscal year end), the Authority's net position stood at \$35,114,846, as compared to a net position of \$30,500,647 at fiscal year end 2022. 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 2023 can be mainly attributed to an increase in operating and 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 American Rescue Plan Act grant.

The Authority's current ratio at September 30, 2023 stood at 7.84, as compared with 6.28 at fiscal year end 2022. 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, 2023, the Authority had cash and investments totaling \$28,990,769, while cash and investments stood at \$26,061,034 at fiscal year end 2022. It is the Authority's policy to utilize its cash and invested funds to facilitate eligible purchases and then seek reimbursement from the FTA and MDOT subsequent to the expenditure. At fiscal year end 2023, the Authority was due \$9 million from those two agencies.

The Authority's year-end leverage ratio at September 30, 2023 stood at 1.81, as compared with 2.02 at fiscal year end 2022. 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, 2023 amounted to \$73,361,446, while operating expenses amounted to \$68,747,247. This resulted in an increase in net position of \$4,614,199 for the fiscal year ended September 30, 2023.

### ***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 supplementary 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.

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.

## Capital Area Transportation Authority

### Management's Discussion and Analysis (Continued)

- 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, 2023, the Authority's Union and Administrative Employees' retirement plans had fiduciary net positions as a percentage of total pension liabilities of 106 percent and 87 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 21 percent.

#### **The Authority's Net Position**

The Authority's total net position at September 30, 2023 was approximately \$35.11 million, an increase from 2022. The change is largely attributable to the additional capital and operating grants in 2023. 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			
	2022	2023	Change	Percent Change
<b>Assets</b>				
Current and other assets	\$ 52,617,300	\$ 47,131,824	\$ (5,485,476)	(10.4)
Capital assets	54,876,479	54,738,053	(138,426)	(0.3)
Total assets	107,493,779	101,869,877	(5,623,902)	(5.2)
<b>Deferred Outflows of Resources</b>	23,998,543	23,243,260	(755,283)	(3.1)
<b>Liabilities</b>				
Current liabilities	6,120,389	5,632,075	(488,314)	(8.0)
Noncurrent liabilities	55,575,881	58,085,746	2,509,865	4.5
Total liabilities	61,696,270	63,717,821	2,021,551	3.3
<b>Deferred Inflows of Resources</b>	39,295,405	26,280,470	(13,014,935)	(33.1)
<b>Net Position</b>				
Net investment in capital assets	54,876,479	54,738,053	(138,426)	(0.3)
Restricted - Capital purchases	81,063	23,464	(57,599)	-
Unrestricted	(24,456,895)	(19,646,671)	4,810,224	(19.7)
Total net position	<b>\$ 30,500,647</b>	<b>\$ 35,114,846</b>	<b>\$ 4,614,199</b>	15.1

## 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 2022 to 2023:

	Business-type Activities			
	2022	2023	Change	Percent Change
<b>Revenue</b>				
Operating revenue	\$ 10,891,427	\$ 11,480,676	\$ 589,249	5.4
Nonoperating revenue - Net of expenses	44,408,339	55,229,975	10,821,636	24.4
Total revenue	55,299,766	66,710,651	11,410,885	20.6
<b>Expenses</b>				
Operating expense before depreciation	53,037,186	61,868,571	8,831,385	16.7
Depreciation expense	6,802,041	6,878,676	76,635	1.1
Total expenses	59,839,227	68,747,247	8,908,020	14.9
<b>Capital Contributions</b>	5,800,680	6,650,795	850,115	14.7
<b>Change in Net Position</b>	1,261,219	4,614,199	3,352,980	265.9
<b>Net Position - Beginning of year</b>	29,239,428	30,500,647	1,261,219	4.3
<b>Net Position - End of year</b>	<b>\$ 30,500,647</b>	<b>\$ 35,114,846</b>	<b>\$ 4,614,199</b>	15.1

#### **Capital Assets and Debt Administration**

The Authority continues to invest in capital assets, including vehicles, infrastructure, and equipment. At September 30, 2023 and 2022, the Authority had approximately \$55 million invested in capital assets. During fiscal year 2023, the Authority made capital additions of approximately \$6.9 million, the majority of which 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 2023, as compared to 2022 but is still 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 anticipates expending the remaining funds by the end of fiscal year 2025.

#### **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, 2023

### Assets

#### Current assets:

Cash and cash equivalents (Note 3)	\$ 6,627,495
Investments (Note 3)	22,363,274
Receivables:	
Accrued interest receivable	147,846
Local contributions and contract revenue receivable	1,887,723
Due from other governments	1,257,799
Due from federal government	7,086,598
Due from state government	2,292,522
Inventories	1,596,804
Prepaid expenses	912,277
Total current assets	<u>44,172,338</u>

#### Noncurrent assets:

Net pension asset (Note 6)	2,959,486
Capital assets: (Note 4)	
Assets not subject to depreciation	9,322,888
Assets subject to depreciation - Net	<u>45,415,165</u>
Total noncurrent assets	<u>57,697,539</u>
Total assets	101,869,877

### Deferred Outflows of Resources

Deferred outflows related to pensions (Note 6)	6,917,963
Deferred outflows related to OPEB (Note 7)	<u>16,325,297</u>
Total deferred outflows of resources	23,243,260

### Liabilities

#### Current liabilities:

Accounts payable	2,189,928
Due to other governmental units	47,767
Accrued liabilities and other	569,866
Unearned revenue	157,112
Accrued vacation, incentive, and sick pay	1,871,952
Reserve for workers' compensation claims (Note 5)	223,350
Reserve for health insurance costs (Note 5)	<u>572,100</u>
Total current liabilities	5,632,075

#### Noncurrent liabilities:

Net pension liability (Note 6)	2,972,715
Net OPEB liability (Note 7)	<u>55,113,031</u>
Total noncurrent liabilities	<u>58,085,746</u>
Total liabilities	63,717,821

### Deferred Inflows of Resources

Deferred pension cost reductions (Note 6)	546,522
Deferred OPEB cost reductions (Note 7)	<u>25,733,948</u>
Total deferred inflows of resources	<u>26,280,470</u>

### Net Position

Net investment in capital assets	54,738,053
Restricted - Capital purchases	23,464
Unrestricted	<u>(19,646,671)</u>
Total net position	<u>\$ 35,114,846</u>

See notes to financial statements.

## Capital Area Transportation Authority

### Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2023

<b>Operating Revenue</b>	
Linehaul	\$ 1,714,843
Contract services	8,522,448
Paratransit	567,884
Rural service	27,366
Other revenue	<u>648,135</u>
Total operating revenue	11,480,676
<b>Operating Expenses</b>	
Labor and fringe benefits	39,007,222
Services	4,497,247
Advertising	905,293
Materials, fuel, and supplies	5,393,770
Utilities	808,807
Insurance and self-insured costs	1,221,471
Purchased transportation services	9,192,007
Miscellaneous	756,463
Lease and rentals	86,291
Depreciation	<u>6,878,676</u>
Total operating expenses	<u>68,747,247</u>
<b>Operating Loss</b>	(57,266,571)
<b>Nonoperating Revenue</b>	
Investment income - Net	720,936
Property tax revenue	19,784,975
Government operating grants - Federal	15,936,811
Government operating grants - State	18,782,491
Gain on sale of assets	<u>4,762</u>
Total nonoperating revenue	<u>55,229,975</u>
<b>Loss - Before capital grants</b>	(2,036,596)
<b>Capital Grants</b>	<u>6,650,795</u>
<b>Change in Net Position</b>	4,614,199
<b>Net Position - Beginning of year</b>	<u>30,500,647</u>
<b>Net Position - End of year</b>	<u><u>\$ 35,114,846</u></u>

# Capital Area Transportation Authority

## Statement of Cash Flows

Year Ended September 30, 2023

### Cash Flows from Operating Activities

Receipts from operations	\$ 9,179,721
Payments to suppliers	(13,873,462)
Payments to employees and fringes	(41,774,057)
Other receipts	11,942
Payments for purchased transportation	<u>(9,192,007)</u>
Net cash and cash equivalents used in operating activities	(55,647,863)

### Cash Flows from Noncapital Financing Activities

Federal operating grants	15,432,682
State of Michigan grants	17,603,504
Property taxes collected	<u>20,862,937</u>
Net cash and cash equivalents provided by noncapital financing activities	53,899,123

### Cash Flows from Capital and Related Financing Activities

Receipt of capital grants	10,740,363
Proceeds from sale of capital assets	63,220
Purchase of capital assets	<u>(6,798,708)</u>
Net cash and cash equivalents provided by capital and related financing activities	4,004,875

### Cash Flows from Investing Activities

Investment income	667,196
Proceeds from sale and maturities of investment securities	<u>1,367,799</u>
Net cash and cash equivalents provided by investing activities	<u>2,034,995</u>

### Net Increase in Cash and Cash Equivalents

4,291,130

### Cash and Cash Equivalents - Beginning of year

2,336,365

### Cash and Cash Equivalents - End of year

\$ 6,627,495

### Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (57,266,571)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	6,878,676
Changes in assets and liabilities:	
Receivables	(2,289,013)
Inventories	(78,570)
Prepaid and other assets	9,762
Accrued vacation, incentive, and sick pay	855,162
Accounts payable	(135,312)
Net pension and OPEB liabilities and related deferrals	<u>(3,621,997)</u>
Total adjustments	<u>1,618,708</u>
Net cash and cash equivalents used in operating activities	<u><u>\$ (55,647,863)</u></u>

# Capital Area Transportation Authority

## Statement of Fiduciary Net Position

	Pension (December 31, 2022) and OPEB (September 30, 2023) Funds
<b>Assets</b>	
Investments: (Note 3)	
Mutual funds	\$ 14,778,162
Group annuity contracts	<u>68,427,563</u>
Total assets	83,205,725
<b>Liabilities</b>	
	<u>-</u>
<b>Net Position - Restricted</b>	
Pension	68,427,563
Postemployment benefits other than pension	<u>14,778,162</u>
Total net position	<u><u>\$ 83,205,725</u></u>

## Capital Area Transportation Authority

### Statement of Changes in Fiduciary Net Position

	Pension (Year Ended December 31, 2022) and OPEB (Year Ended September 30, 2023) Funds
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 2,059,748
Change in fair value of investments	<u>(9,793,790)</u>
Net investment loss	(7,734,042)
Contributions:	
Employer contributions	3,929,488
Member contributions	<u>1,374,103</u>
Total contributions	<u>5,303,591</u>
Total additions - Net	(2,430,451)
<b>Deductions</b>	
Benefit payments	5,675,527
Administrative expenses	<u>118,440</u>
Total deductions	<u>5,793,967</u>
<b>Net Decrease in Net Position</b>	(8,224,418)
<b>Net Position - Beginning of year</b>	<u>91,430,143</u>
<b>Net Position - End of year</b>	<u><u>\$ 83,205,725</u></u>

September 30, 2023

### 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, 2023 financial statements of the Authority include certain pension plan data as of December 31, 2022.

