

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

FINANCIAL STATEMENTS
(With Required Supplementary Information)

September 30, 2023 and 2022

The preparation of this document was financed in part through cooperation with the Federal Transit Administration and the Michigan Department of Transportation. This document was prepared in March 2024 for the Regional Transit Authority of Southeast Michigan.



REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

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INDEPENDENT AUDITOR’S REPORT

March 29, 2024

To the Board of Directors
Regional Transit Authority of Southeast Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Regional Transit Authority of Southeast Michigan (“RTA”) as of, and for the years ended, September 30, 2023 and 2022, as well as the related notes to the financial statements, which collectively comprise RTA’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 governmental activities and each major fund of RTA as of September 30, 2023 and 2022, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“U.S. GAAS”) and *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 RTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

RTA’s management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management for the Financial Statements (continued)

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 RTA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. *Reasonable assurance* is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. 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 U.S. GAAS and *Government Auditing Standards*:

- We exercise professional judgment and maintain professional skepticism throughout the audit.
- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and we 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.
- We 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 RTA's internal control. Accordingly, no such opinion is expressed.
- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the financial statements.
- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RTA'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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on the Audit of the Financial Statements (continued)

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis on pages 4 through 8 and budgetary comparison on pages 22 through 23 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 U.S. GAAS, 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 audits 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 29, 2024, on our consideration of RTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 RTA'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 RTA's internal control over financial reporting and compliance.

GSC CPAs & Advisors

Detroit, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2023 and 2022

This section of the annual report of the Regional Transit Authority of Southeast Michigan (“RTA”) presents management’s discussion and analysis of RTA’s financial performance during the fiscal years that ended on September 30, 2023 and 2022. Please read it in conjunction with RTA’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

During the fiscal year ended September 30, 2023, RTA continued to fund, plan, and promote projects and programs that are designed to achieve its overarching mission, which is to *manage and secure transportation resources that significantly enhance mobility options, to improve the quality of life for the residents, and to increase economic viability for the four-county RTA region.*

RTA continued to build partnerships with mobility providers and other stakeholders during the fiscal year ended September 30, 2023 as it sought to achieve its mission, including the completion of an update to its Regional Master Transit Plan. The RTA Program completed several studies and continued the execution of the Detroit to Ann Arbor Express (“D2A2”) pilot during 2023. RTA received \$1.25 million from the Michigan Department of Transportation (“MDOT”) for the Mobility Wallet Challenge Program, \$2 million from the Carbon Reduction Program, \$500,000 from MDOT for the Downtown to Airport Express pilot program, and \$783,110 from the Federal Transit Administration for the MyRide2 project and ongoing administration and planning for the region’s Coordinated Human Services Transportation Plan program. RTA also hired four new staff members during 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements. The statements of net position and statements of activities (which are presented on pages 9 and 10) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds (which are presented on pages 11 and 13) are considered fund financial statements. A further discussion of each type of statement follows.

Government-Wide Financial Statements

The government-wide financial statements report information about RTA as a whole, using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net position include all of RTA’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2023 and 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (continued)

The two government-wide financial statements report RTA's net position and how they have changed. Net position represents the difference between RTA's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure RTA's financial health or position. Over time, increases or decreases in RTA's net position are an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide more detailed information about RTA's funds, not RTA as a whole. Funds are accounting devices that RTA uses to keep track of specific sources of funding and spending for particular purposes.

Most of RTA's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out, and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance RTA's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on pages 12 and 14 that explains the relationship between the fund financial statements and the government-wide financial statements.

