

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
KALAMAZOO, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)**

YEAR ENDED SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central County Transportation Authority
Kalamazoo, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Central County Transportation Authority (the Authority), a component unit of Kalamazoo County, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Central County Transportation Authority, as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The other supplementary information, including the schedule of expenditures of federal and state awards, 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. Such information, except for the portion marked "unaudited" on which we express no opinion, 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 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 basic financial statements as a whole.

The urban and nonurban regular service nonfinancial reports, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2021, on our consideration of the Central County Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maney Costeiran PC

March 11, 2021

CENTRAL COUNTY TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Central County Transportation Authority (the "Authority"), we offer readers of the Central County Transportation Authority's basic financial statements this narrative for the year ended September 30, 2020. The intent of the management's discussion and analysis is to provide highlights of the Authority's financial activities. Readers are encouraged to read this section in conjunction with the basic financial statements.

USING THIS AUDIT REPORT

This annual audit report consists of this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the Authority, which include notes that explain in more detail some of the information in the financial statements. This report also contains other supplementary information in addition to the basic financial statements, as required by the State of Michigan.

Basic Financial Statements and Presentation

The basic financial statements presented by the Authority are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The operations of the Authority are accounted for in an enterprise fund, and the statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except for land and construction in progress, over their estimated useful lives.

The Statement of Net Position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Improved financial position is indicated by increases in assets and deferred outflows of resources without corresponding increases to liabilities and deferred inflows of resources.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the year. This statement summarizes operating revenue and expenses, along with nonoperating revenue and expenses. In addition, this statement lists capital grant revenue received from federal, state, and local governments.

The Statement of Cash Flows allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) cash flows from operating activities, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

Refer to the footnotes of the basic financial statements for additional information on the measurement focus and basis of accounting.

FINANCIAL ANALYSIS - COMPARATIVE

The Central County Transportation Authority's total net position increased 7.1% from the previous fiscal year, increasing from \$27,102,278 to \$29,036,607. In a condensed format, the table below shows a comparison of the net position as of September 30, 2020, to the prior year September 30, 2019.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CONDENSED SUMMARY OF NET POSITION

	Sept. 30, 2020	Sept. 30, 2019
Current and Other Assets	\$ 18,511,263	\$ 15,600,108
Capital Assets, net	26,657,676	22,748,078
Total Assets	45,168,939	38,348,186
Deferred Outflows of Resources	5,930,656	7,670,889
Current Liabilities	1,938,198	2,293,309
Noncurrent Liabilities	17,052,455	15,468,564
Total Liabilities	18,990,653	17,761,873
Deferred Inflows of Resources	3,072,335	1,154,924
Net Position		
Investment in capital assets	26,657,676	22,748,078
Restricted	5,970,831	6,465,149
Unrestricted	(3,591,900)	(2,110,949)
Total Net Position	\$ 29,036,607	\$ 27,102,278

Significant variations between the 2019 financial information and the 2020 financial information include the following:

Current and Other Assets

Current and other assets increased 19% due primarily to changes in the Authority's net pension asset.

Capital Assets, Net of Depreciation

As of September 30, 2020, the Authority had capital assets with a historical cost of \$52,147,894. This is an increase of \$6,224,726 from the prior year, as the historical cost of acquisitions of capital assets exceeded that of disposals.

Deferred Outflows of Resources

The Authority's deferred outflows of resources decreased approximately \$1.7 million primarily due to the decrease in the net difference between projected and actual earnings on pension plan investments.

Noncurrent Liabilities

Noncurrent liabilities increased \$1,583,891 due to an increase in the Authority's net OPEB liability.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Deferred Inflows of Resources

Deferred inflows of resources increased \$1,917,411 due primarily to changes in deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investment.

The Central County Transportation Authority Activities

In a condensed format, the following table shows a comparison of the revenues and expenses for September 30, 2020 and September 30, 2019. The Central County Transportation Authority's net position increased \$1,934,329 during the year ended September 30, 2020, meaning revenues exceeded expenses for the period. Operating revenues decreased due to decreased ridership during the COVID-19 pandemic, operating expenses increased approximately \$1,912,230 primarily due to fluctuations in pension and OPEB related assets and liabilities; and nonoperating revenues/(expenses) increased \$1,912,945 primarily due to federal operating and capital grant reimbursements.

CONDENSED SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>
Operating Revenue (Expenses)		
Operating revenues	\$ 1,516,303	\$ 2,699,587
Operating expenses	<u>(23,581,666)</u>	<u>(21,669,436)</u>
Operating Loss	<u>(22,065,363)</u>	<u>(18,969,849)</u>
Nonoperating Revenues (Expenses)		
Tax levy	3,881,939	3,768,478
Federal grants and reimbursements	3,102,262	1,915,072
State grants and reimbursements	5,835,643	5,531,655
Local grants and reimbursements	3,960,404	3,574,312
Investment income	50,067	128,633
Interest expense on long-term debt	(169,567)	(171,705)
Gain/(loss) on sale of capital assets	<u>14,498</u>	<u>15,856</u>
Total Nonoperating Revenues	16,675,246	14,762,301
Capital Grant Revenue	<u>7,324,446</u>	<u>3,026,294</u>
Change in Net Position	1,934,329	(1,181,254)
Net position - Beginning of Year	<u>27,102,278</u>	<u>28,283,532</u>
Net position - End of Year	<u>\$ 29,036,607</u>	<u>\$ 27,102,278</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors

The Central County Transportation Authority (CCTA) receives funding from passenger fares, property taxes, contract services, and state and federal assistance.

As of October 1, 2016, the CCTA became the operator of the public transit system when transferred from the City of Kalamazoo. The CCTA is the direct recipient of State and Federal transit grants. In March 2020, the urban communities in Kalamazoo County approved a renewal of the region-wide transit millage for 0.90 mills to continue funding for the CCTA. The CCTA will work in coordination with the Kalamazoo County Transportation Authority (KCTA) to oversee and fund the system. The KCTA has a voter-approved county-wide millage of 0.3145 mills which will be up for renewal in 2021. Under the terms of an Operating Agreement between the CCTA and KCTA, KCTA millage revenue is transferred to the CCTA to operate the system.

Covid-19 presents a potentially negative economic impact going forward as state operating assistance is expected to decline. Local revenues are also expected to be constrained for at least the next year or two due to the pandemic and economic repercussions. To offset the potential negative impact on revenue generation, the federal government relief packages have provided additional grant funding for public transit.

The CCTA receives significant operating assistance each year from the State of Michigan Comprehensive Transportation Fund. The sources of these funds include a portion of state gasoline taxes, vehicle related sales taxes, license fees and other taxes and fees. These funds are subject to legislative appropriation each year and the percentage of eligible expenses funded is subject to change during the year and subject to reconciliation and audit after the year has concluded. For the period ending September 30, 2021, the Authority anticipates State operating assistance to fund 30.9848% of eligible urban expenses and 36.7916% of eligible nonurban expenses.

Contacting the Central County Transportation Authority

This audit report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of the Authority's finances. If you have questions concerning any of the information provided in this report, or if you need additional financial information, contact the Financial Director or the Executive Director at the following address:

Central County Transportation Authority
530 N. Rose Street
Kalamazoo, MI 49007
Phone: (269) 337-8087

BASIC FINANCIAL STATEMENTS

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

ASSETS	
Current assets	
Cash and cash equivalents	\$ 4,463,501
Accounts receivable	728,069
Taxes receivable	311,573
Due from other governmental units	5,611,752
Inventories	489,999
Prepays	<u>332,061</u>
Total current assets	<u>11,936,955</u>
Noncurrent assets	
Net pension asset	6,574,308
Capital assets not being depreciated	2,022,385
Capital assets, net of accumulated depreciation	<u>24,635,291</u>
Total noncurrent assets	<u>33,231,984</u>
TOTAL ASSETS	<u>45,168,939</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	1,437,237
Deferred outflows of resources related to OPEB	<u>4,493,419</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,930,656</u>
LIABILITIES	
Current liabilities	
Accounts payable	910,017
Accrued interest payable	56,400
Accrued wages payable	330,268
Other accrued expenses	11,299
Unearned revenue	208,088
Current portion of OPEB bonds payable	96,957
Current portion of compensated absences	<u>325,169</u>
Total current liabilities	<u>1,938,198</u>
Noncurrent liabilities	
Net other post-employment benefits liability	13,136,234
Noncurrent portion of OPEB bonds payable	3,854,466
Noncurrent portion of compensated absences	<u>61,755</u>
Total noncurrent liabilities	<u>17,052,455</u>
TOTAL LIABILITIES	<u>18,990,653</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	2,040,714
Deferred inflows of resources related to OPEB	<u>1,031,621</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,072,335</u>
NET POSITION	
Investment in capital assets	26,657,676
Restricted for pensions	5,970,831
Unrestricted	<u>(3,591,900)</u>
TOTAL NET POSITION	<u>\$ 29,036,607</u>

See accompanying notes to financial statements.