#### **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
Subscription based IT assets	Lease term

**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.

September 30, 2023

### Note 1 - Significant Accounting Policies (Continued)

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.

#### **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.

**Note 1 - Significant Accounting Policies (Continued)**

**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.

**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.

**Adoption of New Accounting Pronouncement**

During the current year, the Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. As a result, the statement of net position now includes subscription assets. The subscription assets have been added to Note 4.

**Upcoming Accounting Pronouncements**

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.

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.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires a government to assess whether a concentration or constraint makes the primary government or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement 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, 2023.

The latest final determination of State of Michigan operating assistance allocable to the Authority in accordance with the Act 51 funding formula was for the fiscal year ended September 30, 2020. 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, 2021, 2022, and 2023 (open years). The Authority has recorded an estimated receivable of approximately \$1,100,000 as of September 30, 2023 based on management's anticipation of the results of the State's final determination of the Act 51 funding formula for the open 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	\$ 6,627,495	\$ -	\$ 6,627,495
Investments	22,363,274	83,205,725	105,568,999
Total deposits and investments	<u>\$ 28,990,769</u>	<u>\$ 83,205,725</u>	<u>\$ 112,196,494</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.

The Authority has designated three banks 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.

**Note 3 - Deposits and Investments (Continued)**

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 \$3,268,460 (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.

**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)
<b>Business-type Activities</b>		
U.S. Treasury securities	\$ 16,124,236	1.67
U.S. government agency securities	<u>6,239,038</u>	2.53
Total	<u>\$ 22,363,274</u>	

Investment	Carrying Value	Weighted-average Maturity (Years)
<b>Fiduciary Funds</b>		
Group annuity contracts	\$ 68,427,563	N/A
Mutual funds	<u>14,778,162</u>	8.40
Total	<u>\$ 83,205,725</u>	

**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
<b>Business-type Activities</b>			
U.S. Treasury securities	\$ 16,124,236		
U.S. government agency securities	<u>6,239,038</u>		
Total	<u>\$ 22,363,274</u>		

September 30, 2023

**Note 3 - Deposits and Investments (Continued)**

Investment	Carrying Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Group annuity contracts	\$ 68,427,563	N/A	N/A
Mutual funds	14,778,162	3 stars	Morningstar
Total	<u>\$ 83,205,725</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.

The Authority has the following recurring fair value measurements as of September 30, 2023:

	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, 2023
<b>Assets</b>				
Debt securities - U.S. Treasury securities	\$ -	\$ 16,124,236	\$ -	\$ 16,124,236
Debt securities - U.S. government agency securities	-	6,239,038	-	6,239,038
Mutual funds - Fixed income	5,767,164	-	-	5,767,164
Mutual funds - Equities	9,010,998	-	-	9,010,998
Total	<u>\$ 14,778,162</u>	<u>\$ 22,363,274</u>	<u>\$ -</u>	<u>\$ 37,141,436</u>

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, 2023 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.

September 30, 2023

**Note 3 - Deposits and Investments (Continued)**

At September 30, 2023, 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	\$ 68,427,563	\$ -	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.

**Note 4 - Capital Assets**

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

	Balance October 1, 2022	Reclassifications	Additions	Disposals	Balance September 30, 2023
Capital assets not being depreciated:					
Land	\$ 2,442,267	\$ -	\$ -	\$ -	\$ 2,442,267
Construction in progress	9,914,387	(9,899,523)	6,865,757	-	6,880,621
Subtotal	12,356,654	(9,899,523)	6,865,757	-	9,322,888
Capital assets being depreciated:					
Buildings	40,982,621	895,300	-	-	41,877,921
Vehicles	65,829,240	6,441,363	-	(1,617,042)	70,653,561
Furniture, fixtures, and computers	8,742,381	1,631,188	-	(58,131)	10,315,438
Bus shelters and signs	1,423,811	57,375	-	(4,185)	1,477,001
Equipment	2,213,165	12,879	-	-	2,226,044
Subscription-based IT assets	-	861,418	-	-	861,418
Subtotal	119,191,218	9,899,523	-	(1,679,358)	127,411,383
Accumulated depreciation:					
Buildings	25,085,081	-	1,328,334	-	26,413,415
Vehicles	40,966,331	-	4,828,586	(1,549,667)	44,245,250
Furniture, fixtures, and computers	8,324,794	-	331,192	-	8,655,986
Bus shelters and signs	729,254	-	95,741	(4,184)	820,811
Equipment	1,565,933	-	144,463	-	1,710,396
Subscription-based IT assets	-	-	150,360	-	150,360
Subtotal	76,671,393	-	6,878,676	(1,553,851)	81,996,218
Net capital assets being depreciated	42,519,825	9,899,523	(6,878,676)	(125,507)	45,415,165
Net business-type activities capital assets	\$ 54,876,479	\$ -	\$ (12,919)	\$ (125,507)	\$ 54,738,053

Depreciation expense recognized in fiscal year 2023 is \$6,878,676.

September 30, 2023

**Note 4 - Capital Assets (Continued)**

**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	-	8,800,000
Contactless payment	-	900,000
Total	<u>\$ 4,000,000</u>	<u>\$ 10,700,000</u>

**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	
	2023	2022	2023	2022
Estimated liability - Beginning of year	\$ 483,466	\$ 199,173	\$ 517,000	\$ 385,000
Estimated claims incurred, including changes in estimates	376,706	701,802	6,264,014	6,265,919
Claim payments	(636,822)	(417,509)	(6,208,914)	(6,133,919)
Estimated liability - End of year	<u>\$ 223,350</u>	<u>\$ 483,466</u>	<u>\$ 572,100</u>	<u>\$ 517,000</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).

**Note 6 - Pension Plans (Continued)**

**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.

**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, 2022	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	164	33
Inactive plan members entitled to but not yet receiving benefits	73	52
Active plan members	225	65
Total employees covered by the plan	<u>462</u>	<u>150</u>

**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 \$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, 2023, the Authority's average contribution rate was 10 percent and 15 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, 2022	December 31, 2022
Based on a comprehensive actuarial valuation as of	December 31, 2022	December 31, 2022

September 30, 2023

**Note 6 - Pension Plans (Continued)**

Changes in the net pension (asset) liability 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
<b>Balance at January 1, 2022</b>	\$ 43,918,550	\$ 55,214,142	\$ (11,295,592)
Changes for the year:			
Service cost	783,282	-	783,282
Interest	2,628,764	-	2,628,764
Changes in benefits	1,541,435	-	1,541,435
Differences between expected and actual experience	(209,433)	-	(209,433)
Changes in assumptions	68,383	-	68,383
Contributions - Employer	-	1,088,426	(1,088,426)
Contributions - Employee	-	1,079,663	(1,079,663)
Net investment loss	-	(5,637,811)	5,637,811
Benefit payments, including refunds	(2,675,292)	(2,675,292)	-
Administrative expenses	-	(53,953)	53,953
<b>Net changes</b>	<b>2,137,139</b>	<b>(6,198,967)</b>	<b>8,336,106</b>
<b>Balance at December 31, 2022</b>	<b>\$ 46,055,689</b>	<b>\$ 49,015,175</b>	<b>\$ (2,959,486)</b>

The Union Employees' Retirement Plan's fiduciary net position represents 106.4 percent of the total pension liability.

**Administrative Employees' Retirement Plan**

Changes in Net Pension (Asset) Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension (Asset) Liability
<b>Balance at January 1, 2022</b>	\$ 20,900,096	\$ 23,816,133	\$ (2,916,037)
Changes for the year:			
Service cost	653,555	-	653,555
Interest	1,246,344	-	1,246,344
Differences between expected and actual experience	1,113,661	-	1,113,661
Changes in assumptions	33,949	-	33,949
Contributions - Employer	-	611,255	(611,255)
Contributions - Employee	-	294,440	(294,440)
Net investment loss	-	(3,682,451)	3,682,451
Benefit payments, including refunds	(1,562,502)	(1,562,502)	-
Administrative expenses	-	(64,487)	64,487
<b>Net changes</b>	<b>1,485,007</b>	<b>(4,403,745)</b>	<b>5,888,752</b>
<b>Balance at December 31, 2022</b>	<b>\$ 22,385,103</b>	<b>\$ 19,412,388</b>	<b>\$ 2,972,715</b>

The Administrative Employees' Retirement Plan's fiduciary net position represents 86.7 percent of the total pension liability.

September 30, 2023

**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, 2023, the Authority recognized combined pension expense of \$1,495,289 from both plans.