The notes to the financial statements, which begin on page 15, explain some of the information in the financial statements and provide more detailed data. A comparison of RTA's general fund revenue and expenditures to its budget is provided on page 22.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2023 and 2022

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects a condensed summary of RTA's assets, liabilities, and net position as of September 30, 2023, 2022, and 2021:

Table 1
Statements of Net Position
September 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Cash	\$ 81,806	\$ 38,728	\$ 57,193
Accounts and grants receivable	1,290,076	2,260,522	1,204,950
Capital assets	343,365	-0-	-0-
Prepaid expenses and other assets	1,360	50	3,438
Total Assets	<u>1,716,607</u>	<u>2,299,300</u>	<u>1,265,581</u>
Liabilities:			
Accounts payable	1,236,999	2,169,280	816,002
Accrued payroll and related liabilities	45,945	26,752	17,665
Refundable advances	82,486	101,853	429,293
Total Liabilities	<u>1,365,430</u>	<u>2,297,885</u>	<u>1,262,960</u>
Net Position:			
Net investment in capital assets	343,365	-0-	-0-
Unrestricted	7,812	1,415	2,621
Total Net Position	<u>\$ 351,177</u>	<u>\$ 1,415</u>	<u>\$ 2,621</u>

The net position of \$351,177 is due to capitalization of a software purchase contract amounting to \$343,365 from Remix Technologies LLC ("Remix"), with the remaining amount due to small amounts of recorded revenue that were not related to RTA's ongoing projects.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2023 and 2022

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 2 reflects a condensed summary of RTA’s revenue, expenses, and changes in net position for the years ended September 30, 2023, 2022, and 2021:

Table 2
Statements of Activities
For the Years Ended September 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue:			
Program revenue	\$ 6,190,022	\$ 3,775,896	\$ 1,847,355
General revenue	4,763	21	15
Total Revenue	6,194,785	3,775,917	1,847,370
Expenses:			
Regional transit	5,845,023	3,777,123	1,847,355
Change in Net Position	349,762	(1,206)	15
Net Position, Beginning of Year	1,415	2,621	2,606
Net Position, End of Year	\$ 351,177	\$ 1,415	\$ 2,621

The increase in net position of \$349,762 is due to capitalization of a software purchase contract amounting to \$343,365 from Remix, with the remaining amount due to small amounts of recorded revenue that were not related to RTA’s ongoing projects.

ECONOMIC FACTORS

RTA has secured administrative funds through the year ending September 30, 2025, if managed in accordance with the draft Business Plan. It is within RTA’s legal authority, as the designated recipient of state and federal funds, to secure existing state and federal formula funding for RTA’s planning and administrative operations. RTA has not yet exercised that authority to secure a long-term funding source.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

September 30, 2023 and 2022

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of RTA's finances and to demonstrate RTA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the Regional Transit Authority of Southeast Michigan, 1001 Woodward Avenue, Suite 1400, Detroit, Michigan 48226.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

STATEMENTS OF NET POSITION

September 30, 2023 and 2022

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Assets:		
Cash (Note B)	\$ 81,806	\$ 38,728
Accounts and grants receivable (no allowance considered necessary)	1,290,076	2,260,522
Prepaid expenses and other assets	1,360	50
Capital assets (Note C):		
Depreciable capital assets, net	<u>343,365</u>	<u>-0-</u>
Total Assets	<u>1,716,607</u>	<u>2,299,300</u>
Liabilities:		
Accounts payable	1,236,999	2,169,280
Accrued payroll and related liabilities	45,945	26,752
Refundable advances	<u>82,486</u>	<u>101,853</u>
Total Liabilities	<u>1,365,430</u>	<u>2,297,885</u>
Net Position:		
Net investment in capital assets	343,365	-0-
Unrestricted	<u>7,812</u>	<u>1,415</u>
Total Net Position	<u>\$ 351,177</u>	<u>\$ 1,415</u>

See notes to financial statements.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Expenses:		
Regional transit program:		
Salaries and wages	\$ 424,559	\$ 183,679
Employee benefits	229,751	117,755
Services	5,125,159	3,424,204
Materials and supplies	5,116	13,358
Utilities	15,262	11,313
Insurance	13,573	13,328
Travel	18,473	4,571
Other expenses	13,130	8,915
	5,845,023	3,777,123
Program Revenue:		
Regional transit program:		
Grants	6,190,022	3,775,896
	344,999	(1,227)
General Revenue:		
Other revenue	4,763	21
	349,762	(1,206)
Net Position, Beginning of Year	1,415	2,621
Net Position, End of Year	\$ 351,177	\$ 1,415

