
Capital Area Transportation Authority

**Federal Awards Supplemental Information
September 30, 2021**

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal 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, 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated February 1, 2022, 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 February 1, 2022.

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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

February 1, 2022

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, 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 1, 2022.

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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2021-001, that we consider to be a material weakness.

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

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the 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

February 1, 2022

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

We have audited Capital Area Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

To the Board of Directors
Capital Area Transportation Authority

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Plante & Moran, PLLC

February 1, 2022

Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Federal Project Number	State Project Number	Pass-through Entity Identifying Number	Federal Expenditures	State Expenditures	Total Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation - Direct programs -								
Federal Transit Cluster:								
COVID-19 - Federal Transit - Formula Grants	20.507	MI-0090-X839	No State match		\$ 11,342,600	\$ -	\$ 11,342,600	\$ -
Federal Transit - Formula Grants	20.507	MI-2017-014-04	2017-0027-P03D		1,131,381	282,845	1,414,226	-
Federal Transit - Formula Grants	20.507	MI-0090-X782	2012-0055-P28C		159,325	39,831	199,156	-
Federal Transit - Formula Grants	20.507	MI-0095-X127	2012-0055-P28A		2,214	569	2,783	-
Federal Transit - Formula Grants	20.507	MI-0090-X672	2012-0055-P015		116,841	29,210	146,051	-
Federal Transit - Formula Grants	20.507	MI-0095-X105	2012-0055-P012		14,000	-	14,000	-
Federal Transit - Formula Grants	20.507	MI-0090-X805	2017-0027-P06D		266,671	66,668	333,339	-
Federal Transit - Formula Grants	20.507	MI-0090-X819	2017-0027-P11D		3,270,070	817,518	4,087,588	-
Federal Transit - Formula Grants	20.507	MI-0090-X855	2017-0027-P013D		128,855	32,214	161,069	-
Federal Transit - Formula Grants	20.507	MI-0090-X870	2017-0027-P017D		880,000	220,000	1,100,000	-
Bus and Bus Facilities Formula Program	20.526	MI-0034-0057	2017-0027-P06B		23,181	5,795	28,976	-
Bus and Bus Facilities Competitive Program	20.526	MI-0034-0074	2017-0027-P11B		3,737,450	934,363	4,671,813	-
Total Federal Transit Cluster					21,072,588	2,429,013	23,501,601	-
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-2017-027-P14-R1	No State match	MI-2017-027-P14-R1	230,546	-	230,546	-
COVID-19 - Section 5311 Operating Formula Grant	20.509	MI-2017-027-P14-R1	No State match	MI-2017-027-P14-R1	481,777	-	481,777	-
COVID-19 - Section 5311 Operating Formula Grant	20.509	MI-2017-027-P15	No State match	MI-2017-027-P15	232,056	-	232,056	-
Total Formula Grants for Rural Areas - Section 5311 Operating Formula Grant					944,379	-	944,379	-
Michigan Department of Transportation Operating Assistance - Act 51:								
Urban - Current Year	N/A	N/A	N/A		-	14,226,000	14,226,000	-
Urban - Prior Year	N/A	N/A	N/A		-	1,957,079	1,957,079	-
Nonurban - Current Year	N/A	N/A	N/A		-	742,696	742,696	-
Nonurban - Prior Year	N/A	N/A	N/A		-	113,750	113,750	-
Specialized Services FY 21	20.509	N/A	N/A		-	34,579	34,579	-
Specialized Services Prior Year	20.509	N/A	N/A		-	12,560	12,560	-
Total Michigan Department of Transportation					-	17,086,664	17,086,664	-
Total federal and state awards					\$ 22,016,967	\$ 19,515,677	\$ 41,532,644	\$ -

Capital Area Transportation Authority

Notes to Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2021

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, 2021. 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 accrual basis of accounting. The federal expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The state expenditures are recognized following the State of Michigan Department of Transportation *Local Public Transit Revenue and Expense Manual*. 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, 2021

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
20.509	Formula Grants for Rural Areas program

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, 2021

Section II - Financial Statement Audit Findings

Reference Number	Finding
2021-001	<p>Finding Type - Material weakness</p> <p>Criteria - The Authority is responsible for ensuring the assumptions that are utilized by the actuary for the OPEB valuation are reasonable, consistent, and appropriate based on actual events or circumstances.</p> <p>Condition - Management did not have an adequate system of procedures and controls in place to review the assumptions used in the OPEB actuarial valuation for reasonableness, consistency, and appropriateness.</p> <p>Context - The discount rate calculation for the OPEB actuarial valuation included assumptions about the payment of future benefits that were not consistent with the future expectation of the payment of those benefits. The internal controls over the review of the actuarial valuation did not appropriately assess the reasonableness of the discount rate assumption calculation in the current year.</p> <p>Cause - Internal controls were not established that would require management to assess the reasonableness of the assumptions used by the actuary.</p> <p>Effect - As a result, the total OPEB liability was overstated by approximately \$6.5 million, resulting in material auditor-proposed journal entries that were recorded and an adjustment that needed to be made to the actuarial valuation.</p> <p>Recommendation - We recommend that a formal process be put into place related to the review of the annual OPEB valuation for reasonableness, consistency, and appropriateness, including a review of the 100-year schedule that accompanies the actuarial valuation.</p> <p>Views of Responsible Officials and Planned Corrective Actions - 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 appropriately assess the reasonableness of the discount rate assumption. 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 assumptions made by the actuary are in agreement with the underlying facts known at the time, prior to audit procedures being performed.</p>

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	