At September 30, 2023, 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	\$ 841,930	\$ (430,570)
Changes in assumptions	73,178	(115,952)
Net difference between projected and actual earnings on pension plan investments	4,582,790	-
Employer contributions to the plan subsequent to the measurement date	1,420,065	-
Total	<u>\$ 6,917,963</u>	<u>\$ (546,522)</u>

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
2024	\$ (492,485)
2025	946,772
2026	1,675,410
2027	2,821,679
Total	<u>\$ 4,951,376</u>

***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	2.00%	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-2021 improvement scale	Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables for annuitants and nonannuitants, Public General employment, sex distinct, MP-2021 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, 2022 measurement date for each major asset class included in the pension plans' target asset allocation 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	7.37
Small/Mid U.S. equity	-	-	5.20	7.75
International equity	-	-	18.20	7.78
Real estate	-	-	6.00	6.25
Fixed income	-	-	40.00	4.76

**Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate**

The following presents the net pension (asset) liability of the Authority, calculated using the discount rate of 6.0 percent, as well as what the Authority's net pension liability (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 liability (asset) of the Union Employees' Retirement Plan	\$ 2,272,723	\$ (2,959,486)	\$ (7,203,060)
Net pension liability of the Administrative Employees' Retirement Plan	5,733,786	2,972,715	674,083

**Benefit Changes**

With the most recent actuarial valuation for the Union Employees' Pension Plan, the most recent plan amendment is reflected, which includes an increase of \$6 in the normal retirement benefit rate for termination dates after October 1, 2019.

**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, 2023

**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, 2023:

Asset Class	Target Allocation	
	Union Employees' Retirement Plan	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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (10.25) percent for the union plan and (15.70) 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.

In November 2022, the Plan was amended to be closed to any employees hired after December 1, 2019.

**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	262
Total plan members	421

**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, 2023 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, 2023 measurement date. The September 30, 2023 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
<b>Balance at October 1, 2022</b>	\$ 67,975,749	\$ 12,399,868	\$ 55,575,881
Changes for the year:			
Service cost	3,016,883	-	3,016,883
Interest	3,626,125	-	3,626,125
Changes in benefits	(1,231,433)	-	(1,231,433)
Differences between expected and actual experience	(847,933)	-	(847,933)
Changes in assumptions	(1,210,465)	-	(1,210,465)
Contributions - Employer	-	2,229,807	(2,229,807)
Net investment income	-	1,586,220	(1,586,220)
Benefit payments, including refunds	(1,437,733)	(1,437,733)	-
Net changes	1,915,444	2,378,294	(462,850)
<b>Balance at September 30, 2023</b>	<u>\$ 69,891,193</u>	<u>\$ 14,778,162</u>	<u>\$ 55,113,031</u>

The Plan's fiduciary net position represents 21.1 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, 2023, the Authority recognized OPEB expense of \$4,323,953.

September 30, 2023

**Note 7 - Other Postemployment Benefit Plan (Continued)**

At September 30, 2023, 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	\$ 6,566,686	\$ (1,180,143)
Changes in assumptions	8,924,247	(24,553,805)
Net difference between projected and actual earnings on OPEB plan investments	834,364	-
Total	<u>\$ 16,325,297</u>	<u>\$ (25,733,948)</u>

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
2024	\$ (431,142)
2025	(324,752)
2026	(144,792)
2027	(4,670,248)
2028	(3,745,942)
Thereafter	(91,775)
Total	<u>\$ (9,408,651)</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 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 5.29 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.

September 30, 2023

**Note 7 - Other Postemployment Benefit Plan (Continued)**

**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, 2023 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment policy section of this 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

**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 5.29 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 (4.29%)	Current Discount Rate (5.29%)	1 Percentage Point Increase (6.29%)
Net OPEB liability of the Plan	\$ 65,341,262	\$ 55,113,031	\$ 46,803,959

**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	\$ 44,804,093	\$ 55,113,031	\$ 68,075,140

**Assumption Changes**

Since the prior valuation, the discount rate increased from 5.16 percent to 5.29 percent.

**Benefit Changes**

With the 2023 actuarial valuation, the most recent plan amendment is reflected. In November 2022, the Plan was amended to be closed to any employees hired after December 1, 2019.

**Note 7 - Other Postemployment Benefit Plan (Continued)**

**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, 2023:

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, 2023, the Plan held 100 percent of its investment portfolio in three Vanguard mutual funds.

**Rate of Return**

For the year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 26.90 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 8 - Commitments**

Bus tires are to be furnished to the Authority under the terms of a supplier agreement effective January 1, 2019 through December 31, 2023. 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, 2023 was \$199,250.

Subsequent to September 30, 2023, a new supplier agreement was entered into effective January 1, 2024 through December 31, 2026 (with two option years to extend through December 31, 2028).

**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, 2023 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.

September 30, 2023

### Note 10 - Cost Allocation Plan

The Authority has a cost allocation plan for all allocated expenses. The four allocation plans were approved by the State's Office of Passenger Transportation. 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), JARC program expenses (approved in 2015), and the Service Initiatives (Regional Collaboration - approved in 2023).

### Note 11 - Eligible and Ineligible Costs

The State's Office of Passenger Transportation (OPT) requires the Authority to include supplementary schedules to the financial statements. These supplementary schedules are included among the other supplementary 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 supplementary 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 \$6,686,443 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.

Lease amortization expense on leases funded with a capital contract is shown as ineligible expenses. The ineligible lease amortization amount of \$150,360 on leases funded with a capital contract has been reported in PTMS code 55050.

The revenue schedules report \$24,000 as building rental, \$96,712 as parking lot rental, and \$266,810 in other nontransportation revenue. Expenses of \$120,712 associated with building rental are shown as ineligible under PTMS code 56004. Expense of \$78,501 associated with other nontransportation revenue is shown as ineligible under PTMS code 55010.

Other expenses in the amount of \$462,504 are reported as ineligible under PTMS code 55008. This includes \$4,336 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 \$10,851 was reported as ineligible under PTMS code 55009.

Other operating expenses that were paid for by capital contract are subtracted out as ineligible. Expenses include preventive maintenance expenses of \$1,000,000 (PTMS code 55011) and operating expenses paid by capital contract of \$138,088 (PTMS code 57604).

Loss on disposal of assets in the amount of \$67,376 was included in expenses and shown as ineligible under PTMS code 58009.

The Authority had a pension expense of \$1,495,289, of which \$(412,015) has been shown as ineligible under PTMS code 58020 - Ineligible DB Pension. The amount of \$1,420,065 was paid into the pension trust in fiscal year 2023 by the Authority.

The Authority expensed \$4,323,953 in other postemployment benefits, of which \$1,818,204 has been shown as ineligible expense under PTMS code 58050 - Ineligible DB OPEB. An amount of \$792,074 was paid to the OPEB trust in fiscal year 2023. An additional \$2,603,495 was also paid in retirement health care expenses in fiscal year 2023 and is reported in fringe benefit expenses.

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## Required Supplementary Information

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# Capital Area Transportation Authority

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>									
Service cost	\$ 783,282	\$ 842,601	\$ 884,959	\$ 884,008	\$ 761,585	\$ 778,029	\$ 769,047	\$ 901,345	\$ 878,914
Interest	2,628,764	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	1,541,435	-	-	-	1,713,717	-	-	-	-
Differences between expected and actual experience	(209,433)	(277,074)	(150,927)	265,057	287,885	137,767	474,688	600,589	336,591
Changes in assumptions	68,383	(178,196)	(92,796)	790,739	709,441	49,796	54,395	45,762	-
Benefit payments, including refunds	(2,675,292)	(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	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>2,137,139</b>	<b>950,742</b>	<b>1,492,851</b>	<b>4,039,672</b>	<b>4,053,271</b>	<b>1,160,972</b>	<b>1,690,454</b>	<b>1,870,336</b>	<b>1,083,605</b>
<b>Total Pension Liability - Beginning of year</b>	<b>43,918,550</b>	<b>42,967,808</b>	<b>41,474,957</b>	<b>37,435,285</b>	<b>33,382,014</b>	<b>32,221,042</b>	<b>30,530,588</b>	<b>28,660,252</b>	<b>27,576,647</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 46,055,689</b>	<b>\$ 43,918,550</b>	<b>\$ 42,967,808</b>	<b>\$ 41,474,957</b>	<b>\$ 37,435,285</b>	<b>\$ 33,382,014</b>	<b>\$ 32,221,042</b>	<b>\$ 30,530,588</b>	<b>\$ 28,660,252</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$ 1,088,426	\$ 949,929	\$ 989,886	\$ 984,997	\$ 1,015,952	\$ 968,784	\$ 871,474	\$ 897,960	\$ 825,579
Contributions - Member	1,079,663	949,929	989,886	984,997	1,015,951	968,784	871,474	897,960	825,579
Net investment (loss) income	(5,637,811)	8,130,975	4,486,330	6,011,788	(352,613)	3,856,679	3,964,867	569,654	2,632,772
Administrative expenses	(53,953)	(49,858)	(47,488)	(52,973)	(46,522)	(41,047)	(51,928)	(1,408,792)	(63,761)
Benefit payments, including refunds	(2,675,292)	(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)	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(6,198,967)</b>	<b>7,949,784</b>	<b>4,746,358</b>	<b>6,151,608</b>	<b>193,042</b>	<b>4,018,960</b>	<b>4,206,036</b>	<b>883,039</b>	<b>2,521,428</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>55,214,142</b>	<b>47,264,358</b>	<b>42,518,000</b>	<b>36,366,392</b>	<b>36,173,350</b>	<b>32,154,390</b>	<b>27,948,354</b>	<b>27,065,315</b>	<b>24,543,887</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 49,015,175</b>	<b>\$ 55,214,142</b>	<b>\$ 47,264,358</b>	<b>\$ 42,518,000</b>	<b>\$ 36,366,392</b>	<b>\$ 36,173,350</b>	<b>\$ 32,154,390</b>	<b>\$ 27,948,354</b>	<b>\$ 27,065,315</b>
<b>Authority's Net Pension (Asset) Liability - Ending</b>	<b>\$ (2,959,486)</b>	<b>\$ (11,295,592)</b>	<b>\$ (4,296,550)</b>	<b>\$ (1,043,043)</b>	<b>\$ 1,068,893</b>	<b>\$ (2,791,336)</b>	<b>\$ 66,652</b>	<b>\$ 2,582,234</b>	<b>\$ 1,594,937</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	106.43 %	125.72 %	110.00 %	102.51 %	97.14 %	108.36 %	99.79 %	91.54 %	94.44 %
<b>Covered Payroll</b>	\$ 10,762,353	\$ 9,748,713	\$ 11,374,377	\$ 12,282,176	\$ 15,464,724	\$ 13,242,033	\$ 13,751,977	\$ 13,051,323	\$ 12,216,374
<b>Authority's Net Pension (Asset) Liability as a Percentage of Covered Payroll</b>	(27.50)%	(115.87)%	(37.77)%	(8.49)%	6.91 %	(21.08)%	0.48 %	19.79 %	13.06 %