See notes to financial statements.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

BALANCE SHEETS — GOVERNMENTAL FUNDS

September 30, 2023 and 2022

	<u>General Fund</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash (Note B)	\$ 81,806	\$ 38,728
Accounts and grants receivable (no allowance considered necessary)	1,290,076	2,260,522
Prepaid expenditures and other assets	1,360	50
Total Assets	<u>\$ 1,373,242</u>	<u>\$ 2,299,300</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 1,236,999	\$ 2,169,280
Accrued payroll and related liabilities	45,945	26,752
Refundable advances	82,486	101,853
Total Liabilities	<u>1,365,430</u>	<u>2,297,885</u>
Fund Balances:		
Nonspendable	1,360	50
Unassigned	6,452	1,365
Total Fund Balances	<u>7,812</u>	<u>1,415</u>
Total Liabilities and Fund Balances	<u>\$ 1,373,242</u>	<u>\$ 2,299,300</u>

See notes to financial statements.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

RECONCILIATIONS OF GOVERNMENTAL FUND BALANCE SHEETS TO STATEMENTS OF NET POSITION

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Total Fund Balances, Governmental Funds	\$ 7,812	\$ 1,415
<p>Amounts reported for governmental activities in the statements of net position differ from amounts reported in the governmental funds balance sheets due to the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:</p>		
<p>Depreciable capital assets:</p>		
Cost	<u>343,365</u>	<u>-0-</u>
Total Net Position, Governmental Activities	<u><u>\$ 351,177</u></u>	<u><u>\$ 1,415</u></u>

See notes to financial statements.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES — GOVERNMENTAL FUNDS**

For the Years Ended September 30, 2023 and 2022

	General Fund	
	2023	2022
Revenue:		
Grants	\$ 6,190,022	\$ 3,775,896
Other revenue	4,763	21
Total Revenue	6,194,785	3,775,917
Expenditures:		
Current:		
Salaries and wages	424,559	183,679
Employee benefits	229,751	117,755
Services	5,125,159	3,424,204
Materials and supplies	5,116	13,358
Utilities	15,262	11,313
Insurance	13,573	13,328
Travel	18,473	4,571
Other expenses	13,130	8,915
Capital outlay (Note C)	343,365	-0-
Total Expenditures	6,188,388	3,777,123
Change in Fund Balances	6,397	(1,206)
Fund Balances, Beginning of Year	1,415	2,621
Fund Balances, End of Year	\$ 7,812	\$ 1,415

See notes to financial statements.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

RECONCILIATIONS OF GOVERNMENTAL FUNDS STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Change in Fund Balances, Governmental Funds	\$ 6,397	\$ (1,206)
<p>Amounts reported for governmental activities in the statements of activities differ from amounts reported in the governmental funds statements of revenue, expenditures, and changes in fund balances due to the following:</p>		
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. During the years presented, these amounts are as follows:</p>		
Capital outlay	<u>343,365</u>	<u>-0-</u>
Change in Net Position, Governmental Activities	<u>\$ 349,762</u>	<u>\$ (1,206)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023 and 2022

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

The Regional Transit Authority of Southeast Michigan (“RTA”) was created by the Michigan Legislature through Public Act No. 387 of 2012 and is governed by 10-member board that is appointed for three-year terms by the county executives of Wayne, Oakland, and Macomb counties, the chair of the Washtenaw County Board of Commissioners, the Mayor of Detroit, and the Governor of Michigan. The Governor’s appointee serves as RTA’s chair, without a vote.