CENTRAL COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2020

OPERATING REVENUES	
Passenger fares	\$ 1,324,278
Other operating revenue	<u>192,025</u>
TOTAL OPERATING REVENUES	<u>1,516,303</u>
OPERATING EXPENSES	
Operations	11,588,321
Maintenance	3,142,803
General administration	<u>8,850,542</u>
TOTAL OPERATING EXPENSES	<u>23,581,666</u>
OPERATING (LOSS)	<u>(22,065,363)</u>
NONOPERATING REVENUES (EXPENSES)	
Taxes	3,881,939
Intergovernmental	
Federal sources	3,102,262
State sources	5,835,643
Local sources	3,960,404
Interest income	50,067
Interest expense	(169,567)
Gain on sale of capital assets	<u>14,498</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>16,675,246</u>
NET (LOSS) BEFORE CAPITAL GRANT REVENUE	<u>(5,390,117)</u>
CAPITAL GRANT REVENUE	
Intergovernmental	
Federal sources	5,859,556
State sources	<u>1,464,890</u>
TOTAL CAPITAL GRANT REVENUE	<u>7,324,446</u>
CHANGE IN NET POSITION	1,934,329
Net position, beginning of year	<u>27,102,278</u>
Net position, end of year	<u><u>\$ 29,036,607</u></u>

See accompanying notes to financial statements.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 766,691
Other operating cash receipts	192,025
Cash paid to suppliers	(8,898,043)
Cash paid for employee benefits	(4,283,081)
Cash paid to employees	<u>(4,618,925)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(16,841,333)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payment on borrowings	(94,770)
Interest paid on long-term debt	(170,300)
Taxes received	3,941,252
Intergovernmental sources received	<u>10,316,217</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>13,992,399</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital purchases	(6,948,429)
Proceeds on sale of capital assets	18,325
Capital grants received	<u>6,352,949</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(577,155)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>50,067</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,376,022)
Cash and cash equivalents, beginning of year	<u>7,839,523</u>
Cash and cash equivalents, end of year	<u>\$ 4,463,501</u>
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (22,065,363)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	3,035,004
(Increase) decrease in:	
Accounts receivable	(557,587)
Inventories	(23,589)
Prepays	(317,061)
Deferred outflows of resources related to pensions	1,825,747
Deferred outflows of resources related to OPEB	(85,514)
Net pension asset	(2,399,203)
Increase (decrease) in:	
Accounts payable	198,859
Accrued wages payable	(166,625)
Other accrued expenses	(6,049)
Net other post-employment benefits liability	1,669,030
Deferred inflows of resources related to pensions	1,067,774
Deferred inflows of resources related to OPEB	849,637
Compensated absences	<u>133,607</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (16,841,333)</u>

See accompanying notes to financial statements.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020**

	<u>Pension and Other Post- Employment Benefits Trusts</u>
ASSETS	
Cash	\$ 479,235
Investments	
U.S. Treasuries	1,020,248
Corporate bonds	4,828,146
Collateralized mortgage obligations	2,437,584
Equity mutual funds	21,262,873
Real estate mutual funds	1,541,280
Other pooled investments	<u>4,111</u>
Total investments	<u>31,094,242</u>
TOTAL ASSETS	<u>31,573,477</u>
NET POSITION	
Restricted for:	
Pension	31,108,615
OPEB	<u>464,862</u>
TOTAL NET POSITION	<u><u>\$ 31,573,477</u></u>

See accompanying notes to financial statements.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Pension and Other Post- Employment Benefits Trusts</u>
ADDITIONS TO NET POSITION	
Investment income	
Change in fair value of investments	\$ 329,097
Interest and dividends	<u>706,416</u>
Net investment income	<u>1,035,513</u>
Contributions	
Employer	150,000
Plan members	<u>75,875</u>
Total contributions	<u>225,875</u>
Total additions to net position	<u>1,261,388</u>
DEDUCTIONS FROM NET POSITION	
Benefits paid	1,436,730
Administrative expenses	92,136
Other expenses	<u>106,096</u>
Total deductions from net position	<u>1,634,962</u>
CHANGE IN PLAN NET POSITION	(373,574)
Restated net position - beginning of year	<u>31,947,051</u>
Net position - end of year	<u><u>\$ 31,573,477</u></u>

See accompanying notes to financial statements.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central County Transportation Authority (the Authority), was established under the applicable laws of the State of Michigan Public Act 196 of 1986, as amended, is governed by an eleven-member board of directors appointed by the County of Kalamazoo, Michigan (the County) Board. The Authority is not required to receive the approval of the County Board before issuing debt and may levy a tax on all of the taxable property within the jurisdictional limits/boundaries of the Authority, for transportation purposes, with the approval of the registered electors residing in the jurisdictional limits/boundaries.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of significant accounting policies is as follows:

Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Authority. As required by accounting principles generally accepted in the United States of America, these financial statements present all financial activities of the Authority. The Authority has no activities that would be classified as component units.

Basis of Presentation

The accounts of the Authority are organized on the basis of funds which are considered separate accounting entities. The fund financial statements provide information about the Authority's funds, including its fiduciary funds. Separate statements for each fund category (proprietary and fiduciary) are presented. The Authority reports the following funds:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Pension Trust Fund - This fund accounts for the activities of the pension trust, which accumulates resources held in trust for pension payments to qualified beneficiaries.

OPEB Trust Fund - This fund accounts for the activities of the other post-employment benefits trust, which accumulates resources held in trust for other post-employment benefit payments to qualified beneficiaries.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash, Cash Equivalents, and Investments

The Authority's cash and cash equivalents consists of governmental checking and money market accounts. Investments are reported at fair value. Investments consist of pension fund securities.

The Authority is authorized to invest any of its funds in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which it maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash, Cash Equivalents, and Investments (continued)

- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Receivables/Due From Other Governmental Units

Accounts receivable and due from other governmental units consist of amounts due for charges for services and various financial assistance programs, respectively.

Inventories

Inventories consist of repair parts, supplies, and fuel and are valued at cost, on a first-in, first-out basis, which approximates fair value.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets, Depreciation, and Long-Term Liabilities

Capital assets are those with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Property and equipment are recorded at cost or, if donated, at their estimated acquisition cost on the date donated. Depreciation on such capital assets is recorded on a straight-line basis over the estimated useful lives of the assets as defined in the R&E (Revenue and Expense) Manual and/or as approved by OPT (Office of Passenger Transportation). Costs of maintenance and repairs are charged to expense when incurred. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	5 - 50 years
Building and building improvements	50 years
Vehicles	4 - 10 years
Office equipment	6 - 10 years
Machinery and equipment	3 - 10 years
Intangibles	3 - 10 years

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as defined in the Revenue and Expense (R&E) Manual published by the Michigan Department of Transportation (MDOT) and/or as approved by the Office of Passenger Transportation (OPT).

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Capital Assets, Depreciation, and Long-Term Liabilities (continued)

The eligible depreciation for the year ended September 30, 2020, of \$41,676 (\$3,035,004 total depreciation reported in Operating Assistance Report (OAR) code 51300 for both Urban and Nonurban less ineligible depreciation of \$2,993,328 reported in OAR code 55007 Ineligible Depreciation) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by OPT.

Long-term liabilities are recognized in the basic financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that it is estimated will be taken as "termination leave" prior to retirement.

Unearned Revenue

Certain receipts from the State of Michigan reflect revenue applicable to future accounting periods and are recorded as unearned revenue.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority has several items that qualify for reporting in these categories. These items correspond to the Authority's net pension asset and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Cost Allocations

The Authority has three cost allocation plans where the methodology has been approved by the OPT. Those cost allocations are for charter service, urban and nonurban service, and Kalamazoo Transportation Center lease. These cost allocation plans were adhered to in the preparation of the financial statements.

The Authority allocates expenses between various program activities for grant reporting purposes. The allocations are prepared based on a cost allocation plan and methodology that has been approved by the grantor agency (i.e., service miles).

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

Explanation of Ineligible Expenses per the OPT R&E Manual

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Any capital money used to pay for operating expenses is subtracted out as ineligible expense and no expenses previously paid with capital money are included in expenses to be reimbursed. All costs associated with earning nontransportation revenue have been subtracted out as ineligible expenses. Eligible pension and other post-employment benefits include only amounts actually expensed on the books and paid with out-of-pocket money (e.g., not actuarial gains). All ineligible expenses, as required by OPT's R&E manual, have been reported.

NOTE 2 - DEPOSITS AND INVESTMENTS

CENTRAL COUNTY TRANSPORTATION AUTHORITY (EXCEPT PENSION AND OPEB PLANS)

As of September 30, 2020, the Authority had deposits and investments subject to the following risks:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of September 30, 2020, \$3,731,832 of the Authority's bank balance of \$4,231,840 was exposed to custodial credit risk because it was not covered by federal depository insurance. The Authority's carrying value on the books for deposits at the end of the year was \$4,014,681. The Authority had \$700 of imprest cash at September 30, 2020.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy does not specifically address this risk. The Authority's management evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated level risk level are used as depositories.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of September 30, 2020, the Authority's investment in the Michigan CLASS investment pool was rated AAAM by Standard & Poor's.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

CENTRAL COUNTY TRANSPORTATION AUTHORITY (EXCEPT PENSION AND OPEB PLANS) (continued)

Interest Rate Risk

The Authority's investment policy does not address interest rate risk which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates.