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

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**Last Nine 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***

For the fiscal year ended September 30, 2023 (December 31, 2022 actuarial valuation), the mortality assumptions were updated to the most recent improvement scale.

For the fiscal year ended September 30, 2020 (December 31, 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.

For the fiscal year ended September 30, 2019 (December 31, 2018 actuarial valuation), the mortality assumption was updated to the RP-2014 Mortality Tables from the RP-2000 Mortality Tables.

***Benefit Changes***

For the fiscal year ended September 30, 2023 (December 31, 2022 actuarial valuation), the most recent plan amendment is reflected, which includes an increase of \$6 in the normal retirement benefit rate for termination dates after October 1, 2019.

For the fiscal year ended September 30, 2019 (December 31, 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 Supplementary Information Schedule of Changes in the Net Pension Liability and Related Ratios Administrative Employees' Retirement Plan

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>									
Service cost	\$ 653,555	\$ 641,235	\$ 567,379	\$ 567,036	\$ 559,994	\$ 441,360	\$ 505,572	\$ 414,794	\$ 424,887
Interest	1,246,344	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	1,113,661	(349,437)	7,800	(269,239)	(1,115,225)	1,751,137	110,949	232,973	329,293
Changes in assumptions	33,949	(76,885)	(41,736)	398,989	445,745	25,631	23,815	432,360	-
Benefit payments, including refunds	(1,562,502)	(713,852)	(798,063)	(972,660)	(3,321,283)	(3,164,209)	(738,853)	(2,022,338)	(952,299)
Miscellaneous other charges	-	(693,086)	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>1,485,007</b>	<b>54,950</b>	<b>939,802</b>	<b>1,065,077</b>	<b>(2,232,444)</b>	<b>235,696</b>	<b>1,094,219</b>	<b>194,882</b>	<b>867,092</b>
<b>Total Pension Liability - Beginning of year</b>	<b>20,900,096</b>	<b>20,845,146</b>	<b>19,905,344</b>	<b>18,840,267</b>	<b>21,072,711</b>	<b>20,837,015</b>	<b>19,742,796</b>	<b>19,547,914</b>	<b>18,680,822</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 22,385,103</b>	<b>\$ 20,900,096</b>	<b>\$ 20,845,146</b>	<b>\$ 19,905,344</b>	<b>\$ 18,840,267</b>	<b>\$ 21,072,711</b>	<b>\$ 20,837,015</b>	<b>\$ 19,742,796</b>	<b>\$ 19,547,914</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$ 611,255	\$ 600,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 633,906	\$ 395,223	\$ 409,598
Contributions - Member	294,440	259,234	228,558	222,366	217,558	192,200	88,907	180,979	193,090
Net investment (loss) income	(3,682,451)	2,277,258	2,156,534	3,421,692	(317,632)	2,776,672	846,742	144,288	1,556,717
Administrative expenses	(64,487)	(58,512)	(26,817)	(24,284)	(25,389)	(29,531)	(51,063)	(42,357)	(35,930)
Benefit payments, including refunds	(1,562,502)	(713,852)	(798,063)	(972,660)	(3,321,283)	(3,164,209)	(738,853)	(2,022,338)	(952,299)
Other	-	-	-	-	-	-	(4,358)	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(4,403,745)</b>	<b>2,364,128</b>	<b>2,260,212</b>	<b>3,347,114</b>	<b>(2,746,746)</b>	<b>475,132</b>	<b>775,281</b>	<b>(1,344,205)</b>	<b>1,171,176</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>23,816,133</b>	<b>21,452,005</b>	<b>19,191,793</b>	<b>15,844,679</b>	<b>18,591,425</b>	<b>18,116,293</b>	<b>17,341,012</b>	<b>18,685,217</b>	<b>17,514,041</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 19,412,388</b>	<b>\$ 23,816,133</b>	<b>\$ 21,452,005</b>	<b>\$ 19,191,793</b>	<b>\$ 15,844,679</b>	<b>\$ 18,591,425</b>	<b>\$ 18,116,293</b>	<b>\$ 17,341,012</b>	<b>\$ 18,685,217</b>
<b>Authority's Net Pension Liability (Asset) - Ending</b>	<b>\$ 2,972,715</b>	<b>\$ (2,916,037)</b>	<b>\$ (606,859)</b>	<b>\$ 713,551</b>	<b>\$ 2,995,588</b>	<b>\$ 2,481,286</b>	<b>\$ 2,720,722</b>	<b>\$ 2,401,784</b>	<b>\$ 862,697</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	86.72 %	113.95 %	102.91 %	96.42 %	84.10 %	88.23 %	86.94 %	87.83 %	95.59 %
<b>Covered Payroll</b>	\$ 4,208,479	\$ 3,680,728	\$ 3,440,784	\$ 3,089,692	\$ 3,262,260	\$ 3,153,829	\$ 2,344,817	\$ 2,981,719	\$ 3,039,472
<b>Authority's Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	70.64 %	(79.22)%	(17.64)%	23.09 %	91.83 %	78.68 %	116.03 %	80.55 %	28.38 %

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

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**Last Nine 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***

For the fiscal year ended September 30, 2023 (December 31, 2022 actuarial valuation), the mortality assumptions were updated to the most recent improvement scale.

For the fiscal year ended September 30, 2020 (December 31, 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.

For the fiscal year ended September 30, 2019 (December 31, 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 Supplementary Information Schedule of Pension Investment Returns

	Last Nine Fiscal Years								
	Measurement Date is December 31 of the Previous Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Union Employees' Retirement Plan - Annual money-weighted rate of return - Net of investment expense	(10.25)%	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	(15.70)%	14.30 %	12.00 %	20.01 %	(2.00)%	16.57 %	8.07 %	0.80 %	8.60 %

## Capital Area Transportation Authority

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

	Last Seven Fiscal Years						
	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>							
Service cost	\$ 3,016,883	\$ 4,421,394	\$ 5,363,106	\$ 1,934,910	\$ 2,022,770	\$ 1,781,196	\$ 1,738,555
Interest	3,626,125	2,746,713	2,251,420	2,136,164	2,021,059	1,377,737	1,299,584
Changes in benefit terms	(1,231,433)	-	-	-	-	-	-
Differences between expected and actual experience	(847,933)	742,865	(876,766)	14,139,217	(80,917)	341,423	75,294
Changes in assumptions	(1,210,465)	(26,213,754)	(9,268,940)	20,889,644	(155,995)	1,155,482	-
Benefit payments, including refunds	(1,437,733)	(1,106,021)	(1,052,591)	(1,660,107)	(1,229,414)	(947,617)	(1,185,270)
<b>Net Change in Total OPEB Liability</b>	1,915,444	(19,408,803)	(3,583,771)	37,439,828	2,577,503	3,708,221	1,928,163
<b>Total OPEB Liability - Beginning of year</b>	67,975,749	87,384,552	90,968,323	53,528,495	50,950,992	47,242,771	33,602,319
<b>Total OPEB Liability - End of year</b>	<b>\$ 69,891,193</b>	<b>\$ 67,975,749</b>	<b>\$ 87,384,552</b>	<b>\$ 90,968,323</b>	<b>\$ 53,528,495</b>	<b>\$ 50,950,992</b>	<b>\$ 35,530,482</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 2,229,807	\$ 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 income (loss)	1,586,220	(2,396,831)	2,205,104	1,154,874	470,085	841,383	794,781
Benefit payments, including refunds	(1,437,733)	(1,106,021)	(1,052,591)	(1,660,107)	(1,229,414)	(947,617)	(1,185,271)
Other	-	-	-	(43,687)	-	-	3,047
<b>Net Change in Plan Fiduciary Net Position</b>	2,378,294	(1,642,475)	2,923,444	1,838,999	1,121,640	1,461,912	1,388,807
<b>Plan Fiduciary Net Position - Beginning of year</b>	12,399,868	14,042,343	11,118,899	9,279,900	8,158,260	6,696,348	5,307,541
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 14,778,162</b>	<b>\$ 12,399,868</b>	<b>\$ 14,042,343</b>	<b>\$ 11,118,899</b>	<b>\$ 9,279,900</b>	<b>\$ 8,158,260</b>	<b>\$ 6,696,348</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 55,113,031</b>	<b>\$ 55,575,881</b>	<b>\$ 73,342,209</b>	<b>\$ 79,849,424</b>	<b>\$ 44,248,595</b>	<b>\$ 42,792,732</b>	<b>\$ 28,834,134</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	21.14 %	18.24 %	16.07 %	12.22 %	17.34 %	16.01 %	18.85 %
<b>Covered-employee Payroll</b>	\$ 19,033,422	\$ 20,797,521	\$ 20,486,818	\$ 22,057,485	\$ 21,304,311	\$ -	\$ -
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	289.56 %	267.22 %	358.00 %	- %	- %	- %	- %

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

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**Last Seven Fiscal Years**

***Assumption Changes***

In the 2023 valuation, the discount rate increased from 5.16 percent to 5.29 percent.