The purpose of RTA is to plan for and coordinate public transportation in the four-county region of southeast Michigan, including the City of Detroit, and to deliver rapid transit in a region where none exists. RTA is the entity through which transit providers must apply for state and federal funds, and through which those funds are allocated to providers. RTA is also responsible for developing a Regional Master Transit Plan to guide present and future service and is empowered to put funding questions on the ballot for public vote.

For financial reporting purposes, RTA is not a component unit of any other governmental entity. There are no fiduciary funds or component units included in the accompanying financial statements.

Basis of Presentation

The financial statements of RTA consist of government-wide financial statements, which include the statements of net position and statements of activities, and fund financial statements, which include the balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds.

Government-Wide Financial Statements

The government-wide financial statements report information about all of RTA’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses. Deferred outflows of resources represent the consumption of net assets by RTA that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by RTA that is applicable to a future reporting period, and net position is the residual of all other elements presented in the statements of net position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2023 and 2022

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements

For purposes of the fund financial statements, the accounts of RTA are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The various funds are summarized by type in the fund financial statements. The following fund is used by RTA:

General Fund

The general fund is the general operating fund of RTA. It is used to account for all financial resources other than those required to be accounted for in another fund.

RTA's fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable

These fund balances consist of amounts that are not in a spendable form (such as inventory or prepaid expenditures) or that are required to be maintained intact.

Restricted

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed

These fund balances consist of amounts that are constrained to specific purposes by RTA itself, using its highest level of decision-making authority, which is the Board of Directors. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Directors takes action to remove or change the constraint. The Board of Directors typically establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, or through adoption and amendment of the budget.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2023 and 2022

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Assigned

These fund balances consist of amounts that RTA intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Directors, or by an official or body to which the Board of Directors delegates the authority, such as RTA's duly authorized agents. Assigned fund balances are typically established through adoption or amendment of the budget.

Unassigned

These fund balances consist of amounts that are available for any purpose. Only the general fund has a positive unassigned fund balance.

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred. Grants and other revenue intended for use in specific projects are classified as program revenue. All other revenue is classified as general revenue.

Fund Financial Statements

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 12 months for grants from governmental agencies) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2023 and 2022

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Fund Financial Statements (continued)

Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

Capital Assets

Capital assets are recorded at historical cost. RTA capitalizes all expenditures for tangible, personal property that has a useful life of more than one year and an acquisition cost in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years.

Concentration of Credit Risk

During the years ended September 30, 2023 and 2022, RTA utilized two and three vendors respectively, for total purchases of \$4,355,433 and \$2,105,011, respectively, or 73 and 73 percent of total purchases, respectively, each year. The total amounts due to these vendors was \$596,373 and \$1,938,978 as of September 30, 2023 and 2022, respectively.

NOTE B — CASH DEPOSITS

State of Michigan (the “State”) statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business, and having a place of business in the State that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that in the event of a bank failure, RTA’s deposits may not be returned to RTA. RTA does not have a deposit policy for custodial credit risk.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2023 and 2022

NOTE B — CASH DEPOSITS (CONTINUED)

As of September 30, 2023 and 2022, RTA’s carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance or another type of insurance, are as follows:

	<u>2023</u>	<u>2022</u>
Carrying amount of deposits	<u>\$ 81,806</u>	<u>\$ 38,728</u>
Total bank balances	<u><u>\$ 81,806</u></u>	<u><u>\$ 38,700</u></u>

All of RTA’s bank balances are covered by federal depository insurance as of September 30, 2023 and 2022.

NOTE C — CAPITAL ASSETS

Depreciable capital asset activity for the years ended September 30, 2023 and 2022 is as follows:

	<u>Software</u>
Cost:	
Balance, October 1, 2021	<u>\$ -0-</u>
Balance, September 30, 2022	-0-
Acquisitions	<u>343,365</u>
Balance, September 30, 2023	<u><u>\$ 343,365</u></u>
Accumulated Depreciation:	
Balance, October 1, 2021	<u>\$ -0-</u>
Balance, September 30, 2022	<u>-0-</u>
Balance, September 30, 2023	<u><u>\$ -0-</u></u>
Net Depreciable Capital Assets:	
Balance, September 30, 2022	<u>\$ -0-</u>
Balance, September 30, 2023	<u><u>\$ 343,365</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2023 and 2022

NOTE D — RISK MANAGEMENT

Given the normal activities of RTA and the relatively low rate of claims and lawsuits experienced by RTA, the risk involved in RTA’s operations is minimal and, in management’s opinion, is sufficiently covered by insurance policies.