	Fair Value	Weighted Average Maturity
Michigan CLASS	\$ 448,120	55 days

Concentration of Credit Risk

The Authority's investment policy does not indicate how the Authority will minimize the concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer.

	Fair Value	Rating	Rating Agency
Michigan CLASS	\$ 448,120	AAAm	Standard & Poor's

Foreign Currency Risk

The Authority is not authorized to invest in investments which have this type of risk.

Fair Value Measurements

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

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

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

CENTRAL COUNTY TRANSPORTATION AUTHORITY (EXCEPT PENSION AND OPEB PLANS) (continued)

Investments in Entities that Calculate Net Asset Value per Share

The Authority holds shares in the Michigan CLASS investment pool where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At September 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Proprietary Fund				
Michigan CLASS	\$ 448,120	\$ -	No restrictions	None

PENSION AND OPEB PLANS

The deposits and investments of the Central County Transportation Authority Pension Plan (the Pension Plan) have been pooled with those of the City of Kalamazoo Employees' Retirement System (the System). The purchases, maturities, and investment performance are allocated between the Pension Plan and the System based on the fair value of their respective investments.

As of September 30, 2020, the Pension Plan had deposits and investments subject to the following risks.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Pension Plan's deposits may not be returned to it. Checking or other demand/time deposit accounts are not maintained. Amounts reported as cash and cash equivalents in the statement of plan net position include cash and short-term investments in money market accounts held by the investment managers. These accounts are insured by the Securities Investors Protection Corporation for up to \$500,000 each. The carrying amount of these accounts as of September 30, 2020, was \$14,373, which was fully insured.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

PENSION AND OPEB PLANS (continued)

Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the Pension Plan to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The System's Investment Committee is responsible for recommending the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries, and other fiduciaries utilized by the System. The Authority Board is responsible for approving the recommendations of the Investment Committee. All investment decisions are subject to Michigan law and the investment policy established by the Authority Board.

The adopted asset allocation policy as of September 30, 2020, is as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Rate of Return</u>
Micro Capitalization Domestic Equity	5.00%	6.00%
Small Capitalization Domestic Equity	10.00%	6.00%
Small Capitalization Value International Equity	10.00%	5.00%
S&P Index Funds	30.00%	5.00%
Large Capital Domestic Equity	5.00%	5.00%
Emerging Markets Equity	10.00%	6.75%
Intermediate Fixed Income	12.50%	0.75%
Long Fixed Income	12.50%	0.75%
Real Estate Securities	2.50%	3.75%
Real Estate	2.50%	3.75%

The Pension Plan's investments are held in nine portfolios administered by five investment managers. Following is a summary of the portfolio's investments as of September 30, 2020:

U.S. Treasuries	\$ 1,020,248
Corporate bonds	4,828,146
Collateralized mortgage obligations	2,437,584
Equity mutual funds	21,262,873
Real estate mutual funds	1,541,280
Other pooled investments	<u>4,111</u>
Total investments	<u><u>\$ 31,094,242</u></u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

PENSION AND OPEB PLANS (continued)

As of September 30, 2020, the carrying amount and fair value for each investment are as follows:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Federal Home Loan	\$ 559,934	\$ -	\$ -	\$ 559,934
Fannie Mae	1,817,100	-	-	1,817,100
Ginnie Mae	60,550	-	-	60,550
U.S. Treasury Notes	1,020,248	-	-	1,020,248
Corporate bonds	-	4,828,146	-	4,828,146
Equity mutual funds	21,262,873	-	-	21,262,873
Real estate mutual funds	1,541,280	-	-	1,541,280
Other pooled investments	4,111	-	-	4,111
	<u>\$ 26,266,096</u>	<u>\$ 4,828,146</u>	<u>\$ -</u>	<u>\$ 31,094,242</u>

Investments in Entities that Calculate Net Asset Value per Share

The OPEB Trust Fund holds shares in the Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle. MERS invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

At September 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Fiduciary Funds				
MERS total market portfolio	<u>\$ 464,862</u>	<u>\$ -</u>	No restrictions	None

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Pension Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Plan's investment policy does not address custodial credit risk. Although uninsured and unregistered, the portfolio's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the Pension Plan's name. Short-term investments in money market funds and investments in mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

PENSION AND OPEB PLANS (continued)

Credit Risk

The Pension Plan's investment policy provides that its investments in bonds must be rated in the top four major investment grades as determined by two nationally recognized statistical rating organizations. As of September 30, 2020, the portfolio's investments in fixed income securities were rated by Standard & Poor's and Moody's as follows:

<u>Standard & Poor's</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>CMO</u>	<u>Other Pooled Investments</u>
AAA	\$ -	\$ 384,342	\$ -	\$ -
AA	-	556,465	-	-
A	-	1,346,762	-	-
BBB	-	1,330,119	-	-
Not rated	1,020,248	1,210,458	2,437,584	4,111
	<u>\$ 1,020,248</u>	<u>\$ 4,828,146</u>	<u>\$ 2,437,584</u>	<u>\$ 4,111</u>
<u>Moody's</u>	<u>U.S. Agencies</u>	<u>Corporate Bonds</u>	<u>CMO</u>	<u>Other Pooled Investments</u>
Aaa	\$ 1,020,248	\$ 397,767	\$ 2,437,584	\$ -
Aa	-	479,507	-	-
A	-	1,755,648	-	-
Baa	-	896,679	-	-
Ba	-	2,259	-	-
Not Rated	-	1,296,286	-	4,111
	<u>\$ 1,020,248</u>	<u>\$ 4,828,146</u>	<u>\$ 2,437,584</u>	<u>\$ 4,111</u>

Concentration of Credit Risk

The Pension Plan's investment policy requires that the securities of any one company or government agency should not exceed 5% of the total fund. At September 30, 2020, the portfolio's investments were within that range.

The Pension Plan's investment policy and State statutes provide that no more than 70% of the total investments may be in equity holdings and no more than 5% in real estate. As of September 30, 2020, equity holdings accounted for 70% of the total investment portfolio; the holdings in real estate were 5% at September 30, 2020.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

PENSION AND OPEB PLANS (continued)

Interest Rate Risk

For investments, the risk that changes in interest rates will adversely affect the fair value of the investment is known as interest rate risk. The Pension Plan's investment policy does not address interest rate risk. As of September 30, 2020, maturities of the portfolio's debt securities were as follows:

	Fair Value	Investment Maturities (Fair Value by Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 1,020,248	\$ -	\$ 124,471	\$ 298,637	\$ 597,140
Corporate bonds	4,828,146	1,184,729	1,581,423	946,412	1,115,582
Collateralized mortgage obligations	2,437,584	5,298	20,884	57,442	2,353,960
	<u>\$ 8,285,978</u>	<u>\$ 1,190,027</u>	<u>\$ 1,726,778</u>	<u>\$ 1,302,491</u>	<u>\$ 4,066,682</u>

Derivatives

The Pension Plan's investment policy permits the prudent use of derivatives to reduce portfolio risk and enhance investment return. Under the terms of the investment agreements, portfolio managers are required to report all derivative holdings on a quarterly basis. The Investment Committee monitors these reports to evaluate the Pension Plan's exposure to credit, market, and legal risk.

The portfolios managed by Jennison Associates have utilized U.S. currency futures contracts, a type of derivative, to reduce overall portfolio volatility caused by interest rate risk. At September 30, 2020, the portfolio had no U.S. currency futures contracts.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension Plan's exposure to foreign currency risk derives from its positions in foreign currency-denominated fixed income investments. The Pension Plan's investment policy permits it to invest up to 10% of total investments in foreign currency-denominated investments.

