
Capital Area Transportation Authority

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

Independent Auditor's Reports

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

Independent Auditor's Report

To the Board of Directors
Capital Area Transportation Authority

We have audited the financial statements of the enterprise fund and fiduciary funds of Capital Area Transportation Authority (the "Authority") as of and for the year ended September 30, 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

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>Finding Type - Material weakness</p> <p>Criteria - The Authority is responsible for ensuring all pertinent provisions of the plan are included in the OPEB valuation.</p> <p>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.</p> <p>Context - 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>Cause - 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>Effect - 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>Recommendation - We recommend that a formal process be put into place related to the review of the annual OPEB valuation for appropriateness.</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 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