NOTE E — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund. All annual appropriations lapse at the end of the fiscal year.

Under the State’s Uniform Budgeting and Accounting Act, actual expenditures for any budgeted expenditure category are not to exceed the amounts budgeted for that category. The Uniform Budgeting and Accounting Act permits governmental entities to amend their budgets during the year, and requires amended budgets to be approved by the governing body prior to expending funds in excess of the amount budgeted for that category.

During the year ended September 30, 2023, RTA incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Services	\$ 4,763,611	\$ 5,125,159	\$ (361,548)
Travel	5,000	18,473	(13,473)

Revenue was sufficient to cover the excess expenditures.

NOTE F — RELATED-PARTY TRANSACTIONS

RTA has entered into an agreement with WSP Michigan, Inc. (“WSP”) for the provision of grant support and project management services. A supervising planner at WSP has been appointed RTA’s Program Manager, while continuing employment at WSP. RTA paid total fees of \$296,147 and \$354,016 to WSP during the years ended September 30, 2023 and 2022, respectively. The balance payable to WSP was \$67,177 and \$180,408 as of September 30, 2023 and 2022, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

SCHEDULES OF REVENUE AND EXPENDITURES — BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED)

For the Years Ended September 30, 2023 and 2022

	2023				2022			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenue:								
Grants	\$ 11,091,116	\$ 11,091,116	\$ 6,190,022	\$ (4,901,094)	\$ 12,986,850	\$ 12,986,850	\$ 3,775,896	\$ (9,210,954)
Other revenue			4,763	4,763			21	21
Total Revenue	11,091,116	11,091,116	6,194,785	(4,896,331)	12,986,850	12,986,850	3,775,917	(9,210,933)
Expenditures:								
Current:								
Salaries and wages	604,467	604,467	424,559	179,908	166,050	166,050	183,679	(17,629)
Employee benefits	230,438	230,438	229,751	687	95,025	95,025	117,755	(22,730)
Services	4,763,611	4,763,611	5,125,159	(361,548)	4,633,449	4,633,449	3,424,204	1,209,245
Materials and supplies	35,000	35,000	5,116	29,884	35,000	35,000	13,358	21,642
Utilities	65,000	65,000	15,262	49,738	7,500	7,500	11,313	(3,813)
Insurance	14,703	14,703	13,573	1,130	14,947	14,947	13,328	1,619
Travel	5,000	5,000	18,473	(13,473)	5,000	5,000	4,571	429
Other expenses	20,500	20,500	13,130	7,370	20,500	20,500	8,915	11,585
Capital outlay			343,365	(343,365)				-0-
Total Expenditures	5,738,719	5,738,719	6,188,388	(449,669)	4,977,471	4,977,471	3,777,123	1,200,348
Change in Fund Balance	\$ 5,352,397	\$ 5,352,397	\$ 6,397	\$ (5,346,000)	\$ 8,009,379	\$ 8,009,379	\$ (1,206)	\$ (8,010,585)

See note to schedules of revenue and expenditures — budget and actual (general fund).

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**NOTE TO SCHEDULES OF REVENUE AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED)**

For the Years Ended September 30, 2023 and 2022

NOTE A — BUDGETS AND BUDGETARY ACCOUNTING

The Regional Transit Authority of Southeast Michigan (“RTA”) establishes a budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting.