The Pension Plan's exposure to foreign currency risk in U.S. dollars as of September 30, 2020, is summarized below:

<u>Currency</u>	<u>Fixed Income</u>
Canadian Dollar	\$ 41,687
Euro	80,277
Norwegian Krone	69,460
Pound Sterling	154,882
Swiss Franc	14,046
	<u>\$ 360,352</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units at September 30, 2020, by grant type and grant award year are as follows:

Federal Section 5307 Capital - FY 2020	\$	167,372
Federal Section 5307 Capital - FY 2019		183,207
Federal Section 5307 Capital - FY 2018		67,141
Federal Section 5307 Capital - FY 2012		10,261
Federal Section 5339 Capital - FY 2019		673,700
Federal Section 5310 Operating - FY 2020		27,130
Federal Section 5310 Operating - FY 2019		2,903
Federal Section 5311 Capital - FY 2020		22,147
Federal Section 5307 Operating - FY 2020		1,700,000
Federal Section 5307 Operating - FY 2019		1,700,000
State Operating Assistance - FY 2020		543,602
State Operating Assistance - FY 2019		138,062
Specialized Services		17,146
Kalamazoo County Transportation Authority		357,723
City of Kalamazoo		1,358
Total	\$	5,611,752

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance Oct. 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2020
Capital assets not being depreciated				
Land	\$ 2,012,631	\$ -	\$ -	\$ 2,012,631
Construction in progress	44,375	9,755	(44,376)	9,754
Subtotal	2,057,006	9,755	(44,376)	2,022,385
Capital assets being depreciated				
Building and improvements	18,245,920	271,182	-	18,517,102
Land improvements	325,335	73,401	-	398,736
Machinery and equipment	2,290,420	18,879	(70,720)	2,238,579
Office furniture and equipment	820,433	6,994	-	827,427
Vehicles	19,197,986	6,564,430	(652,983)	25,109,433
Intangible assets	2,986,068	48,164	-	3,034,232
Subtotal	43,866,162	6,983,050	(723,703)	50,125,509

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (continued)

	Balance <u>Oct. 1, 2019</u>	Additions/ <u>Reclassifications</u>	Deletions/ <u>Reclassifications</u>	Balance <u>Sept. 30, 2020</u>
Less accumulated depreciation for:				
Building and improvements	\$ (8,572,125)	\$ (446,567)	\$ -	\$ (9,018,692)
Land improvements	(295,150)	(7,276)	-	(302,426)
Machinery and equipment	(1,802,224)	(121,723)	70,720	(1,853,227)
Office furniture and equipment	(497,329)	(96,454)	-	(593,783)
Vehicles	(10,103,048)	(2,048,511)	649,156	(11,502,403)
Intangible assets	(1,905,214)	(314,473)	-	(2,219,687)
Subtotal	<u>(23,175,090)</u>	<u>(3,035,004)</u>	<u>719,876</u>	<u>(25,490,218)</u>
Net capital assets being depreciated	<u>20,691,072</u>	<u>3,948,046</u>	<u>(3,827)</u>	<u>24,635,291</u>
Capital assets, net	<u>\$ 22,748,078</u>	<u>\$ 3,957,801</u>	<u>\$ (48,203)</u>	<u>\$ 26,657,676</u>

When Federal or State funded assets are withdrawn from public transportation service, the disposition of the assets is to be determined by the United States Department of Transportation (USDOT) and the Michigan Department of Transportation (MDOT). During the year ended September 30, 2020 Central County Transportation Authority disposed of assets that were Federally and State funded with a historical cost of \$706,259 and accumulated depreciation of \$702,432. Depreciation expense in the amount of \$3,035,004 was reported for the year ended September 30, 2020.

The Authority has entered into an agreement to lease the land and building that house the transportation operations. In accordance with accounting standards, because the lease term for the property is equal to 75% or more of the estimated economic life, the lease has been classified as a capital lease and the land and building are included in the capital assets scheduled above.

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended September 30, 2020:

	Balance <u>Oct. 1, 2019</u>	Additions	Deletions	Balance <u>Sept. 30, 2020</u>	Amounts Due Within <u>One Year</u>
Bonds payable					
2015 OPEB bonds	\$ 4,046,193	\$ -	\$ (94,770)	\$ 3,951,423	\$ 96,957

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (continued)

Significant details regarding the outstanding long-term debt (including the current portion) are presented below:

\$4,420,413 Limited Tax General Obligation Bonds dated January 7, 2015, due in annual installments of \$96,957 to \$254,421 through December 1, 2045, with interest ranging from 2.612% to 4.670%, payable semi-annually. \$ 3,951,423

The annual requirements to pay the debt principal and interest outstanding for the above bonds payable are as follows:

Year Ending September 30,	Principal	Interest
2021	\$ 96,957	\$ 167,935
2022	99,630	165,218
2023	102,546	162,200
2024	105,462	158,941
2025	108,864	155,423
2026-2030	606,285	712,898
2031-2035	742,851	571,680
2036-2040	925,587	383,628
2041-2045	1,163,241	140,768
	<u>\$ 3,951,423</u>	<u>\$ 2,618,691</u>

NOTE 6 - COMPENSATED ABSENCES

Compensated absences activity for the year ended September 30, 2020, was as follows:

	Balance Oct. 1, 2019	Additions	Deletions	Balance Sept. 30, 2020	Amounts Due Within One Year
Compensated absences	<u>\$ 253,317</u>	<u>\$ 430,086</u>	<u>\$ (296,479)</u>	<u>\$ 386,924</u>	<u>\$ 325,169</u>

In accordance with the Central County Transportation Authority's personnel policies and/or contracts negotiated with the various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$386,924 for vacation and sick at September 30, 2020. The amounts of \$325,169 and \$61,755 have been reported as current and noncurrent liabilities, respectively.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Administration

The Central County Transportation Authority Pension Plan (the Plan) is a single-employer defined benefit contributory plan which provides pension, disability, and death benefits to all full-time employees and some part-time employees of the Central County Transportation Authority (the Authority).

The Plan was established by the Authority on October 1, 2016 and is maintained as a Pension Trust Fund in the Authority's financial statements. The Plan is administered by the Central County Transportation Authority Pension Plan Board of Trustees. The Board consists of the Executive Director of the Authority, two members of the Authority Board of Directors, the Deputy Director for Support Services of the Authority, and the Chief Financial Officer of the City of Kalamazoo. Plan benefit provisions were established and may be amended under the authority of the Board of Trustees. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the Board of Directors of the Central County Transportation Authority. The Plan does not issue a publicly available financial report.

Plan Membership

At December 31, 2018, pension plan membership consisted of the following:

Inactive employees or beneficiaries receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	8
Active employees	109
Total employees covered by the plan	188

Benefits Provided

A brief summary of the benefit provisions as of December 31, 2018 are as follows:

Benefit Groups:

- Exempt Employees (Non-Union)
- Amalgamated Transit Union (ATU)
- Kalamazoo Municipal Employees Association (KMEA)

Final Average Compensation (FAC): Highest three consecutive years out of the last ten.

Benefit Multiplier: Varies by Benefit Group

- Non-Union: 2.3% of FAC
- ATU: 2.1% of FAC
- KMEA: 2.1% of FAC

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided (continued)

Normal Retirement:

Non-Union Eligibility:

Hired Prior to 9/1/2010: Age 62 with 5 years of service or age 57 with 25 years of service.

Hired on or After 9/1/2010: Age 62 with 10 years of service or age 57 with 25 years of service.

ATU Eligibility: Age 62 with 10 years of service or age 57 with 25 years of service.

KMEA Eligibility:

Hired Prior to 1/1/2009: Age 62 with 8 years of service or age 57 with 25 years of service.

Hired on or After 1/1/2009: Age 62 with 10 years of service or age 57 with 25 years of service.

Amount of Benefit: Benefit Multiplier x FAC x Years of Credited Service.

Early Retirement:

Non-Union Eligibility:

Hired Prior to 9/1/2010: Age 62 with 5 years of service or rule of 70 with minimum age 55.

Hired on or After 9/1/2010: Age 60 with 10 years of service or rule of 70 with minimum age 55.

ATU Eligibility:

Hired Prior to 9/1/2010: Age 62 with 5 years of service or rule of 70 with minimum age 55.

Hired on or After 9/1/2010: Age 60 with 10 years of service or rule of 70 with minimum age 55.

KMEA Eligibility:

Hired Prior to 1/1/2009: Age 62 with 8 years of service or rule of 70 with minimum age 55.

Hired on or After 1/1/2009: Age 60 with 10 years of service or rule of 70 with minimum age 55.

Amount of Benefit: Normal Retirement Benefit reduced for early commencement.

Amount of Reduction: 4/10 of 1% for each month retirement is prior to age 62 (from age 57 if retired with 25 or more years of credited service).

Deferred Vested Retirement:

Eligibility: Satisfaction of the service requirement for Early Retirement.

Amount of Benefit: Normal Retirement Benefit based upon FAC and years of credited service at termination.

Commencement of Benefit: Upon attainment of minimum age requirement for Normal Retirement.

Disability Retirement:

Eligibility: Satisfaction of the minimum service requirement for Early Retirement.

Amount of Benefit: Normal Retirement Benefit based upon FAC and years of credited service at termination.

Duty Disability Special Conditions:

1. Minimum service requirement is waived.
2. Benefit Minimum is Normal Retirement Benefit based upon FAC at termination and the minimum service requirement for a non-duty disability retirement.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided (continued)

Death Retirement:

Eligibility: Satisfaction of the minimum service requirement for Early Retirement.

Amount of Benefit: Normal Retirement Benefit based upon FAC and years of credited service at termination, reduced in accordance with a 100% joint and survivor election.

Duty Disability Special Conditions:

1. Minimum service requirement is waived.
2. Benefit Minimum is:
 - a. 33 1/3% of FAC payable to surviving spouse; plus
 - b. Unmarried children under 18 years of age receive equal shares of 25% of FAC.

Annual Pension Adjustment:

Non-Union:

Eligibility: Members making election by May 30, 2006 who make increased member contributions annually.

Amount of Increase: 1.5% compounded annually granted on the anniversary of retirement.

Increases are granted on January 1 annually, following one full year of retirement.

ATU:

Eligibility: Retired on or after March 1, 2000. Participants retiring before the Normal Retirement Date are excluded.

Amount of Increase: 1.0% compounded annually granted on the anniversary of retirement.