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.

***Benefit Changes***

With the 2023 actuarial valuation, the most recent plan amendment is reflected, which closed the Plan to all employees hired after December 1, 2019.

# Capital Area Transportation Authority

## Required Supplementary Information Schedule of OPEB Contributions

### Last Ten Fiscal Years Years Ended September 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 13,304,688	\$ 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
Contributions in relation to the actuarially determined contribution	2,229,807	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
<b>Contribution Deficiency</b>	<b>\$ (11,074,881)</b>	<b>\$ (13,333,886)</b>	<b>\$ (13,578,018)</b>	<b>\$ (6,313,331)</b>	<b>\$ (5,796,470)</b>	<b>\$ (3,570,449)</b>	<b>\$ (2,980,347)</b>	<b>\$ (679,510)</b>	<b>\$ (1,546,157)</b>	<b>\$ (1,107,322)</b>
<b>Covered-employee Payroll</b>	\$ 19,033,422	\$ 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, 2023 were determined based on the actuarial valuation as of September 30, 2022.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percent)
Amortization method	Level percent
Remaining amortization period	6 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 Supplementary Information  
Schedule of OPEB Investment Returns**

**Last Six Fiscal Years  
Years Ended September 30**

	<u>2023</u>	<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	26.90 %	(17.07)%	19.83 %	12.23 %	5.65 %	11.35 %

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## Other Supplementary Information

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## Capital Area Transportation Authority

### Other Supplementary Information Statement of Fiduciary Net Position Fiduciary Funds

	Union Pension Plan December 31, 2022	Admin Pension Plan December 31, 2022	Retiree OPEB Trust September 30, 2023	Total Pension and OPEB Fiduciary Funds
<b>Assets</b>				
Investments:				
Mutual funds	\$ -	\$ -	\$ 14,778,162	\$ 14,778,162
Group annuity contracts	49,015,175	19,412,388	-	68,427,563
Total assets	49,015,175	19,412,388	14,778,162	83,205,725
<b>Liabilities</b>	-	-	-	-
<b>Net Position - Restricted</b>				
Pension	49,015,175	19,412,388	-	68,427,563
Postemployment benefits other than pension	-	-	14,778,162	14,778,162
Total net position	<b>\$ 49,015,175</b>	<b>\$ 19,412,388</b>	<b>\$ 14,778,162</b>	<b>\$ 83,205,725</b>

## Capital Area Transportation Authority

### Other Supplementary Information Statement of Changes in Fiduciary Net Position Fiduciary Funds

	Union Pension Plan Year Ended December 31, 2022	Admin Pension Plan Year Ended December 31, 2022	Retiree OPEB Trust Year Ended September 30, 2023	Total Pension and OPEB Fiduciary Funds
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 1,761,402	\$ -	\$ 298,346	\$ 2,059,748
Change in fair value of investments	(7,399,213)	(3,682,451)	1,287,874	(9,793,790)
Net investment (loss) income	(5,637,811)	(3,682,451)	1,586,220	(7,734,042)
Contributions:				
Employer contributions	1,088,426	611,255	2,229,807	3,929,488
Member contributions	1,079,663	294,440	-	1,374,103
Total contributions	2,168,089	905,695	2,229,807	5,303,591
Total additions - Net	(3,469,722)	(2,776,756)	3,816,027	(2,430,451)
<b>Deductions</b>				
Benefit payments	2,675,292	1,562,502	1,437,733	5,675,527
Administrative expenses	53,953	64,487	-	118,440
Total deductions	2,729,245	1,626,989	1,437,733	5,793,967
<b>Net (Decrease) Increase in Net Position Held in Trust</b>	(6,198,967)	(4,403,745)	2,378,294	(8,224,418)
<b>Net Position - Beginning of year</b>	55,214,142	23,816,133	12,399,868	91,430,143
<b>Net Position - End of year</b>	<b>\$ 49,015,175</b>	<b>\$ 19,412,388</b>	<b>\$ 14,778,162</b>	<b>\$ 83,205,725</b>

Other Supplementary Information  
1. Schedule of Operating Revenues

Year Ended September 30, 2023

**Local operating revenues:**

40100	Linehaul - Farebox (Urban)	\$	1,709,773
40100	Paratransit - Farebox (Urban)		567,885
40100	Rural Services - Farebox		32,437
40100	Senior shopping bus - Fare Box		-
40400	Meals on Wheels		4,336
40610	Concessions		2,491
40615	Advertising		226,250
40620	Intercity Ticket Sales		27,535
40720	Rental of Building		24,000
40725	Parking Lot		96,712
40760	Gain on Sale of Assets		72,138
40799	Other Miscellaneous Revenue		266,810
40950	Contract Services		8,522,448

**Total local operating revenues**

11,552,815

**State of Michigan operating grants:**

41101	Operating grant (Act 51) - Urban		16,119,274
41101	Operating grant (Act 51) - Urban - PY		1,119,209
41101	Operating grant (Act 51) - Rural		1,082,363
41101	Operating grant (Act 51) - Rural - PY		73,401
41199	Specialized Services		19,609
41199	Service Initiatives Grant		142,088
41111	Operating grant - Preventative Maintenance		200,000
41114	Other Capital Contract Reimburse for Operating Expenses		26,547

**Total State of Michigan operating grants**

18,782,491

**Federal operating grants:**

41301	Operating Grant - Rural - 5311		813,791
41301	Operating Grant - Rural - 5311 - PY		-
41311	Federal grant - Preventative Maintenance		800,000
41314	Other Capital Contract Reimburse for Operating Expenses		111,541
41360	Operating Grant - Rural - 5311 CARES Act Flex		-
41361	Operating Grant - 5307 CARES Act		384,335
41363	Operating Grant - 5307 ARP Act		13,827,144

**Total Federal operating grants**

15,936,811

**Local nonoperating revenues:**

40800	Property tax		19,784,976
41400	Investment Income		720,935

**Total Local nonoperating revenue**

20,505,911

**Total nonoperating revenue**

55,225,213

**Total Revenue**

\$ 66,778,028

2. Schedule of Expenditures for Federal and State Awards

Year Ended September 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing 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	384,335	-	384,335
Federal Transit - Formula Grants (ARP)	20.507	MI-0090-4022	No State match	13,827,144	-	13,827,144
Federal Transit - Formula Grants	20.507	MI-0090-X789	2012-0055-P03D	793,446	198,347	991,793
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	115,671	28,925	144,596
Federal Transit - Formula Grants	20.507	MI-0095-X127	2012-0055-P28A	-	-	-
Federal Transit - Formula Grants	20.507	MI-0095-X130	2017-0027-P03D	103,408	25,852	129,260
Federal Transit - Formula Grants	20.507	MI-0090-X672	2012-0055-P015	744,261	186,065	930,326
Federal Transit - Formula Grants	20.507	MI-0095-X105	No State match	5,645	-	5,645
Federal Transit - Formula Grants	20.507	MI-0090-X805	2017-0027-P06D	283,431	70,868	354,299
Federal Transit - Formula Grants	20.507	MI-0090-X819	2019-0027-P11D	698,728	174,668	873,396
Federal Transit - Formula Grants	20.507	MI-0095-0007	2017-0027-P06A	-	-	-
Federal Transit - Formula Grants	20.507	MI-0090-X855	2017-0027-P013D	1,224,041	306,021	1,530,062
Federal Transit - Formula Grants	20.507	MI-0090-X870	2017-0027-P017D	540,612	135,153	675,765
Federal Transit - Formula Grants	20.507	MI-0095-0013	2019-0027-P11A	-	-	-
Federal Transit - Formula Grants	20.507	MI-0090-X888	2022-0027-P04	1,195,667	298,917	1,494,584
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	245,533	61,383	306,916
Bus and Bus Facilities Formula Program	20.526	MI-0034-0100	2017-0027-P13B	144,817	36,212	181,029
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	46,018	11,505	57,523
Bus and Bus Facilities Competitive Program	20.526	MI-0034-0074	2017-0027-P11B	21,576	5,386	26,962
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				20,374,333	1,539,302	21,913,635
Public Transportation Innovation:	20.530	MI-26-0014	2017-0027-P20	68,515	18,213	86,728
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-P5		813,791	-	813,791
Michigan Department of Transportation						
Operating Assistance - Act 51						
Urban - Current Year	N/A		N/A		16,119,274	16,119,274
Urban - Prior Year	N/A		N/A		1,119,209	1,119,209
Nonurban - Current Year	N/A		N/A		1,082,363	1,082,363
Nonurban - Prior Year	N/A		N/A		73,401	73,401
				-	18,394,247	18,394,247
Specialized Services FY 23	N/A	N/A	2022-0027-P3	-	19,609	19,609
Service Initiatives	N/A	N/A	2022-0027-P6	-	142,088	142,088
Total Michigan Department of Transportation				-	18,555,944	18,555,944
<b>Total</b>				<b>\$ 21,256,639</b>	<b>\$ 20,113,459</b>	<b>\$ 41,370,098</b>

Other Supplementary Information  
**3. Schedule of Expense by Contract and General Operations**  
 For the Year Ended September 30, 2023

