Buhl Building ▪ 535 Griswold Street, Suite 600 ▪ Detroit, MI 48226

Audit Meeting

November 9, 2022

ROLL CALL

Audit Committee Meeting

Date: November 9, 2022

MR. ROYCE MANIKO (CHAIR)

MR. BRET RASEGAN

MR. JOHN PAUL REA

Tiffany Martin, SMART Board Secretary

SUBURBAN MOBILITY AUTHORITY FOR REGIONAL TRANSPORTATION
AUDIT COMMITTEE MEETING
WEDNESDAY, NOVEMBER 9, 2022

A G E N D A

ITEM:	ACTION:	PRESENTED BY:
1. Call to Order		Committee Chairperson
2. Roll Call		Committee Chairperson
3. Adoption of Agenda	Approval	Committee Chairperson
4. Certification of Public Notice	Information	T. Martin
5. Public Participation	Discussion	Committee Chairperson
6. Draft of the FY2022 Audit	Discussion	CFO/Plante Moran
7. Committee Member Business	Discussion	Committee Chairperson

Adjournment

PUBLIC NOTICE

SMART will hold the November 9, 2022 Audit Committee meeting at 2 p.m. in SMART's Board Room located on the sixth floor of the Buhl Building, 535 Griswold Street, Detroit, MI 48226.

Virtual attendance is strongly encouraged, and full public participation is still available via Zoom.

All physically present at the meeting must adhere to the following:

- Masks are recommended in indoor public transportation settings and encouraged. Please respect anyone needing or choosing to wear one.
- People with symptoms, a positive test, or exposure to someone with COVID-19 should wear a mask or attend virtually.
- Pass a temperature check and a complete health screening questionnaire before entering the Board room.

The agenda can be found on SMART's website: http://www.smartbus.org/About/Our-Organization/Board-of-Directors/Board-Meeting-Schedule

Members of the public may attend in person, or virtually/via phone. To attend virtually; on a smartphone, tablet, or computer; please enter this URL in a web browser:

- https://smartbus.zoom.us/j/97955560638
- Via phone only, please dial: (301) 715-8592
- Webinar ID: 979 5556 0638 (no password required)
- One-tap mobile: +13017158592,,97955560638#

Members of the public may also submit a written comment to be read during the Public Comment period by emailing SMARTBoard@smartbus.org by 1:45 p.m. on the day of the meeting.

Requests for reasonable accommodations at SMART require advanced reservations. Individuals with disabilities requiring assistance should contact SMARTBoard@smartbus.org or 313-223-2110 as soon as possible. If you have difficulties joining the virtual session, contact SMARTBoard@smartbus.org or 248-419-7912 and we will assist you to the best of our abilities.

Public Comment will proceed as follows:

- All comments: 5-minute limit per member of the public. Kindly state your name and city of residence.
- Public comments will be received in the following order
    - Members of the public who attend in person
    - Members of the public on Zoom/phone
    - Written comments via email. The Board Secretary will read any submitted comments

Suburban Mobility Authority for Regional Transportation

Financial Report
with Supplemental Information
June 30, 2022

Contents

Independent Auditor's Report

To the Board of Directors
Suburban Mobility Authority for
Regional Transportation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Suburban Mobility Authority for Regional Transportation (the "Authority" or SMART) as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2022 and 2021 and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,'* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which changes accounting and financial reporting for leases by governments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
Suburban Mobility Authority for
Regional Transportation

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

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

To the Board of Directors
Suburban Mobility Authority for
Regional Transportation

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental information, as identified in the table of contents, except for the nonfinancial reports numbered 19 and 22 and all reports for the year ended September 30, 2021 (those numbered 2, 4, 6, 8, 10, 13-18, 20, and 21), is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, except for the nonfinancial reports numbered 19 and 22 and all reports for the year ended September 30, 2021 (those numbered 2, 4, 6, 8, 10, 13-18, 20, and 21) is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the nonfinancial reports numbered 19 and 22 and all reports for the year ended September 30, 2021 (those numbered 2, 4, 6, 8, 10, 13-18, 20, and 21) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

The following discussion and analysis has been prepared by the Suburban Mobility Authority for Regional Transportation's (the "Authority" or SMART) management and should be read in conjunction with the financial statements and related note disclosures. The discussion is intended to present an overview of SMART's financial performance for the years ended June 30, 2022 and 2021 and does not purport to make any statement regarding the future operations of the organization. While SMART is an instrumentality of the State of Michigan, it is not a component of the State, as defined by the Governmental Accounting Standards Board (GASB).

Using This Annual Report

This annual financial report consists of a series of financial statements. The statement of net position and the statement of revenue, expenses, and changes in net position provide information about the activities of SMART as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the cost of providing the Authority's services has been fully funded.

Financial Highlights

- Total operating revenue has increased in fiscal year 2021-2022 (FY 2022) as compared to fiscal year 2020-2021 (FY 2021). This total operating revenue increase is 141 percent, or approximately $3.7 million. The Authority had suspended collecting fare revenue effective March 18, 2020 due to the outbreak of the novel strain of coronavirus (COVID-19) and did not reinstate fare collection until March 15, 2021. The increase largely due to the reinstatement of fares.
- Ridership during FY 2022 improved compared to FY 2021. FY 2021 ridership was unusually low, as a result of COVID-19. SMART has been running a reduced bus schedule of approximately 75 percent of pre-pandemic service. SMART continues to monitor ridership and will adjust service levels as ridership returns.
- The other component of total operating revenue is other operating income. This revenue component had an actual overall increase of approximately $360,000, or approximately 31 percent, compared to FY 2021. This revenue stream primarily consists of advertising, rental, and miscellaneous operating revenue. SMART's advertising revenue increased as a result of running more buses with ads, due to increased scheduled miles.
- Nonoperating revenue decreased by approximately $510,000, or less than 1 percent, in FY 2022 compared to FY 2021. SMART utilized $10.8 million of federal CARES Act funding reimbursement during 2022, a decrease of $1.20 million from FY 2021. Local property tax contributions increased by approximately $3.3 million.
- In FY 2022, operating expenses of approximately $126.9 million, before depreciation, are approximately $9.4 million higher than FY 2021. This is largely due to an increase in materials and supplies cost, including fuel, and increased expense related to SMART expanding Microtransit programs.
- Capital contribution spending in FY 2022 amounted to $24.2 million. This is a decrease of approximately $10.5 million, or 30 percent, for FY 2022. SMART heavily relies on federal capital funds to purchase capital assets (i.e., bus replacement and facility rehabilitation) rather than using as much for preventive maintenance in the operating budget, as had been done prior to FY 2016.
- Current liabilities increased by approximately $2.6 million primarily due to an increase in balances due to the State of Michigan of $1.7 million, an increase in payables under purchase of service agreements of $1.9 million, and a decrease in accounts payable of $0.7 million.
- Net position, which is detailed later, increased by $31.7 million to $197.8 million, which is a combination of the $2.4 million increase in net investment in capital assets and $29.2 million increase in unrestricted net position due to FY 2022 financial activity.

The Authority's Net Position

A summary of SMART's assets, liabilities, deferred outflows and inflows, and net position at June 30, 2022, 2021, and 2020 is as follows:

	2020*	2021	2022
Assets			
Current and other assets:			
Cash and investments	$ 139,048,962	$ 139,242,775	$ 160,998,019
Receivables	40,959,353	54,263,078	36,912,759
Other assets	3,323,684	3,586,869	3,443,963
Capital assets	143,183,939	160,793,326	162,892,550
Total assets	326,515,938	357,886,048	364,247,291
Deferred Outflows of Resources	27,670,543	36,178,049	33,862,829
Liabilities			
Current liabilities	33,099,498	33,658,077	32,727,924
Noncurrent liabilities	184,439,569	124,478,821	111,362,435
Total liabilities	217,539,067	158,136,898	144,090,359
Deferred Inflows of Resources	21,227,144	69,819,636	56,257,544
Net Position			
Net investment in capital assets	143,183,939	158,472,484	160,919,352
Restricted	62,254	101,639	121,708
Unrestricted	(27,825,923)	7,533,440	36,721,157
Total net position	**$ 115,420,270**	**$ 166,107,563**	**$ 197,762,217**

*As a result of the SMART's adoption of GASB 87, FY 2021 amounts were restated. See Note 1 for more information. FY 2020 amounts were not restated in the table above.

SMART's current assets, including restricted cash, had a net increase of $4.3 million, which represents an increase of approximately 2 percent compared to FY 2021. Restricted cash increased from approximately $102,000 to $122,000 at the end of FY 2022.

Amounts invested in capital assets increased by 1.3 percent from a year ago, increasing $2.1 million to $162.9 million. The current year increase is due to current year net capital asset purchases exceeding depreciation expense.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by $29.2 million from FY 2021.