Upon attainment of age 75, increases are 2.0% compounded annually.

KMEA:

Eligibility: Retired on or after March 13, 2000. Participants retiring before the Normal Retirement Date are excluded.

Amount of Increase: 1.5% compounded annually granted on the anniversary of retirement.

Increases begin the later of attainment of age 64 or the first anniversary of the date of retirement.

Member Contributions:

Non-Union Amount: Varies by date of hire. Members electing the annual pension adjustment by May 30, 2006, pay additional 2.0% above the following.

Hired before 6/1/2006: 1.5% of compensation.

Hired on or after 6/1/2006: 3.0% of compensation.

ATU Amount: 1% of compensation.

KMEA Amount: 1% of compensation.

Periodic Payment:

Description: Subject to section 15.5 of the CCTA Pension Plan document, certain retirees are eligible for a nonguaranteed payment, with a potential payment every third year. The payment is subject to additional requirements related to the need for projected employer contributions to the Plan and can be reduced or eliminated based on CCTA Board recommendation.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Contributions

Required non-union member contributions vary by date of hire. Non-union members hired before June 1, 2006, are required to contribute 1.5% of their compensation. Non-union members hired on or after June 1, 2006 are required to pay 3.0% of their compensation. Members electing the annual pension adjustment by May 30, 2006, pay an additional 2.0% above those rates. ATU and KMEA members are required to contribute 1.0% of their compensation. The employer is required to contribute such additional amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. No employer contributions were required for the year ended September 30, 2020.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset

The net pension asset reported at September 30, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of December 31, 2018.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
<u>Changes in Net Pension (Asset) Liability</u>			
Balances at December 31, 2018	\$ 25,126,916	\$ 29,302,021	\$ (4,175,105)
Changes for the year			
Service cost	602,024	-	602,024
Interest on total pension liability	1,790,650	-	1,790,650
Difference between expected and actual	(457,176)	-	(457,176)
Change in assumptions	1,218,483	-	1,218,483
Benefit payments, including employee refunds	(1,458,602)	(1,458,602)	-
Employee contributions	-	73,002	(73,002)
Net investment income	-	5,527,072	(5,527,072)
Administrative expense	-	(46,890)	46,890
Net changes	1,695,379	4,094,582	(2,399,203)
Balances at December 31, 2019	\$ 26,822,295	\$ 33,396,603	\$ (6,574,308)

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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

For the year ended December 31, 2019, the Authority recognized pension expense of \$494,318. As of September 30, 2020, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,019,106
Changes in assumptions	1,437,237	-
Net difference between projected and actual earnings on pension plan investments	-	1,021,608
Total	\$ 1,437,237	\$ 2,040,714

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	Pension Expense
2021	\$ (374,430)
2022	(295,121)
2023	457,703
2024	(480,031)
2025	88,402

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods including in the measurement:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions (continued)

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent-of-Payroll, Open Period
Remaining Amortization Period	10 years
Asset Valuation Method	5-Year smoothed market
Inflation	3.25% (which includes price inflation of 2.25%)
Salary Increases	3.25% to 10.25% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2009 - 2013.
Mortality	RP-2000 Mortality Combined Healthy Tables, projected 20 years with U.S. Projection Scale BB.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Small Cap (Manager 1)	5.00%	4.87%
U.S. Small Cap (Manager 2)	10.00%	4.87%
International Developed Equity	10.00%	5.37%
U.S. Large Cap (Manager 1)	30.00%	4.37%
U.S. Large Cap (Manager 2)	5.00%	4.37%
Emerging Markets	10.00%	7.87%
Domestic Fixed Income	25.00%	0.57%
Real Estate (Manager 1)	2.50%	2.77%
Real Estate (Manager 2)	2.50%	2.77%
Total	<u><u>100.00%</u></u>	

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

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

The following presents the Authority's net pension liability, calculated using the discount rate of 7.00%, as well as what the Authority's net pension asset would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total pension liability	\$ 30,094,766	\$ 26,822,295	\$ 24,083,919
Plan fiduciary net position	33,396,603	33,396,603	33,396,603
Net pension asset	\$ (3,301,837)	\$ (6,574,308)	\$ (9,312,684)

Changes in Assumptions

- The actuarial assumptions were changed during the year as follows:
- Reduction in discount rate from 7.25% to 7.00%
 - Reduction in investment rate of return from 7.25% to 7.00%
 - Reduction in price inflation from 2.50% to 2.25%
 - Reduction in wage inflation from 3.50% to 3.25%

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Authority participates in the City of Kalamazoo Postretirement Welfare Benefits Plan (the "Plan"), a cost sharing multi-employer defined benefit other post-employment benefit plan administered by the City of Kalamazoo Other Post-Employment Benefits Trust Fund Trustee. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the respective employers. Plan benefit provisions were established and may be amended under the authority of the respective employers. The Plan issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to the City of Kalamazoo Other Post-Employment Benefits Trust, 241 W. South Street, MI 49007.

The Authority has also established a trust fund with the Municipal Employees' Retirement System of Michigan (MERS) for the purpose of making additional contributions to fund the liability for post-employment benefits. This fund is maintained as an OPEB Trust Fund in the Authority's financial statements.

Benefits Provided

The Plan provides medical benefits to eligible retirees and their spouses.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Contributions

Plan members are not required to contribute to the Plan based on covered payroll. The employers are required to contribute such amounts, as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. For the year ended December 31, 2019, the actuarially determined contributions for the employers were \$8,012,819 and actual employer contributions were \$3,500,000.

Investment Policy

The Michigan Public Employees Retirement System Investment Act, Public Act 314 of 1965, as amended, authorizes the Plan to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Plan's Trustee is responsible for recommending to the respective governing bodies the investment policies and strategies, and retaining/monitoring the various investment managers, trustees, advisors, actuaries, and other fiduciaries utilized by the Plan. The respective governing bodies are responsible for approving the recommendations of the Plan's Trustee. All investment decisions are subject to Michigan law and the investment policy established by the respective governing bodies. As City of Kalamazoo OPEB Trust Fund and Employees' Retirement System assets are commingled for investment purposes, the Plan's Trustee has adopted the policies, strategies, and approaches used by the Employees' Retirement System's Investment Committee.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Small Cap (Manager 1)	5.00%	4.87%
U.S. Small Cap (Manager 2)	10.00%	4.87%
International Developed Equity	10.00%	5.37%
U.S. Large Cap (Manager 1)	30.00%	4.37%
U.S. Large Cap (Manager 2)	5.00%	4.37%
Emerging Markets	10.00%	7.87%
Domestic Fixed Income	25.00%	0.57%
Real Estate (Manager 1)	2.50%	2.77%
Real Estate (Manager 2)	2.50%	2.77%
Total	100.00%	

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported for the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The total OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	5-Year Smoothed Market
Inflation	3.5% (which includes price inflation of 2.50%)
Salary Increases	3.5% to 15.5%, including inflation
Investment Rate of Return	7.5%, net of OPEB plan investment expense
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Mortality Table, projected 20 years with U.S. Projection Scale BB, rates set-forward 7 years for disabled members.
Health Care Trend Rates	8.25% trend for the first year, gradually decreasing to 3.5% in year 10.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".

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

At September 30, 2020, the Authority reported a liability of \$13,451,206 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of December 31, 2018 and rolled-forward using generally accepted actuarial procedures. The Authority's proportion of the net OPEB liability was based on present value of future benefits. At December 31, 2019, the Authority's proportion was 7.271%.

	<u>Dec. 31, 2019</u>
Total OPEB Liability	\$ 287,109,353
Plan Fiduciary Net Position	102,105,385
Net OPEB Liability	185,003,968
Proportionate Share	7.271%
Net OPEB Liability for the Authority	\$ 13,451,639

The Authority's net OPEB liability is \$13,136,234 after reflecting assets of \$315,405 held in trust with MERS as of December 31, 2019, outside of the City of Kalamazoo Postretirement Welfare Benefits Plan.

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$2,836,068.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 3,676,813	\$ -
Differences between expected and actual experience	354,546	710,576
Net difference between projected and actual earnings on plan investments	-	188,646
Changes in proportion and differences between employer contributions and share of contributions	121,185	132,399
Contributions subsequent to the measurement date*	340,875	-
Total	\$ 4,493,419	\$ 1,031,621

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending September 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	OPEB Expense
2020	\$ 2,314,747
2021	760,594
2022	199,220
2023	(153,638)

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. This single discount rate was based on an expected rate of return on OPEB plan investments of 7.25% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to \$3,500,000 per year. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2034. As a result, the long-term expected rate of return on OPEB plan investments was applied to projected benefit payments through the year 2034, and the municipal bond rate was applied to all benefit payments after that date.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.69%) or one-percentage-point higher (4.69%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 16,314,731	\$ 13,136,234	\$ 10,561,924

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trends rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 10,221,708	\$ 13,136,234	\$ 16,769,803

NOTE 9 - TAXES

The Authority is permitted by P.A. 196 of 1986, as amended, to levy property taxes to assist in its operations. Property taxes attach an enforceable lien on property as of July 1 for cities and December 1 for townships and are levied on July 1 and December 1, respectively. The County collects taxes for the Authority. Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County, and equalized under State statute at approximately 50% of the current estimated market value. During the 2020 fiscal year, the Authority levied a millage of \$0.7500 per \$1,000 of assessed valuation on December 1, 2019, on townships and \$0.7470 per \$1,000 of assessed valuation on July 1, 2020, on cities.