Description	MI-0090-X789	MI-90-X782	MI-0095-X105	MI-0090-X819	MI-0090-X855	MI-0090-X870	MI-26-0014	MI-0090-4023	MI-0090-X839	MI-0090-X888	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-P12 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	2017-0027-P20 FY 14 S-5310	FY 22 S-5307	FY 20 S-5307	2022-0027-P04 FY 22 S-5307	2022-0027-P04 FY 22 S-5307 Preventative Maintenance			
Labor								\$ 13,759,797	\$ 202,454	\$ -	\$ -	\$ 8,585,032	\$ 543,458	\$ 23,090,741
Other fringe benefits												15,601,940	314,538	15,916,478
Purchased services:														
Advertising							5,898					857,101	41,843	904,842
Other	0		5,645	25,886	12,818	10,526		0	1,525	25,325		4,225,074	191,916	4,498,715
Materials & Supplies					0	40,847		67,347	138,781		1,000,000	4,319,040	191,147	5,757,162
Utilities												771,282	37,526	808,808
Casualty and liability costs												1,164,147	57,323	1,221,470
Purchased transportation												7,330,845	1,861,162	9,192,007
Miscellaneous expenses	1,250	1,250			8,645				41,575			388,518	18,193	459,431
Leases and rentals												225,708	10,943	236,651
Depreciation												6,415,535	312,781	6,728,316
<b>Total</b>	<b>\$ 1,250</b>	<b>\$ 1,250</b>	<b>\$ 5,645</b>	<b>\$ 25,886</b>	<b>\$ 21,463</b>	<b>\$ 51,373</b>	<b>\$ 5,898</b>	<b>\$ 13,827,144</b>	<b>\$ 384,335</b>	<b>\$ 25,325</b>	<b>\$ 1,000,000</b>	<b>\$ 49,884,222</b>	<b>\$ 3,580,830</b>	<b>\$ 68,814,621</b>

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

Other Supplementary Information  
4. Urban Regular Service Revenue Report

Year Ended September 30, 2023

Code	Description	Amount
<b>Fare Revenue</b>		
40100	Passenger fares	\$ 2,277,658
<b>Auxiliary Transportation Revenue</b>		
40610	Concessions	2,491
40615	Advertising	226,250
40620	Intercity Ticket Sales	27,535
<b>Nontransportation Revenue</b>		
40720	Rental of buildings or other properties	24,000
40725	Parking Lot Revenue	96,712
40760	Gain from Sale of Capital Assets	72,138
40799	Other Non-Transportation Revenue	266,810
<b>Local Revenue</b>		
40800	Taxes levied directly for/by transit agency	19,784,976
<b>Local Revenue</b>		
40950	Local Service Contracts/Local Source	7,866,564
<b>State Revenue</b>		
41101	State operating assistance	16,119,274
41101	State operating assistance - Prior Year	1,119,209
41111	Preventative maintenance	200,000
41114	Other Capital Contract Reimburse for Operating Expenses	26,547
41199	Other MDOT/OPT Contracts - Specialized Service	19,609
41199	Other MDOT/OPT Contracts - Service Initiatives Grant	142,088
<b>Federal Revenue</b>		
41311	Preventative maintenance	800,000
41314	Other Capital Contract Reimburse for Operating Expenses	111,541
41361	CARES Act	384,335
41363	American Rescue Plan (ARP) Act	13,827,144
<b>Other Revenue</b>		
41400	Investment Income	720,935
<b>Total Urban Regular Service Revenue</b>		<b>\$ 64,115,816</b>

Other Supplementary Information  
5. Urban Regular Service Expense Report

Year Ended September 30, 2023

Code	Description	Line Haul	Demand Response	Total
<b>Labor:</b>				
50101	Operator salaries & wages	\$ 12,480,659	\$ 1,871,993	\$ 14,352,652
50102	Other salaries & wages	5,578,991	2,615,640	8,194,631
<b>Fringe Benefits</b>				
50200	Other fringe benefits	8,771,695	2,027,551	10,799,246
50220	Defined Benefit Pension	969,160	194,542	1,163,702
50250	Other post retirement benefits	3,330,973	308,019	3,638,992
<b>Services</b>				
50302	Advertising	528,665	334,334	862,999
50305	Audit costs	37,765	23,570	61,335
50399	Other	2,752,571	1,492,893	4,245,464
<b>Materials and supplies</b>				
50401	Fuel and Lubricants	1,723,819	1,070,526	2,794,345
50402	Tires and tubes	116,968	73,052	190,020
50499	Other materials and supplies	2,139,340	442,310	2,581,650
<b>Utilities</b>				
50500	Utilities	476,339	294,943	771,282
<b>Insurance</b>				
50603	Liability insurance	721,933	442,214	1,164,147
<b>Taxes and fees</b>				
50700	Taxes and fees	0	0	0
<b>Purchased transportation services</b>				
50800	Purchased transportation services	0	7,330,845	7,330,845
<b>Miscellaneous expenses</b>				
50902	Travel, meetings & training	102,962	63,357	166,319
50903	Association dues & subscriptions	128,409	79,134	207,543
50909	Loss on disposal of assets	67,376	0	67,376
<b>Operating leases &amp; rentals</b>				
51200	Operating leases & rentals	50,637	31,701	82,338
51250	Lease amortization	88,157	55,213	143,370
<b>Depreciation</b>				
51300	Depreciation	3,944,871	2,470,664	6,415,535
<b>Total Expenses</b>		44,011,290	21,222,501	65,233,791

Other Supplementary Information  
5. Urban Regular Service Expense Report

Year Ended September 30, 2023

Code	Description	Line Haul	Demand Response	Total
<b>Ineligible Expenses</b>				
55004	Other ineligible state contracts (Specialized services, service initiative	142,088	19,609	161,697
55007	Ineligible depreciation	3,920,285	2,455,324	6,375,609
55008	Other ineligible	208,958	132,863	341,821
55009	Ineligible percent of association dues	6,371	3,976	10,347
55010	Ineligible expense associated with other revenue	78,501	0	78,501
55011	Ineligible preventative maintenance	1,000,000	0	1,000,000
55050	Ineligible lease amortization	88,157	55,213	143,370
56004	Ineligible expenses associated w/rentals	120,712	0	120,712
57604	Other ineligible operating expense paid by capital contract	138,088	0	138,088
58009	Loss on disposal of assets	67,376	0	67,376
58020	Ineligible DB Pension	(408,803)	0	(408,803)
58050	Ineligible DB OPEB	1,804,686	0	1,804,686
58099	Other ineligible benefits	200,231	0	200,231
<b>Total Ineligible Expenses</b>		7,366,650	2,666,985	10,033,635
<b>Total Eligible Expenses</b>		<b>\$ 36,644,640</b>	<b>\$ 18,555,516</b>	<b>\$ 55,200,156</b>

Other Supplementary Information  
6. Urban Regular Service Nonfinancial Report (Unaudited)

Year Ended September 30, 2023

Code	Description	Weekday		Saturday		Sunday		Total
		LH	DR	LH	DR	LH	DR	
610	Vehicle hours	244,645	161,571	28,486	17,478	15,503	10,956	<b>478,639</b>
611	Vehicle miles	3,113,140	2,209,203	370,410	216,695	207,356	139,185	<b>6,255,989</b>

Miscellaneous Information

Description	LH	DR	Total
Vehicle Revenue Miles	3,474,825	2,168,765	<b>5,643,590</b>
Non-Revenue (Service) Vehicle Miles			<b>361,864</b>
Gallons Fuel - LPG	-	0	<b>0</b>
Gallons Fuel - Diesel	761,707	120,994	<b>882,701</b>
Concession Square Footage	0		
Total CTC Building Square Footage	14,000		

**Capital Area Transportation Authority**

**Other Supplementary Information**

**7. Nonurban County Regular Service Revenue Report**

**Year Ended September 30, 2023**

<u>Code</u>	<u>Description</u>	<u>Amount</u>
	<b>Fare Revenue</b>	
40100	Passenger fares	\$ 32,437
	<b>Package Delivery/Meal Delivery Programs</b>	
40400	Package delivery/meal delivery programs	4,336
	<b>Local Service Contract</b>	
40950	Local service contract/local source	655,884
	<b>State Revenue</b>	
41101	State operating assistance	1,082,363
41101	State operating assistance - Prior Year	73,401
	<b>Federal Revenue</b>	
41301	Section 5311 Operating	813,791
<b>Total Revenue</b>		<b>\$ 2,662,212</b>

Other Supplementary Information  
8. Nonurban County Regular Service Expense Report

Year Ended September 30, 2023

Code	Description	Total
<b>Labor:</b>		
50101	Operator salaries & wages	\$ 236,835
50102	Other salaries & wages	306,623
<b>Fringe Benefits</b>		
50200	Other fringe benefits	255,761
50220	Defined Benefit Pension	24,619
50250	Other post retirement benefits	34,158
<b>Services</b>		
50302	Advertising	41,843
50305	Audit costs	2,990
50399	Other	188,926
<b>Materials and supplies</b>		
50401	Fuel and Lubricants	135,856
50402	Tires and tubes	9,231
50499	Other materials and supplies	46,060
<b>Utilities</b>		
50500	Utilities	37,526
<b>Insurance</b>		
50603	Liability insurance	57,323
<b>Taxes and fees</b>		
50700	Taxes and fees	0
<b>Purchased transportation services</b>		
50800	Purchased transportation services	1,861,162
<b>Miscellaneous expenses</b>		
50902	Travel, meetings & training	8,082
50903	Association dues & subscriptions	10,111
<b>Operating leases &amp; rentals</b>		
51200	Operating leases & rentals	3,953
51250	Lease amortization	6,990
<b>Depreciation</b>		
51300	Depreciation	312,781
<b>Total Expenses</b>		3,580,830