The Authority's Changes in Net Position

	2020*	2021	2022
Operating Revenue	$ 8,754,652	$ 2,635,839	$ 6,349,427
Operating Expenses	133,919,431	137,187,131	148,922,018
Operating Loss	(125,164,779)	(134,551,292)	(142,572,591)
Nonoperating Revenue	131,254,791	150,519,770	150,006,644
Income - Before capital contributions	6,090,012	15,968,478	7,434,053
Capital Contributions	33,007,276	34,718,815	24,220,601
Change in Net Position	39,097,288	50,687,293	31,654,654
Net Position - Beginning of year	76,322,982	115,420,270	166,107,563
Net Position - End of year	**$ 115,420,270**	**$ 166,107,563**	**$ 197,762,217**

*As a result of the SMART's adoption of GASB 87, FY 2021 amounts were restated. See Note 1 for more information. FY 2020 amounts were not restated in the table above.

As described earlier in financial highlights, total operating revenue has increased in FY 2022 as compared to FY 2021. This is mainly a result of fare being collected during all of FY 2022.

Operating expenses before depreciation are $9.4 million higher than FY 2021. This is largely due to an increase in materials and supplies cost, including fuel, and increased expense related to SMART expanding Microtransit programs.

Capital Assets and Debt Administration

The Authority continues to invest in infrastructure, equipment, and vehicles. SMART had approximately $162.9 million and $160.8 million invested in capital assets as of June 30, 2022 and 2021, respectively. During FY 2022, SMART had total capital asset additions of approximately $24.2 million, primarily consisting of $15.1 million for new vehicles, and $9.1 million in facility and bus equipment.

More detailed information concerning capital assets can be found in Note 5 in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Regional Transit Authority (RTA) is the designated recipient for federal funds to the tricounty urbanized area consisting of Wayne, Oakland, and Macomb counties. A portion of these funds is passed through to SMART. The current allocation of Section 5307 federal capital funding passed through the RTA is 50.0 percent to SMART, 49.0 percent to DDOT, and 1 percent to the Detroit Transportation Corporation (the "People Mover"). It is anticipated for FY 2022 that the Section 5307 federal capital funding passed through the RTA will again be 50.0 percent to SMART, 49.0 percent to DDOT, and 1 percent to the Detroit Transportation Corporation. For FY 2023, Section 5307 funding of approximately $43.6 million is included in SMART’s capital budget.

On August 7, 2018, voters in the service areas of Macomb, Oakland, and Wayne counties approved a $1.00 per thousand taxable value millage rate. The millage is applied against taxable value across Macomb County and in participating communities in Oakland and Wayne counties. The millage rate is subject to the State Headlee Amendment annually. The millage has been voter approved for a four-year fiscal period starting in FY 2018 and is estimated to generate $80 million annually. The millage revenue has allowed the Authority to fund the much-needed replacement of its aging bus fleet by utilizing Section 5307 capital funds previously used to support operations.

SMART has adopted a balanced budget for FY 2023. The FY 2023 operating budget is approved for $147.5 million. In addition, the FY 2023 restricted pass through revenue and expense budget has been approved for $11.4 million. In FY 2023, the board also approved a federal/state $433.1 million capital spending plan. This capital plan is a six-year spending plan with an estimated $72.1 million per year to be applied for and spent. In addition, the board continued to support incorporating $77.7 million in prior year unspent approved grant dollars within the FY 2023 capital spending plan.

Requests for Further Information

This financial report is designed to provide our customers, taxpayers, and other interested parties with a general overview of the finances of the Suburban Mobility Authority for Regional Transportation and to demonstrate SMART’s accountability for the money it receives. If you have questions about this report or need additional information, contact SMART at the Buhl Building, 535 Griswold Street, Suite 600, Detroit, MI 48226.

Statement of Net Position

June 30, 2022 and 2021

	Enterprise Operating Fund	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 143,935,101	$ 120,837,739
Investments (Note 3)	17,062,918	18,405,036
Receivables:		
Local contributions receivable (Note 1)	368,300	2,532,086
Accrued interest receivable	26,140	12,116
Current portion of leases receivable	40,964	47,450
Other receivables	910,199	731,069
Grant receivable (Note 4)	35,034,661	50,366,898
Materials and supplies inventories	2,822,250	3,208,125
Prepaid expenses and other assets	500,005	277,105
Total current assets	200,700,538	196,417,624
Noncurrent assets:		
Restricted cash (Note 3)	121,708	101,639
Leases receivable - Net of current portion	532,495	573,459
Nondepreciable capital assets (Note 5)	23,435,205	24,739,061
Depreciable capital assets - Net (Note 5)	139,457,345	136,054,265
Total noncurrent assets	163,546,753	161,468,424
Total assets	364,247,291	357,886,048
Deferred Outflows of Resources		
Deferred pension costs (Note 10)	17,868,658	17,102,393
Deferred OPEB costs (Note 12)	15,994,171	19,075,656
Total deferred outflows of resources	33,862,829	36,178,049
Liabilities		
Current liabilities:		
Municipal and community credits payable (Note 1)	6,682,211	5,670,545
Amounts payable under purchase of service agreements	3,211,379	1,294,525
Current portion of accrued self-insurance (Note 9)	5,033,123	4,953,542
Accounts payable	11,807,208	12,545,376
Accrued liabilities and other:		
Accrued salaries and wages	797,699	2,009,803
Operating assistance reserve	3,757,573	2,039,604
Other accrued liabilities	1,438,731	1,154,498
Current portion of long-term liabilities (Note 8)	3,545,900	3,990,184
Total current liabilities	36,273,824	33,658,077
Noncurrent liabilities:		
Accrued self-insurance - Net of current portion (Note 9)	9,564,194	9,212,837
Net pension liability (Note 10)	37,903,253	55,343,801
Net OPEB liability (Note 12)	58,422,141	57,523,032
Long-term liabilities - Net of current portion (Note 8)	1,926,947	2,399,151
Total noncurrent liabilities	107,816,535	124,478,821
Total liabilities	144,090,359	158,136,898

See notes to financial statements.

June 30, 2022 and 2021

	Enterprise Operating Fund	
	2022	2021
Deferred Inflows of Resources		
Deferred pension cost reductions (Note 10)	$ 20,285,642	$ 10,521,681
Deferred OPEB cost reductions (Note 12)	35,409,767	58,688,895
Deferred inflows from leases	562,135	609,060
Total deferred inflows of resources	56,257,544	69,819,636
Net Position		
Net investment in capital assets	160,919,352	158,472,484
Restricted	121,708	101,639
Unrestricted	36,721,157	7,533,440
Total net position	**$ 197,762,217**	**$ 166,107,563**

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2022 and 2021

	Enterprise Operating Fund 2022	Enterprise Operating Fund 2021
Operating Revenue		
Fares	$ 4,842,163	$ 1,486,526
Other income	1,507,264	1,149,313
Total operating revenue	6,349,427	2,635,839
Operating Expenses		
Salaries and wages	53,311,499	54,526,837
Fringe benefits	22,558,892	21,110,545
Materials and supplies	13,032,125	7,667,468
Contractual services	4,198,017	4,505,662
Utilities	1,234,229	1,040,244
Claims and insurance	7,510,090	9,613,390
Purchased transportation (Note 7)	16,624,029	17,578,974
Miscellaneous expense	4,428,808	481,635
Depreciation	22,062,034	19,765,263
Microtransit	3,962,295	897,113
Total operating expenses	148,922,018	137,187,131
Operating Loss	(142,572,591)	(134,551,292)
Nonoperating Revenue (Expense)		
Investment (loss) income	(1,150,553)	74,991
Gain on sale of assets	59,809	92,790
Federal operating and preventive maintenance assistance	23,248,703	23,703,854
State operating grants	43,482,936	45,673,395
Local contributions (Note 6)	81,299,002	78,017,234
Other state and local sources	2,533,919	2,322,261
Interest expense	(43,242)	(50,115)
Other nonoperating revenue	576,070	685,360
Total nonoperating revenue	150,006,644	150,519,770
Income - Before capital contributions	7,434,053	15,968,478
Capital Contributions	24,220,601	34,718,815
Change in Net Position	31,654,654	50,687,293
Net Position - Beginning of year, as restated (Note 1)	166,107,563	115,420,270
Net Position - End of year	**$ 197,762,217**	**$ 166,107,563**