Budgeted amounts are as presented and approved by RTA’s Board of Directors. Appropriations are authorized by RTA’s management.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND RELATED AUDIT REPORTS**

For the Year Ended September 30, 2023

The preparation of this document was financed in part through cooperation with the Federal Transit Administration and the Michigan Department of Transportation. This document was prepared in March 2024 for the Regional Transit Authority of Southeast Michigan.



REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

March 29, 2024

To the Board of Directors
Regional Transit Authority of Southeast Michigan

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 governmental activities and each major fund of the Regional Transit Authority of Southeast Michigan (“RTA”), as of, and for the year ended, September 30, 2023, and the related notes to the financial statements, which collectively comprise RTA’s basic financial statements, and have issued our report thereon dated March 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RTA’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 RTA’s internal control. Accordingly, we do not express an opinion on the effectiveness of RTA’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 RTA’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS (CONTINUED)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RTA'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*.

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 RTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GJC CPA's & Advisors

Detroit, Michigan



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

March 29, 2024

To the Board of Directors
Regional Transit Authority of Southeast Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of the Regional Transit Authority of Southeast Michigan (“RTA”) with the types of compliance requirements described in the *U.S. Office of Management and Budget Compliance Supplement* that could have a direct and material effect on each of RTA’s major federal programs for the year ended September 30, 2023. RTA’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, RTA 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 its major federal programs 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 (“U.S. 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* (“CFR”) 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 RTA 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 RTA’s compliance with the compliance requirements referred to above.

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Report on Compliance for Each Major Federal Program (continued)

Responsibilities of Management for Compliance

RTA’s 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 RTA’s federal programs.

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 to express an opinion on RTA’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 U.S. 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 RTA’s compliance with the requirements of each major federal program as a whole.

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

- We exercise professional judgment and maintain professional skepticism throughout the audit.
- We identify and assess the risks of material noncompliance, whether due to fraud or error, and we design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding RTA’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- We obtain an understanding of RTA’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 RTA’s internal control over compliance. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Report on Compliance for Each Major Federal Program (continued)

Auditor’s Responsibilities for the Audit of Compliance (continued)

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.

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.

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

We have audited the financial statements of the governmental activities and each major fund of RTA as of, and for the year ended, September 30, 2023, as well as the related notes to the financial statements, which collectively comprise RTA’s basic financial statements.

Board of Directors
Regional Transit Authority of Southeast Michigan
March 29, 2024
Page Four

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (continued)

We issued our report thereon dated March 29, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes 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 U.S. GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

GJC CPA's & Advisors

Detroit, Michigan

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified? Yes X None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	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

FINANCIAL STATEMENT AUDIT FINDINGS

None

MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS

None

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2023

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Transportation:				
Direct:				
Federal Transit Cluster:				
Federal Transit – Formula Grants	20.507	MI-2022-005-00	\$ 1,086,243	\$ -0-
Federal Transit – Formula Grants	20.507	MI-2021-036-00	1,834,854	1,834,854
Federal Transit – Formula Grants	20.507	MI-2023-001	<u>1,477,857</u>	<u>1,477,857</u>
Total Federal Transit Cluster			4,398,954	3,312,711
Transit Services Program Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	MI-2017-031-02	<u>260,311</u>	<u>260,311</u>
Total Federal Expenditures			<u>\$ 4,659,265</u>	<u>\$ 3,573,022</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2023

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of the Regional Transit Authority of Southeast Michigan (“RTA”). Federal awards received directly from federal agencies, as well as federal awards passed through other agencies, are included on this schedule.

Basis of Presentation

The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because this schedule presents only a selected portion of RTA’s operations, it is not intended to, and does not, present the financial position or changes in financial position of RTA.

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is the basis of accounting used to prepare RTA’s government-wide financial statements. There were no differences between the expenditures presented in the accompanying schedule of expenditures of federal awards and the expenditures incurred under these programs using the modified accrual basis of accounting, which is the basis of accounting used to prepare RTA’s fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, in which certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE B — INDIRECT COST RATE

RTA has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.