Tax Abatements

The Authority received reduced property tax revenues during 2020 as a result of industrial facilities tax exemptions (IFT's) entered into by cities, villages, townships, and authorities within Kalamazoo County.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the county. The abatements amounted to \$23,254 in reduced tax revenues for 2020.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - RISK MANAGEMENT

The Authority participates in the Michigan Municipal Risk Management Authority (MMRMA), a self-insured, public-entity risk pool organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships, and special purpose governments. The Authority has not been informed of any special assessments being required.

The Authority carries commercial insurance for the risk of loss due to workers compensation claims. Settled claims have not exceeded this commercial coverage in either of the past three years.

NOTE 11 - CONTINGENT LIABILITIES

Under the terms of various Federal and State grants, periodic compliance audits are required, and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

NOTE 12 - COMPLIANCE REQUIREMENTS

The methodology used for compiling mileage on OAR Schedules (Urban and Nonurban) is an adequate and reliable methodology for recording vehicle mileage.

Ineligible expenses are classified appropriately according to the definition in the Michigan Department of Transportation Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal 2 CFR Part 225. Any capital money used to pay for operating expenses is subtracted out as ineligible expense and no expenses previously paid with capital money are included in expenses to be reimbursed. All costs associated with earning non-transportation revenue have been subtracted out as ineligible expenses. Eligible pension and other post-employment benefits include only amounts actually expensed on the books and paid with out-of-pocket money (e.g., not actuarial gains). All ineligible expenses, as required by OPT's R&E manual, have been reported.

NOTE 13 - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The assets of the plans are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The trust requirement was designed by the Internal Revenue Service to help prevent participants from losing their retirement benefits to the claims of plan Sponsor's creditors. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use.

A trust was created for the plan assets, thereby insulating the assets from the Authority's general creditors. The Authority's plan administrator, ICMA Retirement Corporation, created the trust and has placed the assets of the plan within the trust. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Authority's financial statements.

CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - RELATED PARTY

The Authority has a contractual relationship with the Kalamazoo County Transportation Authority (KCTA) where KCTA transfers their property tax collections to the Authority to provide transit services. The Authority and KCTA are under common management control. KCTA also transferred payments received from the State of Michigan for personal property tax reimbursements to the Authority. For the year ended September 30, 2020, total payments to the Authority amounted to \$2,898,885. At September 30, 2020, \$357,723 was due from KCTA and included in the due from other governmental units caption on the statement of net position.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As a result of this change in accounting principles the beginning net position of the OPEB Trust Fund was restated by \$298,961.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 17 - UNCERTAINTIES

The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)**

	2019	2018	2017	2016
Total Pension Liability				
Service cost	\$ 602,024	\$ 564,693	\$ 531,951	\$ 488,626
Interest	1,790,650	1,737,126	1,728,567	18,323
Change in benefit terms ⁽¹⁾	-	-	-	23,809,450
Difference between expected and actual experience	(457,176)	(42,034)	(846,825)	(900,382)
Change of assumptions	1,218,483	669,306	-	-
Benefit payments, including employee refunds	(1,458,602)	(1,363,003)	(1,268,881)	-
Other	-	(1)	-	-
Net Change in Total Pension Liability	1,695,379	1,566,087	144,812	23,416,017
Total Pension Liability, beginning	25,126,916	23,560,829	23,416,017	-
Total Pension Liability, ending	<u>\$ 26,822,295</u>	<u>\$ 25,126,916</u>	<u>\$ 23,560,829</u>	<u>\$ 23,416,017</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - employee	73,002	69,362	65,034	14,189
Net investment income (loss)	5,527,072	(2,342,429)	3,884,913	3
Benefit payments, including employee refunds	(1,458,602)	(1,363,003)	(1,268,881)	-
Administrative expense	(46,890)	(36,233)	(36,876)	-
Other ⁽²⁾	-	-	8,615,942	21,700,000
Net Change in Plan Fiduciary Net Position	4,094,582	(3,672,303)	11,260,132	21,714,192
Plan Fiduciary Net Position, beginning	29,302,021	32,974,324	21,714,192	-
Plan Fiduciary Net Position, ending	<u>\$ 33,396,603</u>	<u>\$ 29,302,021</u>	<u>\$ 32,974,324</u>	<u>\$ 21,714,192</u>
Employer's Net Pension (Asset) Liability	<u>\$ (6,574,308)</u>	<u>\$ (4,175,105)</u>	<u>\$ (9,413,495)</u>	<u>\$ 1,701,825</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	124.51%	116.62%	139.95%	92.73%
Covered payroll	\$ 4,995,358	\$ 4,921,201	\$ 4,582,818	\$ 4,251,161
Employer's Net Pension (Asset) Liability as a percentage of covered payroll	(131.61%)	(84.84%)	(205.41%)	40.03%

(1) Effective October 1, 2016, the City of Kalamazoo's existing transit operations spun off to become part of CCTA. The CCTA Pension Plan is a separate single-employer retirement system. This schedule reflects CCTA service cost and transfer of liabilities and assets to CCTA.

(2) Reflects transfers related to the CCTA spin-off from the City of Kalamazoo Employees' Retirement System.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
 DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST FOUR YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 12/31)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,296,621	\$ 5,203,818	\$ 4,917,745	\$ 4,967,202
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
 DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF INVESTMENT RETURNS
 LAST FOUR YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 12/31)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	19.30%	-7.25%	17.72%	0.00%

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST THREE MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CCTA's proportion of net OPEB liability (%)	7.271%	7.062%	7.322%
CCTA's proportionate share of net OPEB liability	\$ 13,451,639	\$ 11,467,204	\$ 9,758,324
CCTA's covered payroll	4,995,358	4,921,201	4,582,818
CCTA's proportionate share of net OPEB liability as a percentage of its covered payroll	269.28%	233.02%	212.93%

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST THREE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially calculated employer contributions	\$ 700,034	\$ 582,692	\$ 592,937
Contributions in relation to the actuarially determined contributions	<u>254,500</u>	<u>255,800</u>	<u>220,850</u>
Contribution deficiency (excess)	<u>\$ 445,534</u>	<u>\$ 326,892</u>	<u>\$ 372,087</u>
CCTA's covered payroll	\$ 5,296,621	\$ 5,203,818	\$ 4,917,745
Contributions as a percentage of covered payroll	4.80%	4.92%	4.49%

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - DEFINED BENEFIT PENSION PLAN

Changes of benefit terms: There were no changes of benefit terms during fiscal year 2020.

Changes in assumptions: The discount rate used to measure the total pension liability was changed from 7.25% to 7.00%. Certain assumptions were updated pursuant to an assumption study as of December 31, 2018 dated November 26, 2019.

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS

Changes of benefit terms: There were no changes of benefit terms during fiscal year 2020.

Changes in assumptions: Certain assumptions were updated pursuant to an experience study for the five-year period from 2014-2018 dated January 7, 2020.

Proportionate share of net OPEB liability reported as required supplementary information is exclusive of additional amounts held in trust outside of the City of Kalamazoo Postretirement Welfare Benefits Plan.

OTHER SUPPLEMENTARY INFORMATION

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF LOCAL REVENUES
YEAR ENDED SEPTEMBER 30, 2020**

Passenger fares	\$ 1,324,278
Advertising	46,741
Intercity ticket sales	21,056
Rental of buildings or other property	105,982
Parking lot revenue	106
Gain from sale of capital assets	14,498
Other nontransportation revenue	18,140
Taxes levied	3,881,939
Operating assistance	1,061,519
Contracts and reimbursements	2,898,885
Interest income	<u>50,067</u>
 TOTAL LOCAL REVENUES	 <u><u>\$ 9,423,211</u></u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