Draft

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	Enterprise Operating Fund 2022	2021
Cash Flows from Operating Activities		
Receipts from transit operations	$ 6,170,297	$ 2,554,197
Payments to suppliers	(23,184,139)	(9,088,927)
Payments to employees	(105,392,725)	(102,224,875)
Payments to claims and insurance	(7,079,152)	(6,981,729)
Payments for purchased transportation	(17,657,804)	(16,477,520)
Net cash and cash equivalents used in operating activities	(147,143,523)	(132,218,854)
Cash Flows from Noncapital Financing Activities		
State operating grants	47,387,699	33,743,023
Federal operating and preventive maintenance assistance	27,247,587	15,804,474
Local contributions	83,462,788	81,935,641
Other nonoperating receipts	3,092,037	3,007,917
Net cash and cash equivalents provided by noncapital financing activities	161,190,111	134,491,055
Cash Flows from Capital and Related Financing Activities		
Receipt of capital grants	33,367,164	32,921,104
Proceeds from disposal of capital assets	137,624	92,790
Purchase of capital assets	(24,220,600)	(34,714,468)
Lease payments	(390,886)	(389,455)
Net cash and cash equivalents provided by (used in) capital and related financing activities	8,893,302	(2,090,029)
Cash Flows from Investing Activities		
Interest received on investments, net of losses	(1,164,577)	51,026
Proceeds from sale and maturities of investment securities	1,342,118	60,113
Net cash and cash equivalents provided by investing activities	177,541	111,139
Net Increase in Cash and Cash Equivalents	23,117,431	293,311
Cash and Cash Equivalents - Beginning of year	120,939,378	120,646,067
Cash and Cash Equivalents - End of year	**$ 144,056,809**	**$ 120,939,378**
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 143,935,101	$ 120,837,739
Restricted cash	121,708	101,639
Total cash and cash equivalents	**$ 144,056,809**	**$ 120,939,378**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (142,572,591)	$ (134,551,292)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	22,062,034	19,765,263
Noncash change in net pension liability	(8,442,852)	(8,168,990)
Noncash change in net OPEB liability	(19,298,534)	(19,146,789)
Noncash change in self-insurance liability	430,938	2,631,661
Changes in assets and liabilities:		
Materials and supplies inventory	385,875	(228,979)
Other receivables	(179,130)	(81,642)
Prepaid and other assets	(222,900)	5,179
Accounts payable	(453,935)	4,829,882
Municipal and community credits payable	1,011,666	1,209,030
Payable under purchase service contracts	1,916,854	789,537
Accrued wages and compensated absences	(1,780,948)	728,286
Net cash and cash equivalents used in operating activities	**$ (147,143,523)**	**$ (132,218,854)**

See notes to financial statements.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022 and 2021

	2022	2021
Assets - Interest in pooled investments	$ 100,618,245	$ 99,678,788
Liabilities	-	-
Net Position - Restricted for postemployment benefits other than pension	**$ 100,618,245**	**$ 99,678,788**

See notes to financial statements.

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Years Ended June 30, 2022 and 2021

	2022	2021
Additions		
Investment (loss) income	$ (8,775,581)	$ 20,344,183
Contributions - Employer contributions	16,565,578	17,469,445
Total additions	7,789,997	37,813,628
Deductions		
Benefit payments	6,665,578	7,319,845
Administrative expenses	184,962	150,145
Total deductions	6,850,540	7,469,990
Net Increase in Fiduciary Net Position	939,457	30,343,638
Net Position - Beginning of year	99,678,788	69,335,150
Net Position - End of year	**$ 100,618,245**	**$ 99,678,788**

Note 1 - Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Suburban Mobility Authority for Regional Transportation (SMART or the “Authority”):

Organization

The Suburban Mobility Authority for Regional Transportation, an instrumentality of the State of Michigan, is a public benefit agency created pursuant to the provisions of Act No. 204 of the Public Acts of Michigan of 1967, as amended. SMART is charged with the responsibility to plan, acquire, construct, operate, maintain, replace, improve, extend, and contract for public transportation facilities within the counties of Macomb, Monroe, Oakland, and Wayne. SMART is managed by a seven-member board of directors, which represents the counties that comprise SMART's operating region.

In December 2012, the passage of Michigan Public Act (PA) 387 created the Regional Transit Authority (RTA) and added Washtenaw County to the formerly tricounty transit region composed of Macomb, Oakland, and Wayne counties. SMART, the Detroit Department of Transportation (DDOT), the Ann Arbor Area Transportation Authority (AAATA), and the Detroit Transportation Corporation (the "Detroit People Mover") are subrecipients of the RTA for state and federal operating assistance, capital grants, and loans. The State of Michigan and the Federal Transit Administration (FTA) pay such funds directly to SMART at the direction of the RTA.

PA 387 also terminated the Regional Transit Coordinating Council (RTCC), the then-existing designated recipient, and made the Southeast Michigan Council of Governments (SEMCOG) the designated recipient of federal funds until October 1, 2013, when the RTA became the designated recipient. In March 2013, prior to PA 387, SEMCOG determined the allocation of operating assistance funds under Act 51 and federal capital funds to the tricounty urbanized area. Based on information submitted by the agencies, SEMCOG allocated 51.5 percent to SMART, 47.5 percent to DDOT, and 1 percent to the Detroit Transportation Corporation. This allocation remains in effect and is subject to change based on annual review by the RTA. Capital grants or loans are not allocated on a formula basis but rather are allocated on a specific project or asset basis in accordance with the terms of the grant or loan.

Reporting Entity

The financial reporting entity, as defined by Statement Nos. 14 and 39 (as amended by Statement Nos. 61 and 80) of the Governmental Accounting Standards Board (GASB), is composed of the primary government and its component units. The primary government includes all departments and operations for which SMART exercises oversight responsibility. Oversight responsibility was evaluated based on consideration of financial interdependency, selection of governing authority, designation of management, the ability to significantly influence management, and accountability for fiscal matters. The reporting entity of SMART consists solely of the primary government and its component unit.

Based on the guidelines outlined in GASB Statement Nos. 14 and 39 (as amended by GASB Statement Nos. 61 and 80) with respect to any other governmental unit, including the transportation agencies with which SMART has entered into purchase of service agreements, or the Act 196 Transportation Authorities in the counties served by SMART, SMART does not select its governing authority, designate its management, exercise significant influence over its daily operations, or maintain its accounting records.

SMART is not included within the reporting entity of the State of Michigan because the State of Michigan has no authority to appoint or remove SMART's management or board of directors and is not accountable for its fiscal matters.

Fiduciary Component Unit

Although legally separate from the Authority, the Other Postemployment Benefits Fund is reported as a fiduciary component unit because it is governed by SMART's board of directors and imposes a financial burden on SMART.

Note 1 - Significant Accounting Policies (Continued)

Accounting and Reporting Principles

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Authority:

Report Presentation

This report includes the fund-based statements of the Authority. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

Fund Accounting

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Authority reports all activity in a single enterprise fund except for the following fiduciary fund.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Authority's programs. Activities that are reported as fiduciary include the Other Postemployment Benefits Fund, which accumulates resources for future retiree health care payments to retirees.

Basis of Accounting

Proprietary and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates.

Local Contributions Receivable

Local contributions receivable are shown net of estimated uncollectible amounts. No other allowances for anticipated uncollectible amounts are included in the financial statements, as SMART considers all other receivables to be fully collectible.

Materials and Supplies Inventory

Inventory consists of maintenance parts, repair parts, operating and office supplies, and fuel used in the operation of the transit system. Inventories are recorded at average cost. In accordance with industry practice, all inventories are classified as current assets, even though a portion of the inventories is not expected to be utilized within one year.

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

The Authority has unspent proceeds from the sale of assets originally acquired with capital grant funds. SMART has notified the federal granting agency and is required to segregate those funds for future acquisitions of capital assets.

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than $2,500 ($1,000 for computer equipment) and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Improvements that are expected to extend the useful lives of existing assets are capitalized. Donated fixed assets are recorded at estimated acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method with a half year in the first and last years of the asset's depreciable life based upon the estimated useful lives of the assets as follows:

	Depreciable Life - Years
Connector transit buses and related equipment	4 to 10
Fixed-route buses and related equipment	7 to 14
Buildings and building improvements	25
Leasehold improvements*	5 to 25
Equipment and office furnishings	3 to 10

*Leasehold improvements are amortized over the shorter life of the specific improvement or the term of the related lease.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an expense until then. The Authority has deferred outflows related to pensions and OPEB, as detailed in Notes 10 and 12, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as revenue until that time. The Authority reports deferred inflows of resources related leases as well as pensions and OPEB, as detailed in Notes 10 and 12, respectively.

Net Position Flow Assumption

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1 - Significant Accounting Policies (Continued)

Pension

The Authority offers pension benefits to retirees. The Authority records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension 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.

Other Postemployment Benefit Costs

The Authority offers retiree health care benefits to employees upon retirement. The Authority records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Claims Expense/Liability

SMART has a self- insurance program for general and vehicle liability, as well as workers' compensation claims. Claims are accrued in the year the expenses are incurred, based upon the estimates of the claim liabilities made by management, SMART legal counsel, and actuaries. Reserves are also provided for estimates of claims incurred during the year but not yet reported. Claims expense is accrued in the period during which the incidents of loss occur based upon estimates of the expected liability, as determined by management with the assistance of third- party administration, legal counsel, and actuaries. Claims liabilities are estimated by management using the most current available information.

Municipal and Community Credits Payable

Annually, SMART receives municipal credit funding from the State of Michigan and funds community credits. SMART passes those moneys through to various individual communities. Every year, SMART executes contracts with each individual community, which allows it to receive municipal and community credit moneys. SMART receives the moneys upfront from the State, and then each community must request reimbursement from SMART related to contractually allowed expenses. The difference between the amount the State has awarded and sent to SMART and the amount for which the communities have requested reimbursement by June 30 of each respective fiscal year end is recorded as a municipal and community credit payable.