8. Nonurban County Regular Service Expense Report

Year Ended September 30, 2023

Code	Description	Total
<b>Ineligible Expenses</b>		
55006	Other ineligible interest expense	0
55007	Ineligible depreciation	310,834
55008	Other ineligible expenses	120,683
55009	Ineligible percent of association dues	504
55050	Ineligible lease amortization	6,990
58020	Ineligible DB Pension	(3,212)
58050	Ineligible DB OPEB	13,518
58099	Other ineligible benefits	1,929
<b>Total Ineligible Expenses</b>		<u>451,246</u>
<b>Total Eligible Expenses</b>		<u><u>\$ 3,129,584</u></u>

9. Nonurban County Regular Service Nonfinancial Report (Unaudited)

Year Ended September 30, 2023

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle hours	17,925	625	-	<b>18,550</b>
611	Vehicle miles	376,802	13,803	-	<b>390,605</b>

Miscellaneous Information

Description	Total
Vehicle Revenue Miles	<b>275,139</b>
Gallons Fuel - Gasoline	<b>53,607</b>

**Capital Area Transportation Authority**

**Other Supplementary Information**

**10. Specialized Services Nonfinancial Report (Unaudited)**

**Year Ended September 30, 2023**

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

**Miscellaneous Information**

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

Other Supplementary Information 11.  
Operating Assistance Calculation

Year Ended September 30, 2023

	Urban	Nonurban
Total Expenses	\$ 65,233,791	\$ 3,580,830
Less: Ineligible expenses		
Ineligible depreciation	6,375,609	310,834
Ineligible lease amortization	143,370	6,990
Ineligible state contracts	161,697	-
Ineligible interest expense	-	-
Other ineligible	341,821	120,683
Ineligible percent of association dues	10,347	504
Ineligible expense associated with other revenue	78,501	-
Ineligible preventative maintenance	1,000,000	-
Ineligible expenses associated w/rentals	120,712	-
Other ineligible operating expenses paid by capital contract	138,088	-
Loss on disposal of assets	67,376	-
Ineligible DB Pension	(408,803)	(3,212)
Ineligible DB OPEB	1,804,686	13,518
Other ineligible benefits	200,231	1,929
Total Ineligible Expenses Per R&E Manual	<u>10,033,635</u>	<u>451,246</u>
<b>Total State Eligible Expenses</b>	<u>\$ 55,200,156</u>	<u>\$ 3,129,584</u>

Eligible Expenses for State Reimbursement	\$ 55,200,156	\$ 3,129,584
x Reimbursement Percentage (Budgeted)	<u>29.20150%</u>	<u>34.58490%</u>
State Operating Assistance	<u>\$ 16,119,274</u>	<u>\$ 1,082,363</u>

**Total Federal Eligible Expenses**

Eligible Expenses for Federal Reimbursement	\$ 3,129,584
x Reimbursement Percentage (per Project Authorization)	<u>36.00%</u>
State Operating Assistance (Capped at grant award of \$813,791)	<u>\$ 813,791</u>

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# Capital Area Transportation Authority

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**Federal Awards Supplemental Information  
September 30, 2023**

### **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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**Schedule of Findings and Questioned Costs** 9-10



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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated March 7, 2024, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 7, 2024.

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*

March 7, 2024

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, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 7, 2024.

**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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2023-001, that we consider to be a material weakness.

**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*.

**The Authority's Response to the Finding**

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

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*

March 7, 2024

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

**Independent Auditor's Report**

To the Board of Directors  
Capital Area Transportation Authority

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

***Opinion on Each 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 U.S. 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, 2023. 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, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 each major federal program as a whole.

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

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

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

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

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

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

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

To the Board of Directors  
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*

March 7, 2024

**Capital Area Transportation Authority**

**Schedule of Expenditures of Federal and State Awards**

**Year Ended September 30, 2023**

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 (ARPA)	20.507	MI-0090-4023	N/A		\$ 13,827,144	\$ -	\$ 13,827,144	\$ -
COVID-19 - Federal Transit - Formula Grants (CARES Act)	20.507	MI-0090-X839	N/A		384,335	-	384,335	-
Federal Transit - Formula Grants	20.507	MI-0090-X782	2012-0055-P28C		115,671	28,925	144,596	-
Federal Transit - Formula Grants	20.507	MI-0090-X672	2012-0055-P015		744,261	186,065	930,326	-
Federal Transit - Formula Grants	20.507	MI-0090-X789	2017-0027-P03D		793,446	198,347	991,793	-
Federal Transit - Formula Grants	20.507	MI-0090-X805	2017-0027-P06D		283,431	70,868	354,299	-
Federal Transit - Formula Grants	20.507	MI-0090-X819	2017-0027-P11D		698,728	174,668	873,396	-
Federal Transit - Formula Grants	20.507	MI-0090-X855	2017-0027-P013D		1,224,041	306,021	1,530,062	-
Federal Transit - Formula Grants	20.507	MI-0090-X870	2017-0027-P017D		540,612	135,153	675,765	-
Federal Transit - Formula Grants	20.507	MI-0095-X105	2012-0055-P012		5,645	-	5,645	-
Federal Transit - Formula Grants	20.507	MI-0095-X130	2017-0027-P03D		103,408	25,852	129,260	-
Federal Transit - Formula Grants	20.507	MI-90-X888	2022-0027-P04		1,195,667	298,917	1,494,584	-
Bus and Bus Facilities Competitive Program	20.526	MI-0034-0074	2017-0027-P11B		21,576	5,386	26,962	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0115	2017-0027-P017D		245,533	61,383	306,916	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0057	2017-0027-P06B		46,018	11,505	57,523	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0100	2017-0027-P13B		144,817	36,212	181,029	-
Total Federal Transit Cluster					20,374,333	1,539,302	21,913,635	-
Public Transportation Innovation	20.530	MI-26-0014	2017-0027-P20		68,515	18,213	86,728	-
Pass-through programs from								
Michigan Department of Transportation (MDOT) -								
Formula Grants for Rural Areas -								
Section 5311 Operating Formula Grant	20.509	MI-2022-0027-P5	N/A	MI-2022-0027-P5	813,791	-	813,791	-
Michigan Department of Transportation Operating Assistance - Act 51:								
Urban - Current Year	N/A	N/A	N/A		-	16,119,274	16,119,274	-
Urban - Prior Year	N/A	N/A	N/A		-	1,119,209	1,119,209	-
Nonurban - Current Year	N/A	N/A	N/A		-	1,082,363	1,082,363	-
Nonurban - Prior Year	N/A	N/A	N/A		-	73,401	73,401	-
Service Initiatives	N/A	N/A	2022-0027-P3		-	142,088	142,088	-
Specialized Services FY 23	N/A	N/A	2022-0027-P6		-	19,609	19,609	-
Specialized Services Prior Year	N/A	N/A	N/A		-	-	-	-
Total Michigan Department of Transportation					-	18,555,944	18,555,944	-
Total federal and state awards					\$ 21,256,639	\$ 20,113,459	\$ 41,370,098	\$ -

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

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**Year Ended September 30, 2023**

**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, 2023. 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, as outlined in the 2023 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, 2023**

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

Noncompliance material to financial statements noted?   Yes  X  None reported

**Federal Awards**

Internal control over major programs:

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

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  X  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  X  No

# Capital Area Transportation Authority

## Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2023

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - The Authority is responsible for ensuring all pertinent provisions of the plan are included in the OPEB valuation.</p> <p><b>Condition</b> - Management did not have an adequate system of procedures and controls in place to review all pertinent provisions of the plan considered in the OPEB actuarial valuation as of the plan's fiscal year end for appropriateness.</p> <p><b>Context</b> - The impact of the most recent plan amendment was not included in the OPEB actuarial valuation. The internal controls over the review of the actuarial valuation did not adequately assess the appropriateness of the plan provisions considered.</p> <p><b>Cause</b> - Internal controls were not established that would require management to assess the appropriateness of the plan provisions included in the OPEB actuarial valuation.</p> <p><b>Effect</b> - As a result, the net OPEB liability was overstated. This resulted in an auditor proposed journal entry that was recorded to decrease the net OPEB liability by approximately \$1.7 million, decrease OPEB expense by approximately \$1.3 million, and increase deferred inflows by approximately \$371 thousand. This also resulted in an adjustment that needed to be made to the actuarial valuation.</p> <p><b>Recommendation</b> - We recommend that a formal process be put into place related to the review of the annual OPEB valuation for appropriateness.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Authority did conduct analysis and review of the actuarial report prior to audit procedures being performed, and adjustments to the net OPEB liability were made as a result of that review. However, management acknowledges that the internal controls over the review were not sufficient to adequately assess the appropriateness of the plan provisions considered. As a result of this oversight, management intends to expand the analysis and review process related to the net OPEB liability to ensure that all pertinent provisions of the plan effective as of the plan's year end are considered by the actuary prior to audit procedures being performed.</p>

### Section III - Federal Program Audit Findings

Current Year None



## Capital Area Transportation Authority

September 30, 2023

### Corrective Action Plan

**Finding Number:** 2023-001

**Condition:** Management did not have an adequate system of procedures and controls in place to review all pertinent provisions of the plan considered in the OPEB actuarial valuation as of the plan's fiscal year end for appropriateness.

**Planned Corrective Action:** The Authority did conduct analysis and review of the actuarial report prior to audit procedures being performed, and adjustments to the net OPEB liability, OPEB expense, and deferred inflows were made as a result of that review. However, management acknowledges that the internal controls over the review were not sufficient to adequately assess the appropriateness of the plan provisions considered. As a result of this oversight, management intends to expand the analysis and review process related to the net OPEB liability to ensure that all pertinent provisions of the plan effective as of the plan's year end are considered by the actuary prior to audit procedures being performed.