Federal and State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant No./ Authorization Number	Restated Program Award Amount	Current Year's Expenditures			Restated Prior Years' Expenditures	Award Amount Remaining
				Total	Federal	State		
U.S. DEPARTMENT OF TRANSPORTATION								
Direct programs								
Federal Transit - Formula Grants ^{(a) (b)}	20.507							
Operating Grant - Section 5307		N/A	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ -	\$ -	\$ -
COVID-19 - Section 5307		N/A	9,074,494	1,500,000	1,500,000	-	-	7,574,494
Passed through Michigan Department of Transportation								
Federal Transit - Formula Grants ^{(a) (b)}	20.507							
Capital Grant - Section 5307(80/20)		MI-2018-004-00/P3	3,024,838	1,318,806	1,055,045	263,761	1,628,064	77,968
Capital Grant - Section 5307(80/20)		MI-2016-031-00/2012-0112/P21	953,979	23,301	18,641	4,660	116,804	813,874
Capital Grant - Section 5307(80/20)		MI-2020-062-00/2012-0112/P12	2,977,241	138,701	110,960	27,741	-	2,838,540
Capital Grant - Section 5307(80/20)		MI-2020-063-00/2012-0112/P15	1,847,503	28,671	22,937	5,734	-	1,818,832
Capital Grant - Section 5307(80/20)		MI-2019-012/P7	3,076,657	1,971,764	1,577,410	394,354	345,090	759,803
Buses and Bus Facilities ^{(a) (b)}								
Capital Grant - Section 5339	20.526	MI-2019-012/P7	298,451	298,451	238,761	59,690	-	-
Capital Grant - Section 5339		MI-2019-012/P7	3,510,996	3,368,502	2,694,802	673,700	-	142,494
Total Federal Transit Cluster			<u>26,464,159</u>	<u>10,348,196</u>	<u>8,918,556</u>	<u>1,429,640</u>	<u>2,089,958</u>	<u>14,026,005</u>
Formula Grants for Rural Areas								
Operating Assistance - Section 5311	20.509	2017-0030/P14	23,757	12,370	12,370	-	-	11,387
COVID-19 Operating Assistance - Section 5311		2017-0030/P14	9,947	9,947	9,947	-	-	-
			<u>33,704</u>	<u>22,317</u>	<u>22,317</u>	<u>-</u>	<u>-</u>	<u>11,387</u>
Enhanced Mobility of Seniors and Individuals with Disabilities ^(b)								
Operating Grant - Section 5310	20.513	MI-2019-36-00	61,258	39,737	31,790	7,947	-	21,521
Capital Grant - Section 5310 (80/20)		MI-2019-001-00/2017-0030/P8	176,250	176,250	141,000	35,250	-	-
Total Transit Services Programs Cluster			<u>237,508</u>	<u>215,987</u>	<u>172,790</u>	<u>43,197</u>	<u>-</u>	<u>21,521</u>
MICHIGAN DEPARTMENT OF TRANSPORTATION								
Operating Assistance - Act 51	N/A							
Operating Assistance (FY20)		N/A	5,732,396	5,314,699	-	5,314,699	-	417,697
Ridesharing Fellowship 2019-2020	N/A	N/A	55,000	7,200	-	7,200	-	47,800
Specialized Services 2019-2020	N/A	N/A	35,121	35,121	-	35,121	-	-
TOTALS			<u>\$ 32,557,888</u>	<u>\$ 15,943,520</u>	<u>\$ 9,113,663</u>	<u>\$ 6,829,857</u>	<u>\$ 2,089,958</u>	<u>\$ 14,524,410</u>

^(a) Denotes major program.

^(b) Denotes programs that are required to be clustered U.S. Department of Transportation.

^(c) The following reconciles the total Federal, State, and Local revenues reported in the September 30, 2020, financial statements to the expenditures reported in the Schedule of Expenditures of Federal and State Awards:

	Revenue Per Financial Statements	Adjustments for Prior Year Reconciliations	Federal and State Award Expenditures
Federal	\$ 8,961,818	\$ 151,845	\$ 9,113,663
State	7,300,533	(470,676)	6,829,857
	<u>\$ 16,262,351</u>	<u>\$ (318,831)</u>	<u>\$ 15,943,520</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FEDERAL AND STATE AWARDS
OPERATING REVENUE ONLY
YEAR ENDED SEPTEMBER 30, 2020**

State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	\$ 5,314,699
U.S. Department of Transportation - Section 5310	7,947
Ridesharing	7,200
Specialized Services	<u>35,121</u>
Total State Operating Grants	<u>5,364,967</u>
Federal Operating Grants	
U.S. Department of Transportation - Section 5307	1,700,000
U.S. Department of Transportation - Section 5307 CARES act	1,500,000
U.S. Department of Transportation - Section 5311	12,370
U.S. Department of Transportation - Section 5311 CARES act	9,947
U.S. Department of Transportation - Section 5310	<u>31,790</u>
Total Federal Operating Grants	<u>3,254,107</u>
TOTAL OPERATING GRANTS - STATE AND FEDERAL	<u><u>\$ 8,619,074</u></u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF OPERATING AND CONTRACT EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Total</u>
Labor	\$ 4,578,822	\$ 1,036	\$ -	\$ 4,579,858
Fringe benefits	7,209,802	750	-	7,210,552
Services	1,739,803	2,265	-	1,742,068
Materials and supplies	2,081,642	282	-	2,081,924
Utilities	279,957	1,082	-	281,039
Insurance	310,295	1,443	-	311,738
Taxes and fees	944	2	-	946
Purchased services	4,160,815	54,776	35,121	4,250,712
Miscellaneous	87,663	162	-	87,825
Interest on long-term debt	169,567	-	-	169,567
Depreciation	<u>3,020,953</u>	<u>14,051</u>	<u>-</u>	<u>3,035,004</u>
 Total expenses	 <u>\$ 23,640,263</u>	 <u>\$ 75,849</u>	 <u>\$ 35,121</u>	 <u>\$ 23,751,233</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OAR SCHEDULE 4R
URBAN REGULAR SERVICE REVENUE REPORT
YEAR ENDED SEPTEMBER 30, 2020**

Code	Description	Amount
401	Farebox revenue	
40100	Passenger fares	\$ 1,307,071
406	Auxiliary trans revenues	
40615	Advertising	46,741
40620	Intercity ticket sales	20,783
407	Nontrans revenues	
40720	Rental of buildings or other property	105,982
40725	Parking lot revenue	106
40760	Gain from sale of capital assets	14,309
40799	Other nontransportation revenue	17,905
408	Local revenue	
40800	Taxes levied directly for/by transit agency	3,831,498
409	Local revenue	
40910	Local operating assistance	1,047,726
40999	Other local contracts and reimbursements	2,861,218
411	State formula and contracts	
41101	State operating assistance (Urban)	5,291,892
41199	Other MDOT/OPT contracts and reimbursements	7,844
413	Federal contracts	
41302	Federal Section 5307 operating	1,700,000
41361	Federal Section 5307 CARES Act	1,500,000
41399	Other federal transit contracts and reimbursements	27,960
414	Other revenue	
41400	Interest income	49,416
TOTAL URBAN SERVICE REVENUE		<u><u>\$ 17,830,451</u></u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OAR SCHEDULE 4E
URBAN REGULAR SERVICE EXPENSE REPORT
YEAR ENDED SEPTEMBER 30, 2020**

Code	Description	Operations	Maintenance	Administrative	Total
501	Labor				
50101	Operators' salaries and wages	\$ 2,548,197	\$ -	\$ -	\$ 2,548,197
50102	Other salaries and wages	180,754	865,080	645,976	1,691,810
50103	Dispatchers' salaries and wages	338,815	-	-	338,815
502	Fringe benefits				
50200	Fringe benefits	2,591,989	833,551	229,313	3,654,853
50210	DC pensions	28,412	9,781	24,671	62,864
50220	DB pensions	-	-	494,318	494,318
50250	Other Post Employment Benefit	105,605	33,623	3,028,106	3,167,334
503	Services				
50302	Advertising fees	-	-	50,062	50,062
50305	Audit cost	-	-	14,732	14,732
50399	Other services	339,540	396,631	938,838	1,675,009
504	Materials and supplies				
50401	Fuel and lubricants	530,483	4,145	316	534,944
50402	Tires and tubes	49,632	-	-	49,632
50499	Other materials and supplies	514,978	994,864	(12,776)	1,497,066
505	Utilities				
50500	Utilities	105,397	2,758	171,802	279,957
506	Insurance				
50699	Other insurance	-	-	310,295	310,295
507	Taxes and fees				
50700	Taxes and fees	415	268	261	944
508	Purchased trans service				
50800	Purchased trans service	4,160,815	-	-	4,160,815
509	Miscellaneous expenses				
50902	Travel, meetings, and training	1,037	2,102	5,696	8,835
50903	Association dues and subscriptions	-	-	43,992	43,992
50999	Other miscellaneous expenses	-	-	34,836	34,836
513	Depreciation				
51300	Depreciation	-	-	3,020,953	3,020,953
550	Ineligible expenses				
55004	Other ineligible state contracts	-	-	7,947	7,947
55007	Ineligible depreciation	-	-	2,979,470	2,979,470
55009	Ineligible percent of association dues	-	-	5,419	5,419
560	Ineligible expenses				
56002	Ineligible expenses associated w/advertising	46,742	-	-	46,742
56004	Ineligible expenses associated w/rentals	-	-	106,088	106,088
570	Ineligible expenses				
57604	Other ineligible operating expense paid by capital contract	459,807	-	-	459,807
57099	Other ineligible Federal/State/Local	-	-	28,328	28,328
580	Ineligible expenses				
58020	Ineligible defined benefit pension	-	-	494,318	494,318
58030	Ineligible other post-employment benefits	-	-	2,433,152	2,433,152
				Total expenses	23,640,263
				Total ineligible expenses	<u>6,561,271</u>
				Total eligible expenses	<u>\$ 17,078,992</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OAR SCHEDULE 4N
URBAN REGULAR SERVICE NONFINANCIAL REPORT (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2020**

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle Miles ⁽¹⁾	1,940,532	208,332	106,518	2,255,382