Compensated Absences (Vacation and Sick Leave)

SMART employees earn vacation and sick leave, which is generally fully vested when earned. Unused vacation time may be carried over to the following year, with certain limitations. For union employees, the vacation carryover is limited to one year, and for nonunion employees, it can be carried over for two years. Upon termination of employment, employees are paid for unused accumulated vacation. For union employees, sick leave may be accumulated and paid upon retirement and, for certain employees, upon voluntary termination of employment. For union employees, certain accumulated sick leave may also be converted into additional vacation time. Accumulated unpaid vacation and sick leave are recorded as compensated absence liabilities.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

SMART distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of SMART is charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Grant Activities

The federal government, through the Federal Transit Administration and the Michigan Department of Transportation (MDOT) , provides financial assistance and grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenue over the entitlement periods. Federal and state capital acquisition grants fund the purchase of capital items, including buses, bus terminals, and related transportation equipment used by SMART and other transit agencies within the southeastern Michigan region. Capital grants for the acquisition of capital assets are recorded as grants receivable in the statement of net position and capital contributions in the statement of revenue, expenses, and changes in net position when the related qualified expenditures are incurred.

When assets acquired with capital grant funds are disposed of, the Authority is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property may be used to acquire like- kind replacement vehicles or can be remitted to the granting federal agency at its discretion.

Passenger Fares

Passenger fares are recorded as revenue at the time services are performed.

Cost Allocation Plan

The Authority did not have any cost allocation plans in the current year.

Leases

The Authority is a lessee for noncancellable leases of building space. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position. The Authority recognizes lease assets and liabilities with an initial value of $2,500 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

Note 1 - Significant Accounting Policies (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

The Authority is a lessor for noncancellable leases of land by telecommunication companies. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Authority uses the actual rate charged to lessees as the discount rate for leases, if known.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

<u>Use of Estimates</u>

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Significant estimates affecting the financial statements relate to the obligation for other postemployment benefits, the required contribution for pensions, estimated liabilities related to self-insurance, the allowance for collectibility of local contribution receivables, the accrual for pending property tax appeals and anticipated chargebacks from the counties, and the reserve for Act 51 revenue.

Adoption of New Accounting Pronouncements

During the current year, the Authority adopted GASB Statement No. 87, *Leases*. As a result, the business-type activities now include a liability for the present value of payments expected to be made and right-to-use assets as well as receivables for the presented value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 15. The financial statements for the year ended June 30, 2021 have been restated in order to adopt GASB Statement No. 87. There was no impact on June 30, 2020 net position as a result of the adoption of the lease standard.

Note 1 - Significant Accounting Policies (Continued)

The effect of this new standard on net position was as follows:

		Business Type Activities
Net position - June 30, 2021 - As previously reported	$	166,123,296
Adjustment for GASB Statement No. 87 - To record lease activity		(15,733)
Net position - June 30, 2021 - As restated	$	166,107,563

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2023.

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2025.

Note 2 - State of Michigan Operating Assistance Funds

Under Act 51 of the Public Acts of 1951, as amended, the State of Michigan makes distributions of funds that have been appropriated for mass transit operating assistance. As indicated in Note 1, the RTA is the designated recipient for such funds, and SMART is a subrecipient of the RTA. SMART has recorded operating grant revenue under Act 51 based on a formula that takes into account the eligible costs incurred by SMART, locally generated revenue of SMART, the percentage of the RTA's funding that is allocable to SMART, and preliminary information made available by the Michigan Department of Transportation as to the amount of funds expected to be available to the RTA.

The latest "final" determination of State of Michigan operating assistance allocable to SMART, in accordance with the Act 51 funding formula, was for the State of Michigan's fiscal year ended September 30, 2018. There were no further adjustments to the Act 51 revenue as a result of closing out this year. Furthermore, SMART awaits the final determination for the years ended September 30, 2019, 2020, 2021 and 2022. SMART has recorded an estimated aggregate receivable of approximately $3,968,000 as of June 30, 2022 based on management's anticipation of the results of the State's final determination of the Act 51 funding formula for the open years. This amount includes a $7,710,000 receivable related to 2018, 2019, 2020, and 2021 and a $3,742,000 liability related to 2022.

Act 51 requires SMART to provide a portion of the State of Michigan operating assistance as funding to municipalities within its transportation district. Amounts not used by the municipalities within two years must be expended by SMART for operating purposes within the county in which the city, village, or township resides. SMART was required to provide approximately $3,261,000 pursuant to this provision in each of fiscal years 2022 and 2021. Refer to Note 1 for additional information regarding the State of Michigan operating assistance funds.

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

Cash and cash equivalents	$ 143,935,101
Investments	17,062,918
Restricted cash	121,708
Total deposits and investments	$ 161,119,727

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 260 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 3 - Deposits and Investments (Continued)

The Authority has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943 has authorized investments in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the highest classifications established by no less than two standard rating services that matures no more than 260 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools organized under the Local Government Investment Pool Acts, 1982 PA 367 and 1985 PA 121.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. SMART does not have a deposit policy for custodial credit risk. At year end, the Authority had $147,291,675 of bank deposits (checking and savings accounts), of which $146,266,675 was uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. SMART's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 260-day maturity.

At year end, SMART had the following investments:

Investment	Fair Value	Weighted-average Maturity (Years)
Negotiable certificates of deposit	$ 8,323,607	3.53
U.S. government agency securities	8,739,311	3.93

Fair Value Measurements

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

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

The Authority has the following recurring fair value measurements as of June 30, 2022:

- Negotiable certificates of deposit of $8,323,607 are valued using a matrix pricing model (Level 2 inputs).

- U.S. government agency securities of $8,739,311 are valued using a matrix pricing model (Level 2 inputs).

Note 3 - Deposits and Investments (Continued)

- Interest in pooled investments (MERS Total Market Portfolio) of $100,618,245 is valued at net asset value per share.

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio. There are no unfunded commitments or rules regarding redemption frequency or notice period.

Note 4 - Grants Receivable

At June 30, 2022 and 2021, grants receivable are composed of the following:

	2022	2021
Accounts receivable - Billed:		
Federal government grants	$ 4,542,041	$ 6,136,435
State of Michigan grants	15,677,870	20,354,178
Total billed	20,219,911	26,490,613
Accounts receivable - Unbilled:		
Federal government grants	13,279,833	18,658,309
State of Michigan grants	1,485,944	4,915,561
Local grants	48,747	302,415
Total unbilled	14,814,524	23,876,285
Total	$ 35,034,435	$ 50,366,898

Note 5 - Capital Assets

Capital asset activity during the fiscal year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 3,473,174	$ -	$ -	$ -	$ 3,473,174
Construction in progress	21,260,887	(25,465,114)	24,220,600	(77,815)	19,938,558
Trademark	5,000	-	-	-	5,000
Subtotal	24,739,061	(25,465,114)	24,220,600	(77,815)	23,416,732
Capital assets being depreciated:					
Fixed-route buses and equipment	108,069,107	15,125,173	-	-	123,194,280
Connector buses and related equipment	84,035,611	56,585	-	(1,101,248)	82,990,948
Buildings and improvements	49,449,776	656,661	-	-	50,106,437
Office furnishings and equipment	2,363,756	-	-	-	2,363,756
Other equipment	77,956,073	9,626,695	-	-	87,582,768
Leasehold improvements	8,316,895	-	-	-	8,316,895
Right to use asset - building space	2,660,182	-	-	-	2,660,182
Subtotal	332,851,400	25,465,114	-	(1,101,248)	357,215,266
Accumulated depreciation:					
Fixed-route buses and equipment	37,206,215	-	8,659,048	-	45,865,263
Connector buses and related equipment	48,247,372	-	7,213,308	(1,101,248)	54,359,432
Buildings and improvements	37,998,555	-	1,023,017	-	39,021,572
Office furnishings and equipment	2,088,547	-	46,108	-	2,134,655
Other equipment	63,708,287	-	4,566,734	-	68,275,021
Leasehold improvements	7,181,237	-	186,897	-	7,368,134
Right to use asset - building space	366,922	-	366,922	-	733,844
Subtotal	196,797,135	-	22,062,034	(1,101,248)	217,757,921
Net capital assets being depreciated	136,054,265	25,465,114	(22,062,034)	-	139,457,345
Net capital assets	$ 160,793,326	$ -	$ 2,158,566	$ (77,815)	$ 162,874,077

Note 5 - Capital Assets (Continued)

Capital asset activity during the fiscal year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 3,473,174	$ -	$ -	$ 3,473,174
Construction in progress	12,046,394	9,214,493	-	21,260,887
Trademark	5,000	-	-	5,000
Subtotal	15,524,568	9,214,493	-	24,739,061
Capital assets being depreciated:				
Fixed-route buses and equipment	87,931,287	20,137,820	-	108,069,107
Connector buses and related equipment	87,065,798	776,075	(3,806,262)	84,035,611
Buildings and improvements	49,298,193	151,583	-	49,449,776
Office furnishings and equipment	2,363,756	-	-	2,363,756
Other equipment	73,521,576	4,434,497	-	77,956,073
Leasehold improvements	8,316,895	-	-	8,316,895
Right to use asset - building space	2,660,182	-	-	2,660,182
Subtotal	311,157,687	25,499,975	(3,806,262)	332,851,400
Accumulated depreciation:				
Fixed-route buses and equipment	29,655,380	7,550,835	-	37,206,215
Connector buses and related equipment	44,447,028	7,606,606	(3,806,262)	48,247,372
Buildings and improvements	36,968,693	1,029,862	-	37,998,555
Office furnishings and equipment	2,040,562	47,985	-	2,088,547
Other equipment	60,745,854	2,962,433	-	63,708,287
Leasehold improvements	6,980,617	200,620	-	7,181,237
Right to use asset - building space	-	366,922	-	366,922
Subtotal	180,838,134	19,765,263	(3,806,262)	196,797,135
Net capital assets being depreciated	130,319,553	5,734,712	-	136,054,265
Net capital assets	$ 145,844,121	$ 14,949,205	$ -	$ 160,793,326

The eligible depreciation for fiscal year 2022 of $602,160 ($22,062,034 total depreciation reported less ineligible depreciation of $21,459,874) includes only depreciation of assets purchased with local funds where the useful life of the asset purchased has been approved by the Office of Passenger Transportation (OPT).