**Contact person responsible for corrective action:** James Frenndt, Director of Finance

**Anticipated Completion Date:** September 30, 2024

March 7, 2024

To the Board of Directors  
Capital Area Transportation Authority

We have audited the financial statements of the Capital Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2023 and have issued our report thereon dated March 7, 2024. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Informational Items

Section I communicates significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

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

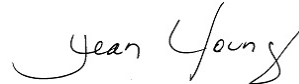
We would like to take this opportunity to thank the Authority's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

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

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

Very truly yours,

**Plante & Moran, PLLC**



Jean Young, CPA  
Partner

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

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

As stated in our engagement letter dated October 18, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Our audit of the Authority's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Authority, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated March 7, 2024 regarding our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

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

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 23, 2023.

### **Significant Audit Findings**

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

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

No new accounting policies were adopted, and the application of existing policies was not changed during the year, except for the adoption of GASB 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

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

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the net other postemployment benefits (OPEB) liability, net pension liabilities, and the estimated reserve for Act 51 operating assistance revenue.

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

The net other postemployment benefits liability is based on an actuarial valuation that includes significant assumptions related to health care costs, life expectancies, and future rates of return on investments. The net pension liabilities recorded are based on actuarial valuations that include significant assumptions related to life expectancies, future salary increases, and future rates of return on investments. The estimated reserve for Act 51 operating assistance revenue is based on the estimated reduction of the collective qualifying expenditures to be reimbursed by Act 51 moneys from the State of Michigan. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

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

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

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

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

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

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. Further, the financial statement presentation requires a footnote disclosure for the weighted-average maturity and credit risk rating for the group annuity contract. The Authority has chosen to pass on this disclosure. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. However, uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future period financial statements to be materially misstated.

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

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 7, 2024.

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

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

## Section II - Legislative and Informational Items

### **Recommended Cybersecurity Measures**

In response to persistent and ever evolving cyber threats, regulatory bodies continue to introduce new recommended and mandatory actions for transit agencies. Effective December 31, 2021, the Transportation Security Administration issued recommended measures for railroad owners/operators, passenger railroad, public transportation agencies, rail transit system owner/operators, and over-the-road-bus owner/operators. These recommended measures included the following aspects for consideration:

1. Designating a cybersecurity coordinator
2. Reporting cybersecurity incidents
3. Implementing a cybersecurity incident response plan
4. Performing a cybersecurity vulnerability assessment

While cybersecurity actions like this are only recommendations for most transit agencies at this point, they are now required for freight rail carriers per Security Directive 1580/82-2022-01, which went into effect on October 24, 2023. This security directive also required proactive documentation, reporting, and ongoing assessment of an organizational cybersecurity implementation plan. It is likely that these requirements will continue to expand to other transit agencies in the future.

Does your organization have a cybersecurity implementation plan? Have you assessed the effectiveness of your cybersecurity countermeasures? We encourage administration to ensure that you are proactively approaching cybersecurity risk within the organization to ensure the system and integrity of your systems as well as comply with any requirements. We have a team of cybersecurity professionals with transit-specific experience should you like to discuss cybersecurity at your organization.

### **COVID-19 Resource Center and ARPA**

Throughout the COVID-19 pandemic, Plante & Moran, PLLC's COVID-19 task force of leaders across the firm has monitored, addressed, and provided insight related to the virus and the unique challenges our local governments have faced while continuing to provide essential services to their communities through our ARPA and COVID-19 resource center for governments. Following is a link to various ARPA-related articles that we believe will be of interest to you: <https://www.plantemoran.com/explore-our-thinking/search?skip=10&keyword=arpa&type=all&professional=all&practice=all&industry=85a5df97-9c41-4000-86d3-db25835731a6&areaOfFocus=all&daterange=all&sortBy=DateDesc>.

In March 2021, the president signed the American Rescue Plan Act (ARPA) into law, which included federal stimulus funding for state and local governments of all sizes. The largest of all funding streams, the Coronavirus State and Local Fiscal Recovery Funds (SLFRF), represents a \$350 billion top-line allocation for state and local governments. Funding was provided in two tranches beginning in May 2021, with the second tranche not being released until 12 months after the first payment. Effective April 1, 2022, the U.S. Department of the Treasury published the final rule for determining the types of programs and services that are eligible uses of the SLFRF funding. Overall information about the program, including a frequently asked questions document and an overview of the final rule, is available on the U.S. Department of the Treasury's website at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments>.

The ARPA award terms provide that payments from the Fiscal Recovery Funds as a general matter will be subject to the provision 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"), including the cost principles and restrictions on general provisions for selected items of cost. The Authority will need to understand these reforms and may be required to evaluate, document, and monitor internal procedures around compliance, including maintaining certain required policies.

Plante & Moran, PLLC's COVID-19 resource center is being continuously updated for the latest guidance and strategy related to SLFRF and will help keep the Authority running smoothly through our nation's recovery.

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

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### **Michigan's COVID-19 Updates and Related Grant Programs**

The Michigan Department of Treasury has developed a webpage with numbered letters, memorandums, webinars, and resources regarding COVID-19 updates and related grant programs: [https://www.michigan.gov/treasury/0,4679,7-121-1751\\_98769---,00.html](https://www.michigan.gov/treasury/0,4679,7-121-1751_98769---,00.html).

### **Monitoring Lease Activity**

GASB Statement No. 87, *Leases*, was effective in fiscal year 2022. Although significant analyses were performed to determine the applicability of the new standard and record any necessary adjustments, we want to stress the importance of implementing ongoing monitoring procedures over lease activity. When the Authority enters into new leases, existing leases are modified, or other facts and circumstances change, consideration must be given to the impact those changes will have on lease accounting. In order to do so, the Authority must ensure there is a process in place to identify and appropriately account for new leases or changes to existing leases on an ongoing basis or least at the end of each year.

### **Rules Governing Management of Federal Programs**

The Office of Management and Budget (OMB) issued significant reforms to the compliance requirements that must be followed by nonfederal entities receiving federal funding related to awards on or after December 26, 2014. While these revisions were not too recent, the revisions were the most significant change to occur to federal grants management in recent history. While many communities have historically been below the \$750,000 single audit threshold, recent legislation provides for an increase in federal spending, and, therefore, more communities may be subject to an audit requirement; the Authority will need to understand these reforms and may be required to make changes to internal procedures, processes, and controls.

- **Cost Principles** - There were certain changes made to allowable costs and significant changes in the area of time and effort reporting and indirect costs.
- **Administrative Requirements** - Nonfederal entities receiving federal funding must adhere to revised rules related to administering federal awards. Most notably, the requirements may impact the Authority's procurement systems, including maintaining written conflict of interest policies and disclosures.

The Authority will need to ensure that consideration of the implementation of these regulations has occurred; if it has not, the Authority needs to work quickly to put the requirements into practice. Plante & Moran, PLLC has many experts in this area and welcomes any questions or needs you may have.

### **Federal Procurement Threshold Changes**

The Office of Management and Budget has issued significant reforms to the compliance requirements that must be followed by nonfederal entities. The Office of Management and Budget recently issued Memorandum M-18-18, which provides guidance on changes to micropurchases and simplified acquisition threshold requirements. The key changes are as follows:

- Threshold for micropurchases is increased to \$10,000.
- Threshold for simplified acquisitions (small purchase procedures limit) increased to \$250,000.

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

Key adoption considerations for micropurchase and simplified acquisition thresholds include the following:

- During the original adoption of the Uniform Guidance procurement standards, were specific amounts included within the Authority's procurement policy, or were references to the Uniform Guidance sections or amounts as adjusted referenced? If specific amounts were referenced, the procurement policy will need to be updated to take advantage of the changes.
- If the Authority's procurement policy was written to allow for changes in amounts, the procedures will need to be updated to conform.
- If this change is inconsistent with other procurement policies within the organization, the Authority must decide how the policy will be enacted. Remember local ordinances in place may limit full utilization of changes.
- If the Authority has chosen not to fully adopt the change and maintain a lower threshold, then the Authority is not required to use these thresholds but cannot exceed them.

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

We actively monitor new Governmental Accounting Standards Board (GASB) standards and due process documents and provide periodic updates to help you understand how the latest financial reporting developments will impact the Authority. In addition to the summaries below and to stay up to date, Plante & Moran, PLLC issues a biannual GASB accounting standard update. The most recent spring 2022 update and a link to previous fall and spring updates are available [here](#).

#### ***GASB Statement No. 100 - Accounting Changes and Error Corrections***

This new accounting pronouncement will be effective for fiscal years ending June 30, 2024 and after. This statement enhances the accounting and financial reporting requirements for accounting changes and error corrections.

#### ***GASB Statement No. 101 - Compensated Absences***

This new accounting pronouncement will be effective for fiscal years ending December 31, 2024 and after. This statement updates the recognition and measurement guidance for compensated absences under a unified model, requiring 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. This statement also establishes guidance for measuring a liability for leave that has not been used and updates disclosure requirements for compensated absences.

#### ***GASB Statement No. 102 - Certain Risk Disclosures***

This new accounting pronouncement will be effective for fiscal years ending June 30, 2025 and after. This statement requires a government to assess whether a concentration or constraint makes the primary government or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements.

#### ***Significant GASB Proposals Worth Watching***

The GASB is working on two comprehensive projects that result in changes to financial reporting for state and local governments.

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

The Financial Reporting Model exposure draft was issued in June 2020, and the final statement is expected to be released in mid-2024. This standard proposes changes to many aspects of the Authority's financial statements, including the management's discussion and analysis (MD&A), proprietary fund financial statements, and budgetary comparisons. In August 2023, the GASB removed issues related to reporting of governmental funds from the scope of this project.

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. The GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step categorization process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions. The exposure draft for this project is expected sometime in 2025.

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