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OAR SCHEDULE 4R
NONURBAN REGULAR SERVICE REVENUE REPORT
YEAR ENDED SEPTEMBER 30, 2020**

<u>Code</u>	<u>Description</u>	<u>Amount</u>
401	Farebox revenue	
40100	Passenger fares	\$ 17,207
406	Auxiliary trans revenues	
40620	Intercity ticket sales	273
407	Nontrans revenues	
40760	Gain from sale of capital assets	189
40799	Other nontransportation revenue	235
408	Local revenue	
40800	Taxes levied directly for/by transit agency	50,441
409	Local revenue	
40910	Local operating assistance	13,793
40999	Other local contracts and reimbursements	37,667
411	State formula and contracts	
41101	State operating assistance	22,807
41199	Other MDOT/OPT contracts and reimbursement	103
413	Federal contracts	
41301	Federal Section 5311	12,370
41361	Federal Section 5311 CARES act	9,947
41399	Other federal transit contracts and reimbursements	368
414	Other revenue	
41400	Interest income	<u>651</u>
	TOTAL NONURBAN SERVICE REVENUE	<u>\$ 166,051</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OAR SCHEDULE 4E
NONURBAN REGULAR SERVICE EXPENSE REPORT
YEAR ENDED SEPTEMBER 30, 2020**

Code	Description	Operations	Maintenance	Administrative	Total
501	Labor				
50102	Other salaries and wages	\$ 1,036	\$ -	\$ -	\$ 1,036
502	Fringe benefits				
50200	Fringe benefits	669	-	-	669
50210	DC pensions	25	-	-	25
50250	Other Post Employment Benefit	56	-	-	56
503	Services				
50302	Advertising fees	-	-	96	96
50305	Audit cost	-	-	68	68
50399	Other services	112	-	1,989	2,101
504	Materials and supplies				
50401	Fuel and lubricants	86	-	1	87
50499	Other materials and supplies	88	-	107	195
505	Utilities				
50500	Utilities	283	-	799	1,082
506	Insurance				
50699	Other insurance	-	-	1,443	1,443
507	Taxes and fees				
50700	Taxes and fees	-	-	2	2
508	Purchased trans service				
50800	Purchased trans service	54,776	-	-	54,776
509	Miscellaneous expenses				
50999	Other miscellaneous expenses	-	-	162	162
513	Depreciation				
51300	Depreciation	-	-	14,051	14,051
550	Ineligible expenses				
55007	Ineligible depreciation	-	-	13,858	13,858
				Total expenses	75,849
				Total ineligible expenses	13,858
				Total eligible expenses	<u>\$ 61,991</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
 OAR SCHEDULE 4N
 NONURBAN REGULAR SERVICE NONFINANCIAL REPORT (UNAUDITED)
 YEAR ENDED SEPTEMBER 30, 2020**

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle Miles ⁽¹⁾	10,809	443	324	11,576

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OAR SCHEDULE 4R
SPECIALIZED SERVICE REVENUE REPORT
YEAR ENDED SEPTEMBER 30, 2020**

<u>Code</u>	<u>Description</u>	<u>Amount</u>
411	State formula and contracts	
41101	State operating assistance	<u>\$ 35,121</u>
	TOTAL NONURBAN SERVICE REVENUE	<u><u>\$ 35,121</u></u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OAR SCHEDULE 4E
SPECIALIZED SERVICE EXPENSE REPORT
YEAR ENDED SEPTEMBER 30, 2020**

<u>Code</u>	<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>Administrative</u>	<u>Total</u>
503	Services				
50399	Other services	\$ 35,121	\$ -	\$ -	\$ 35,121
			Total eligible expenses		<u>\$ 35,121</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OPERATING ASSISTANCE CALCULATION - URBAN
YEAR ENDED SEPTEMBER 30, 2020**

	Urban		Total
	Regular Operating	COVID-19 Expenses	
Total expenses	\$ 23,015,824	\$ 624,439	\$ 23,640,263
Less ineligible expenses			
Other ineligible State contracts	7,947	-	7,947
Ineligible depreciation	2,979,470	-	2,979,470
Ineligible percent of association dues	5,419	-	5,419
Ineligible expenses associated with advertising	46,742	-	46,742
Ineligible expenses associated with rentals	106,088	-	106,088
Other ineligible operating expenses paid by capital contract	459,807	-	459,807
Other ineligible Federal/State/Local	28,328	-	28,328
Ineligible defined benefit pension	494,318	-	494,318
Ineligible other post-employment benefits	2,433,152	-	2,433,152
Total ineligible expenses per R&E manual	6,561,271	-	6,561,271
TOTAL STATE AND FEDERAL ELIGIBLE EXPENSES	\$ 16,454,553	\$ 624,439	\$ 17,078,992
Eligible expenses for State reimbursement			\$ 17,078,992
x Reimbursement percentage			<u>30.9848%</u>
State operating assistance			<u>\$ 5,291,892</u>
Eligible expenses for Federal reimbursement		\$ 624,439	
x Reimbursement percentage	<u>18.0000%</u>	<u>100.0000%</u>	
Lost fare revenue		<u>624,439</u> <u>943,360</u>	
Federal operating assistance	<u>\$ 1,700,000</u>	<u>\$ 1,500,000</u>	

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
OPERATING ASSISTANCE CALCULATION - NONURBAN
YEAR ENDED SEPTEMBER 30, 2020**

	Nonurban		
	October 1 through March 31	April 1 through September 30	Total
Total expenses	\$ 40,647	\$ 35,202	\$ 75,849
Less ineligible expenses			
Ineligible depreciation	<u>6,286</u>	<u>7,572</u>	<u>13,858</u>
TOTAL STATE AND FEDERAL ELIGIBLE EXPENSES	<u>\$ 34,361</u>	<u>\$ 27,630</u>	<u>\$ 61,991</u>
Eligible expenses for State reimbursement x Reimbursement percentage			\$ 61,991 <u>36.7916%</u>
State operating assistance			<u>\$ 22,807</u>
Eligible expenses for Federal reimbursement x Reimbursement percentage	\$ 34,361 <u>36.00%</u>	\$ 27,630 <u>36.00%</u>	\$ 61,991 <u>36.00%</u>
Federal operating assistance	<u>\$ 12,370</u>	<u>\$ 9,947</u>	<u>\$ 22,317</u>

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 SEPTEMBER 30, 2020**

	Pension Trust Fund	OPEB Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 14,373	\$ 464,862	\$ 479,235
Investments			
U.S. Treasuries	1,020,248	-	1,020,248
Corporate bonds	4,828,146	-	4,828,146
Collateralized mortgage obligations	2,437,584	-	2,437,584
Equity mutual funds	21,262,873	-	21,262,873
Real estate mutual funds	1,541,280	-	1,541,280
Other pooled investments	4,111	-	4,111
 Total investments	 31,094,242	 -	 31,094,242
 Total assets	 31,108,615	 464,862	 31,573,477
 NET POSITION			
Restricted for pension and OPEB	 \$ 31,108,615	 \$ 464,862	 \$ 31,573,477

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2020**

	Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS TO NET POSITION			
Investment income			
Change in fair value of investments	\$ 312,636	\$ 16,461	\$ 329,097
Interest and dividends	706,416	-	706,416
Net investment income	<u>1,019,052</u>	<u>16,461</u>	<u>1,035,513</u>
Contributions			
Employer	-	150,000	150,000
Plan members	75,875	-	75,875
Total contributions	<u>75,875</u>	<u>150,000</u>	<u>225,875</u>
Total additions to net position	<u>1,094,927</u>	<u>166,461</u>	<u>1,261,388</u>
DEDUCTIONS FROM NET POSITION			
Benefits paid	1,436,730	-	1,436,730
Administrative expenses	91,576	560	92,136
Other expenses	106,096	-	106,096
Total deductions from net position	<u>1,634,402</u>	<u>560</u>	<u>1,634,962</u>
CHANGE IN PLAN NET POSITION	(539,475)	165,901	(373,574)
Restated net position - beginning of year	<u>31,648,090</u>	<u>298,961</u>	<u>31,947,051</u>
Net position - end of year	<u>\$ 31,108,615</u>	<u>\$ 464,862</u>	<u>\$ 31,573,477</u>

INDEPENDENT AUDITOR'S 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*

Board of Directors
Central County Transportation Authority
Kalamazoo, Michigan

We have audited, in accordance with the 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 Central County Transportation Authority (the Authority), a component unit of Kalamazoo County, as of and for the year ended September 30, 2020, 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 11, 2021.

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 opinion 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 entity'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.

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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

March 11, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Central County Transportation Authority
Kalamazoo, Michigan

Report on Compliance for each Major Federal Program

We have audited the Central County Transportation Authority's (the Authority), a component unit of Kalamazoo County, compliance with the types of compliance requirements described in the 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, 2020. 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.

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* (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 Central County Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

The 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 circumstance 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.

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 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.

Maney Costerian PC

March 11, 2021

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements
Prepared in accordance with generally accepted
accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)?

Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and
Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**CENTRAL COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2020**

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with Uniform Guidance.

No prior audit findings.