Note 5 - Capital Assets (Continued)

Construction Commitments

The Authority has active purchase contract commitments at year end related to the multiple capital purchases. At year end, the Authority's significant commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Bus purchase	$ 16,574,977	$ 1,692,585
Building construction	2,052,960	10,888,310
Bus shelters	195,876	294,125
Communication boards	2,395,816	1,443,302
Bus components	8,535,859	1,855,082
Total	$ 29,755,488	$ 16,173,404

Note 6 - Property Taxes

In August 2014, Oakland, Wayne, and Macomb counties approved an increase from the then-current 0.59 mills to 1.00 mills, which were collected and recorded as revenue at the new rate in fiscal year 2015. Tax revenue received by Macomb County, Michigan; the Wayne County Act 196 Authority; and the Oakland County Act 196 Authority, which was contributed to SMART for the years ended June 30, 2022 and 2021, totaled $81,299,002 and $78,017,234, respectively.

Note 7 - Community Support and Purchase of Service

SMART has entered into purchase of service agreements with various transportation agencies, including community transit operators, all of which are separate transit systems operating in SMART's region. The agreements generally require that operating losses (as defined in the respective agreements) of these transportation agencies be subsidized up to specified maximum amounts.

Expenses under the purchase of service agreements for the years ended June 30 are composed of the following:

	2022	2021
Purchased transportation:		
Community-based services	$ 195,000	$ 195,000
Community credits	3,983,400	3,913,193
Community transit bus service	328,000	328,000
Total purchased transportation	4,506,400	4,436,193
Pass-through community support:		
Municipal credits	3,261,080	3,261,080
Specialized services	922,294	922,294
JARC and New Freedom	2,323,466	1,845,499
Royal Oak Township	16,823	15,082
Community transit bus service	4,553,805	2,977,570
Federal relief funding	1,150,417	4,121,256
Total purchase of service	12,227,885	13,142,781
Total	$ 16,734,285	$ 17,578,974

Note 8 - Long-term Liabilities

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Accumulated compensated absences	$ 4,068,493	$ 2,989,199	$ (3,558,043)	$ 3,499,649	$ 3,191,239
Lease liability (Note 15)	2,320,842	-	(347,644)	1,973,198	354,661
Total long-term debt	$ 6,389,335	$ 2,989,199	$ (3,905,687)	$ 5,472,847	$ 3,545,900

Activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Accumulated compensated absences	$ 3,805,093	$ 3,130,208	$ (2,866,808)	$ 4,068,493	$ 3,642,540
Lease liability (Note 15)	2,660,182	-	(339,340)	2,320,842	347,644
Total long-term debt	$ 6,465,275	$ 3,130,208	$ (3,206,148)	$ 6,389,335	$ 3,990,184

Note 9 - Risk Management

SMART is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

In fiscal years 2022 and 2021, SMART was a qualifying self-insurer for vehicle and general liability loss with a self-retention per occurrence amount of $1 million and excess insurance totaling $10 million per occurrence. SMART is self-insured for workers' compensation claims up to $500,000 per specific claim and is insured up to $5 million for aggregate losses in excess of the $500,000 individual claim. Vehicle, general, and workers' compensation claim liabilities are actuarially determined based on known information. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Recorded liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Management represents, based on existing known information and prior experience, that the estimated reserve for claims is adequate to satisfy all claims filed, or expected to be filed, for incidents that occurred through June 30, 2022.

SMART carries third-party commercial insurance for other areas of liability risk, including health benefits. Settled claims have not exceeded commercial coverage in any of the preceding five years.

Changes in the balances of self-insured liabilities during fiscal years 2022, 2021, and 2020 were as follows:

	2022	2021	2020
Claims liability - July 1	$ 14,166,379	$ 11,534,718	$ 11,472,340
Incurred claims - Current year, including adjustments to IBNR	5,906,962	7,521,756	3,876,796
Claim payments	(5,476,024)	(4,890,095)	(3,814,418)
Claims liability - June 30	$ 14,597,317	$ 14,166,379	$ 11,534,718

Note 10 - Agent Defined Benefit Pension Plan

Plan Description

The Suburban Mobility Authority for Regional Transportation participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS), which covers all full-time employees of the Suburban Mobility Authority for Regional Transportation. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers full-time employees at the Authority, including ATU, UAW, Teamsters, AFSCME, and nonunion employees.

Retirement benefits for employees hired before July 1, 2007 are calculated as 2.25 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 55 with 15 years of service. The vesting period is 6 years. Employees are eligible for nonduty disability benefits after 6 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal at least 85 percent of the accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for employees hired after July 1, 2007 are calculated as 1.70 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 50 with 20 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 6 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal at least 85 percent of the accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are determined annually based on a percentage of the original retirement benefits, a percentage of the present retirement benefits, or a fixed dollar amount.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Authority's board, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms as of December 31, 2021:

Inactive plan members or beneficiaries currently receiving benefits	967
Inactive plan members entitled to but not yet receiving benefits	140
Active plan members	724
Total employees covered by the plan	1,831

Note 10 - Agent Defined Benefit Pension Plan (Continued)

Contributions

Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Authority has established a 4.50 percent of covered payroll contribution rate to be paid by its covered employees.

For the year ended June 30, 2022, the average active employee contribution rate was 4.50 percent of annual pay, and the Suburban Mobility Authority for Regional Transportation's average contribution rate was 38.56 percent of annual payroll.

Net Pension Liability

The Authority has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	$ 283,775,424	$ 228,431,623	$ 55,343,801
Changes for the year:			
Service cost	3,881,625	-	3,881,625
Interest	21,012,969	-	21,012,969
Differences between expected and actual experience	(3,593,770)	-	(3,593,770)
Changes in assumptions	10,047,909	-	10,047,909
Contributions - Employer	-	16,218,042	(16,218,042)
Contributions - Employee	-	1,920,194	(1,920,194)
Net investment income	-	31,018,133	(31,018,133)
Benefit payments, including refunds	(18,459,581)	(18,459,581)	-
Administrative expenses	-	(367,088)	367,088
Net changes	12,889,152	30,329,700	(17,440,548)
Balance at December 31, 2021	$ 296,664,576	$ 258,761,323	$ 37,903,253

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

For the year ended June 30, 2022, the Authority recognized pension expense of $9,145,475.

Note 10 - Agent Defined Benefit Pension Plan (Continued)

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 322,103	$ 1,796,885
Changes in assumptions	7,535,920	-
Net difference between projected and actual earnings on pension plan investments	-	18,488,757
Employer contributions to the plan subsequent to the measurement date	10,010,635	-
Total	$ 17,868,658	$ 20,285,642

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date ($10,010,635), which will impact the net pension liability in fiscal year 2023 rather than pension expense.

Years Ending June 30	Amount
2023	$ 3,165,288
2024	(7,448,710)
2025	(5,407,499)
2026	(2,736,698)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases (including inflation)	3.00%
Investment rate of return (gross of investment expenses)	7.25%

The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

Pre-retirement Mortality:

1. 100% of PubG-2010 Healthy Retiree Mortality Tables for Ages 81-120
2. 100% of PubG-2010 Employee Mortality Tables for Ages 18-80
3. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17

Nondisabled retired plan members and beneficiaries:

1. 106% of PubG-2010 Healthy Retiree Mortality Tables for Ages 50-120
2. 106% of PubG-2010 Employee Mortality Tables for Ages 18-49
3. 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17

Disabled retired plan members:

1. 100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120
2. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17

Note 10 - Agent Defined Benefit Pension Plan (Continued)

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee 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 employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2021, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

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

The following presents the net pension liability of the Authority, calculated using the discount rate of 7.25 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the Suburban Mobility Authority for Regional Transportation	$ 70,116,817	$ 37,903,253	$ 10,655,146

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net pension has been determined on the same basis as used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The December 31, 2021 actuarial valuation updated the investment rate of return (gross of investment expenses) and discount rate from 7.60 percent to 7.25 percent.

Note 11 - Defined Contribution Postemployment Benefits

The Authority provides an employer-sponsored health care savings plan to certain employees to cover the costs of postemployment medical expenses available to the participant upon separation from employment by the Authority. This is a defined contribution plan administered by Michigan Municipal Employees' Retirement System. The benefits are provided under collective bargaining agreements (or other legal authority for providing benefits). There are no required contributions from employees. The Authority is required to contribute $125 per month for each participating employee in the International Brotherhood of Teamsters and $137 per month for each participating employee in the Amalgamated Transit Union; the American Federation of State, County and Municipal Employees (AFSCME); and nonrepresented employee groups. Health care savings plan participants are not eligible for authority-paid retiree health care under any other authority plan or program

During the years ended June 30, 2022 and 2021, the Authority made contributions of $745,743 and $757,532, respectively, to the plan.

Note 12 - Other Postemployment Benefit Plan

Plan Description

SMART provides other postemployment benefits for all employees who meet eligibility requirements. These OPEB benefits are provided by SMART through its Enterprise Operating Fund directly to the retiree and beneficiary monthly. The SMART Enterprise Operating Fund will also make, on a discretionary basis, advance OPEB funding contributions to the Michigan Municipal Employees' Retirement System retiree health funding vehicle.

MERS is a statutory public corporation multiple-employer retirement system that pools assets of the participating employers for investment purposes but maintains separate accounts for each individual employer retiree health funding vehicle. These funds constitute a health care fund, which enable SMART to accumulate moneys to provide or subsidize health benefits for retirees and retiree beneficiaries.

SMART and the Municipal Employees' Retirement System separately issue public financial reports that include financial statements and required supplemental information for their respective organizations. The MERS financial report can be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917 or on the MERS website at www.mersofmich.com.

Management of the plan is vested in the SMART board of directors.

Benefits Provided

SMART provides postemployment health insurance, life insurance, and prescription benefits to eligible employees and beneficiaries. Eligible employees include those who retire after attaining age 60 with at least 6 years of service or after attaining age 55 with at least 15 years of service. For certain employees hired after July 1, 2007, health, life, and prescription benefits will be provided after the employee attains age 55 with at least 25 years of service. There are no cost of living benefit adjustments. Union contracts or the nonunion benefit book outline specifically which health care agent a retiree or beneficiary can utilize.

Note 12 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

Substantially all SMART employees hired before July 1, 2007; AFSCME members hired before February 9, 2015; and all UAW members are members of the plan. During fiscal year 2015, SMART implemented a defined contribution health care savings plan (the "HCSP") as an alternative to the existing plan, effectively closing the retiree health care and prescription plan to new employees. All Amalgamated Transit Union, International Brotherhood of Teamsters, and all nonrepresented employees hired after July 1, 2007 were transferred to the HCSP retroactive to their date of hire. The HCSP also includes employees in the American Federation of State, County and Municipal Employees hired after February 9, 2015.

The following members were covered by the benefit terms as of December 31, 2020.

Inactive plan members or beneficiaries currently receiving benefits	646
	786
Total plan members	1,432

Contributions

SMART contributes 100 percent of the actual monthly costs for current benefits and administrative expenses to the plan through its Enterprise Operating Fund (pay-as-you-go funding). SMART has made additional payments to the OPEB retiree health funding vehicle at MERS on a discretionary basis.

SMART union and nonunion retirees who retire after January 6, 2012 also contribute a portion of their monthly retirement benefit to fund monthly health care premium payments made by SMART. For the fiscal year ended June 30, 2022, SMART paid postemployment health care benefit premiums and administrative costs of $6,665,578. In addition, SMART also contributed $9,900,000 into its prefunded retiree health care fund and paid $184,962 of administrative OPEB investment costs from the retiree health care fund.

Net OPEB Liability

The Authority has chosen to use the June 30, 2022 measurement date as its measurement date for the net OPEB liability. The June 30, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2022 measurement date. The June 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020, which used update procedures to roll forward the estimated liability to June 30, 2022.

Note 12 - Other Postemployment Benefit Plan (Continued)

Changes in the net OPEB liability during the measurement year were as follows:

	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2021	$ 157,201,820	$ 99,678,788	$ 57,523,032
Changes for the year:			
Service cost	1,006,225	-	1,006,225
Interest	8,490,468	-	8,490,468
Differences between expected and actual experience	(992,549)	-	(992,549)
Contributions - Employer	-	16,565,578	(16,565,578)
Net investment income	-	(8,775,581)	8,775,581
Benefit payments, including refunds	(6,665,578)	(6,665,578)	-
Administrative expenses	-	(184,962)	184,962
Net changes	1,838,566	939,457	899,109
Balance at June 30, 2022	$ 159,040,386	$ 100,618,245	$ 58,422,141

The plan's fiduciary net position represents 63.3 percent of the total OPEB liability.

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

For the year ended June 30, 2022, the Authority recognized an OPEB cost recovery of $2,732,958.

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 35,409,767
Changes in assumptions	12,949,734	-
Net difference between projected and actual earnings on OPEB plan investments	3,044,437	-
Total	$ 15,994,171	$ 35,409,767

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

Years Ending June 30	Amount
2023	$ (6,553,895)
2024	(6,468,610)
2025	(6,370,753)
2026	41,571
2027	(63,909)

Note 12 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases for individual members based on age, including a base increase of 3.00 percent for all years and a merit/seniority increase of 0.00 to 6.70 percent; an investment rate of return (net of investment expenses) of 5.50 percent; a health care cost trend rate of 7.50 percent,, decreasing for 10 years to an ultimate rate of 3.50 percent; and the sex distinct Pub-2010 mortality tables with future assumed mortality improvements using scale MP-2019. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that, in years where an unfunded actuarial accrued liability exists, the total contributions will be equal to the projected benefit payments (pay as you go), plus an additional fixed employer contribution of a minimum $2.7 million, in order to fund the actuarial contribution amount. In years where no unfunded actuarial accrued liability exists, the total contributions will be equal to the projected service cost, and contributions and benefit payments occur halfway through the year.

Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	4.48 %
Global fixed income	0.41
Private Investments	3.93

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

The following presents the net OPEB liability of the Authority, calculated using the discount rate of 5.50 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.5%)	Current Discount Rate (5.5%)	1 Percentage Point Increase (6.5%)
Net OPEB liability of the Municipal Employees' Retirement System of Michigan	$ 78,644,967	$ 58,422,141	$ 41,679,766

Note 12 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Authority, calculated using the health care cost trend rate of 7.5 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Health Care Cost Trend Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the Municipal Employees' Retirement System of Michigan	$ 39,703,079	$ 58,422,141	$ 80,986,325

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board's adopted asset allocation policy as of June 30, 2022:

Municipal Employees' Retirement System of Michigan

Asset Class	Target Allocation
Global equity	53.50 %
Global fixed income	22.00
Private investments	24.50
Total	100.00 %

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (8.23) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - Contingent Liabilities

Various legal actions and workers' compensation claims are outstanding or may be instituted or asserted against SMART. Management has accrued amounts with respect to such actions and claims based on its best estimate of SMART's ultimate liability in these matters, including an estimate for claims that have been incurred but not reported for self-insured liability exposure.

Note 14 - 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 funds used to pay operating costs have been subtracted from eligible costs, which included $6 million and $4 million of preventive maintenance in 2022 and 2021, respectively. Also, any expenses associated with earned revenue, of which SMART had none in 2022 and 2021, would be subtracted from eligible costs.

Note 15 - Leases

The Authority leases building space from a third party. Payments are fixed monthly. Lease asset activity of the Authority is included in Note 5.

Lease asset activity of the Authority is included in Note 5.

Future principal and interest payment requirements related to the Authority's lease liability at June 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	$ 354,661	$ 36,225	$ 390,886
2024	366,142	29,037	395,179
2025	374,988	21,623	396,611
2026	382,557	14,054	396,611
2027	394,601	6,304	400,905
2028	100,249	334	100,583
2041-2045	-	-	-
2046-2050	-	-	-
Total	$ 1,973,198	$ 107,577	$ 2,080,775

The Authority leases land to various third parties. Payments are generally fixed monthly with escalation over the term of the lease. During the years ended June 30, 2022 and 2021, the Authority recognized approximately $70,000 of revenue from leases, including interest.

Required Supplemental Information

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Eight Years
Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 3,881,625	$ 4,510,489	$ 4,502,393	$ 4,468,876	$ 4,143,547	$ 3,891,466	$ 3,819,202	$ 3,701,095
Interest	21,012,969	19,888,505	19,885,440	19,353,007	19,005,207	18,585,805	17,695,500	17,072,926
Differences between expected and actual experience	(3,593,770)	966,309	(2,768,704)	(870,763)	(3,478,232)	(2,515,718)	99,715	-
Changes in assumptions	10,047,909	7,535,899	8,381,719	-	-	-	10,351,934	-
Benefit payments, including refunds	(18,459,581)	(17,122,807)	(16,641,264)	(15,806,604)	(15,337,264)	(14,527,892)	(13,643,308)	(12,930,124)
Net Change in Total Pension Liability	12,889,152	15,778,395	13,359,584	7,144,516	4,333,258	5,433,661	18,323,043	7,843,897
Total Pension Liability - Beginning of year	283,775,424	267,997,029	254,637,445	247,492,929	243,159,671	237,726,010	219,402,967	211,559,070
Total Pension Liability - End of year	**$ 296,664,576**	**$ 283,775,424**	**$ 267,997,029**	**$ 254,637,445**	**$ 247,492,929**	**$ 243,159,671**	**$ 237,726,010**	**$ 219,402,967**
Plan Fiduciary Net Position								
Contributions - Employer	$ 16,218,042	$ 12,117,144	$ 13,368,558	$ 8,165,009	$ 16,522,752	$ 15,725,356	$ 5,096,203	$ 4,675,271
Contributions - Employee	1,920,194	2,067,490	2,013,938	1,972,003	1,750,206	1,650,588	1,627,578	1,600,418
Net investment income (loss)	31,018,133	28,663,528	24,557,841	(7,496,684)	23,044,677	17,449,806	(2,305,957)	9,705,285
Administrative expenses	(367,088)	(407,927)	(423,144)	(373,896)	(364,112)	(348,853)	(340,843)	(355,364)
Benefit payments, including refunds	(18,459,581)	(17,122,807)	(16,641,264)	(15,806,604)	(15,337,264)	(14,527,892)	(13,643,308)	(12,930,124)
Net Change in Plan Fiduciary Net Position	30,329,700	25,317,428	22,875,929	(13,540,172)	25,616,259	19,949,005	(9,566,327)	2,695,486
Plan Fiduciary Net Position - Beginning of year	228,431,623	203,114,195	180,238,266	193,778,438	168,162,179	148,213,174	157,779,501	155,084,015
Plan Fiduciary Net Position - End of year	**$ 258,761,323**	**$ 228,431,623**	**$ 203,114,195**	**$ 180,238,266**	**$ 193,778,438**	**$ 168,162,179**	**$ 148,213,174**	**$ 157,779,501**
Authority's Net Pension Liability - Ending	**$ 37,903,253**	**$ 55,343,801**	**$ 64,882,834**	**$ 74,399,179**	**$ 53,714,491**	**$ 74,997,492**	**$ 89,512,836**	**$ 61,623,466**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.22 %	80.50 %	75.79 %	70.78 %	78.30 %	69.16 %	62.35 %	71.91 %
Covered Payroll	$ 41,411,960	$ 45,036,165	$ 44,836,035	$ 43,850,988	$ 40,197,698	$ 36,992,486	$ 36,833,068	$ 35,107,048
Authority's Net Pension Liability as a Percentage of Covered Payroll	91.53 %	122.89 %	144.71 %	169.66 %	133.63 %	202.74 %	243.02 %	175.53 %

See notes to required supplemental information.

Last Eight Years
Years Ended December 31

Schedule is built prospectively upon implementation of GASB 68.

See notes to required supplemental information.

Required Supplemental Information
Schedule of Pension Contributions

Last Ten Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 9,147,144	$ 7,966,477	$ 8,212,548	$ 7,033,464	$ 6,522,752	$ 5,725,357	$ 5,096,203	$ 4,788,752	$ 4,549,591	$ 4,747,571
Contributions in relation to the actuarially determined contribution	17,576,710	15,986,477	13,199,457	8,165,009	16,522,752	15,725,357	5,096,203	4,788,752	4,624,857	3,980,544
Contribution Excess (Deficiency)	**$ 8,429,566**	**$ 8,020,000**	**$ 4,986,909**	**$ 1,131,545**	**$ 10,000,000**	**$ 10,000,000**	**$ -**	**$ -**	**$ 75,266**	**$ (767,027)**
Covered Payroll	$ 45,582,462	$ 42,005,571	$ 44,268,897	$ 43,850,988	$ 40,197,698	$ 36,992,486	$ 36,833,068	$ 35,107,048	$ 34,791,376	$ 34,887,806
Contributions as a Percentage of Covered Payroll	38.56 %	38.06 %	29.82 %	18.62 %	41.10 %	42.51 %	13.84 %	13.64 %	13.29 %	11.41 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay - Closed
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increase	3.00 percent - Including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Juvenile and PubG-2010 Employee and Healthy Retiree
Other information	None

See notes to required supplemental information.

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

Last Five Fiscal Years
Years Ended June 30

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 1,006,225	$ 1,414,989	$ 1,676,593	$ 1,499,372	$ 1,672,442
Interest	8,490,468	9,971,568	9,808,385	11,539,771	11,264,428
Differences between expected and actual experience	(992,549)	(42,262,549)	(1,297,425)	(27,059,480)	(321,657)
Changes in assumptions	-	11,001,181	-	22,428,697	-
Benefit payments, including refunds	(6,665,578)	(7,034,223)	(7,145,341)	(8,249,942)	(8,335,309)
Net Change in Total OPEB Liability	1,838,566	(26,909,034)	3,042,212	158,418	4,279,904
Total OPEB Liability - Beginning of year	157,201,820	184,110,854	181,068,642	180,910,224	176,630,320
Total OPEB Liability - End of year	**$ 159,040,386**	**$ 157,201,820**	**$ 184,110,854**	**$ 181,068,642**	**$ 180,910,224**
Plan Fiduciary Net Position					
Contributions - Employer	$ 16,565,578	$ 17,183,823	$ 13,445,341	$ 13,999,942	$ 13,553,709
Net investment income (loss)	(8,775,581)	20,344,183	1,564,171	1,800,508	3,672,021
Administrative expenses	(184,962)	(150,145)	(117,883)	(118,940)	(122,336)
Benefit payments, including refunds	(6,665,578)	(7,034,223)	(7,145,341)	(8,249,942)	(8,335,309)
Net Change in Plan Fiduciary Net Position	939,457	30,343,638	7,746,288	7,431,568	8,768,085
Plan Fiduciary Net Position - Beginning of year	99,678,788	69,335,150	61,588,862	54,157,294	45,389,209
Plan Fiduciary Net Position - End of year	**$ 100,618,245**	**$ 99,678,788**	**$ 69,335,150**	**$ 61,588,862**	**$ 54,157,294**
Net OPEB Liability - Ending	**$ 58,422,141**	**$ 57,523,032**	**$ 114,775,704**	**$ 119,479,780**	**$ 126,752,930**
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	63.27 %	63.41 %	37.66 %	34.01 %	29.94 %
Covered-employee Payroll	$ 62,948,686	$ 58,357,225	$ 55,369,846	$ 54,013,348	$ 44,134,313
Net OPEB Liability as a Percentage of Covered-employee Payroll	92.81 %	98.57 %	207.29 %	221.20 %	287.20 %

Schedule is built prospectively upon implementation of GASB 75.

See notes to required supplemental information.

Suburban Mobility Authority for Regional Transportation

Federal Awards Supplemental Information

June 30, 2022

Contents

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

Independent Auditor's Report

To the Board of Directors
Suburban Mobility Authority for Regional Transportation

We have audited the financial statements of the business-type activities and fiduciary activities of the Suburban Mobility Authority for Regional Transportation (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated ,which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to .

The accompanying schedule of expenditures of federal awards and the reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for purposes of additional analysis as required by the Uniform Guidance and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Suburban Mobility Authority for Regional Transportation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities and fiduciary activities of the Suburban Mobility Authority for Regional Transportation (the "Authority") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated .

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

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

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

Independent Auditor's Report

To the Board of Directors
Suburban Mobility Authority for Regional Transportation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Suburban Mobility Authority for Regional Transportation's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2022. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's Federal program.

To the Board of Directors
Suburban Mobility Authority for Regional Transportation

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

To the Board of Directors
Suburban Mobility Authority for Regional Transportation

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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

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

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.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:				
U.S. Department of Transportation - Direct programs:				
Federal Transit Cluster:				
Formula Grants:				
COVID-19 - Operating Assistance FY20 CARES	20.507		$ 1,146,292	$ 11,946,292
Capital Assistance FY13-14-15	20.507		30,294	355,332
Capital Assistance FY17-18-19	20.507		-	702,312
Capital Assistance FY17-18-19	20.507		*159,547*	6,159,547
Capital Assistance FY16	20.507		-	1,639,507
Capital Assistance FY16	20.507		-	253,910
Capital Assistance FY16	20.507		104,014	104,014
Operating Assistance (Monroe) FY21	20.507		392,225	392,225
Operating Assistance (Monroe) FY22	20.507		1,028,966	1,028,966
COVID-19 - Capital Assistance FY20 CARES	20.507		-	8,507,258
Capital Assistance FY18-19	20.507		-	4,125,529
Capital Assistance FY18-19	20.507		1,391,601	1,391,601
Capital Assistance FY16	20.507		11,381	11,381
Capital Assistance FY18-19	20.507		297,856	297,856
Capital Assistance FY20-21	20.507		1,040,000	1,040,000
Capital Assistance FY20-21	20.507		-	786,700
Capital Assistance FY20-21	20.507		226,482	226,482
Capital Assistance FY20-21	20.507		506,312	2,281,279
Total Federal Transit Cluster			6,334,970	41,250,191
Transit Services Programs Cluster:				
5310 NEW FREEDOM MOBILITY MANAGEMENT	20.513		-	41,753
5310 NEW FREEDOM OPERATING	20.513		140,566	140,566
5310 NEW FREEDOM CAPITAL	20.513		13,150	13,150
SMART 5310 PROGRAM ADMIN	20.513		-	5,566
5310 NEW FREEDOM OPERATING	20.513		4,870	4,870
5310 NEW FREEDOM MOBILITY MANAGEMENT	20.513		52,597	52,597
5310 NEW FREEDOM CAPITAL	20.513		3,776	3,776
SMART 5310 PROGRAM ADMIN	20.513		-	25,000
5310 NEW FREEDOM OPERATING	20.513		414,950	414,950
5310 NEW FREEDOM MOBILITY MANAGEMENT	20.513		109,496	109,496
SMART 5310 PROGRAM ADMIN	20.513		-	25,000
5310 NEW FREEDOM OPERATING	20.513		754,232	754,232
5310 NEW FREEDOM MOBILITY MANAGEMENT	20.513		126,949	126,949
JARC OPERATING	20.516		52,366	52,366
Total Transit Services Programs Cluster			1,672,952	1,770,271

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation - Pass-through programs from the State of Michigan Department of Transportation:				
OPERATING ASSIST. LET- SEC 5311 (2022)	20.509	MI-18-0055	$ 113,247	$ 113,247
COVID-19 OPERATING ASSIST. LET- SEC 5311 (2022) CRRSA	20.509	MI-2021-023-00	335,088	335,088
COVID-19 OPERATING ASSIST. LET- SEC 5311 (2021) CARES	20.509	MI-2020-015-02	108,197	108,197
OPERATING ASSIST. LET- SEC 5311 (2021)	20.509	MI-2020-008-03	224,445	224,445
OPERATING ASSIST. LET- SEC 5311 (2019)	20.509	MI-2017-030-03	(17,798)	(17,798)
SECTION 5310	20.513	MI-2020-068	111,967	111,967
SECTION 5311	20.513	MI-2020-008-04	180,640	180,640
SECTION 5310	20.513	MI-2021-055-00	194,231	194,231
Total passed through the Michigan Department of Transportation			1,250,017	1,250,017
U.S. Department of Transportation - Pass-through programs from the Southeast Michigan Council of Governments:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research - PLANNING & TECHNICAL STUDIES UWP PROGRAM	20.505	MI-80-X006	-	315,753
Total expenditures of federal awards			**$ 9,257,939**	**$ 44,586,232**

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Revenue from federal sources - As reported on financial statements (includes all funds)	$	22,248,703
Add federal portion of capital contributions - As reported on the financial statements		22,337,529
Federal expenditures per the schedule of expenditures of federal awards	**$**	**44,586,232**

See notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Suburban Mobility Authority for Regional Transportation (the "Authority") under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the full accrual of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The pass-through entity identifying numbers are presented where available.

The Authority has elected not to use the 10 percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X None reported

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	X Yes	____ No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	X Yes	____ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
20.507	Federal Transit Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$1,337,587	
Auditee qualified as low-risk auditee?	____ Yes	X No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
2022-001	**CFDA Number, Federal Agency, and Program Name** - COVID-19 20.507, Department of Transportation, Federal Transit Cluster	Yes

Federal Award Identification Number and Year - MI-2020-052

Pass-through Entity - N/A

Finding Type - Material weakness and material noncompliance with laws and regulations

Repeat Finding - No

Criteria - 2 CFR 200.403 requires recipients of federal funds to expend them on allowable costs.

Condition - SMART disbursed a portion of its CARES Act funds to community partners; however, many of those partners offer only Section 5310 service for seniors and individuals with disabilities. Section 5310 program expenses are not unallowable under the CARES Act.

Questioned Costs - $1,146,291

Identification of How Questioned Costs Were Computed - Questioned costs represent the total amount of CARES Act funds passed through to community partners.

Context - During the fiscal year, SMART passed through $1,146,291 to 35 community partners.

Cause and Effect - The CARES Act award was new to SMART in fiscal year 2020. SMART's other federal awards have existed for many years and SMART is very familiar with their requirements and allowable uses. SMART sought to share the new award with its community partners but was not aware that most of them did not have expenditures allowable under the CARES Act until the matter was idenitified during SMART's most recent triennial review.

Recommendation - When new awards are received, we recommend SMART thoroughly analyze the compliance requirements, including the allowable uses.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding	Questioned Costs
	Views of Responsible Officials and Corrective Action Plan - SMART management is aware of the issue and has been diligently working with our FTA regional office to correct the issue. While certain community partner expenses were not eligible under CARES, they are certainly eligible under CRRSA and ARPA funding grants. We are in the process of finalizing a plan, with the FTA, where all community partner relief funding will be reprogramed under the CRRSA and ARPA grants. This correction plan, once finalized, will result in no reduction of federal relief funding to SMART or any of our community partners. Given extraordinary circumstances and expedited nature of the CARES funding, we do not believe that this issue will be a significant risk for future grant funding, however SMART has modified our grant policy manual to ensure a more thorough review of eligible expenses for subrecipients.	

October XX, 2022

To the Board of Directors
Suburban Mobility Authority for
Regional Transportation

We have audited the financial statements of the Suburban Mobility Authority for Regional Transportation (“the “Authority” or SMART) as of and for the year ended June 30, 2022 and have issued our report thereon dated October XX, 2022. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the members of the board of directors of SMART.

Section II contains informational items that we believe will be of interest to you.

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

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

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

Very truly yours,

Plante & Moran, PLLC

Pamela L. Hill

Keith Szymanski

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 23, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Our audit of SMART's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of SMART, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October XX, 2022 regarding our consideration of SMART's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 12, 2022.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

During the year, SMART implemented GASB Statement No. 87, *Leases*, and retrospectively applied its provisions to fiscal year 2021.

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

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting SMART's financial statements were as follows:

- Net OPEB (other postemployment benefits) and pension liabilities and related disclosures: These estimates are based on third-party valuations performed with the underlying assumptions used in those valuations, which are based principally on plan provisions, health care-related trends, and payroll data. The significant assumptions include future rate of return on investments, future health care costs, employee eligibility rates, life expectancies, and projected salary increases.

- Estimated liabilities and the related resolution of self-insurance claims, including claims incurred but not reported (IBNR): The assumptions are based on reported incidents, third-party established actuarial methods, and historical claims incurred experience.

- Estimated reserve related to state operating grants (Act 51 revenue): The estimate is based on preliminary determinations made by the State, combined with management's estimates for uncertainties and historical results.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October XX, 2022.

Management Consultations with Other Independent Accountants

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

Section II - Legislative and Informational Items

COVID-19 Resource Center and ARPA

Throughout the COVID-19 pandemic, Plante & Moran, PLLC's COVID-19 task force of leaders across the firm has monitored, addressed, and provided insight related to the virus and the unique challenges our local governments have faced while continuing to provide essential services to their communities through our COVID-19 resource center at https://www.plantemoran.com/explore-our-thinking/areas-of-focus/covid-19-government-resource-center. This will continue as our nation emerges from this crisis.

In March 2021, the president signed the American Rescue Plan Act (ARPA) into law, which included $30.5 billion in federal funding to support public transportation systems. The ARPA award terms provide that payments from ARPA as a general matter will be subject to the provision of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), including the cost principles and restrictions on general provisions for selected items of cost. The Authority will need to understand these reforms and may be required to evaluate, document, and monitor internal procedures around compliance, including maintaining certain required policies.

The COVID-19 resource center is being continuously updated for the latest guidance and strategy related to ARPA and will help keep the Authority running smoothly through our nation's recovery.

Want to receive relevant content directly to your email? Subscribe at https://www.plantemoran.com/subscribe where you can customize your subscription preferences based on your specific interests and industry selection.

Cybersecurity and Information Technology Controls

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, municipalities stand to lose their reputation, the ability to operate efficiently, and proprietary information or assets. Communities potentially can also be subject to financial and legal liabilities. Managing this issue is especially challenging because even a municipality with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We understand that the technology department continues to monitor and evaluate this risk, which are critical best practices. Additionally, periodic assessments of the system in order to verify that the control environment is working as intended are key parts of measuring associated business risk. We encourage administration and those charged with governance to work with the technology team on this very important topic. If we can be of assistance in the process, we would be happy to do so.

Process Efficiencies

While performing our audit, we are always looking for ways to assist SMART, whether through best practices or ways to be more efficient. Through our testing, we have observed that SMART's chart of accounts and processes for recording transactions can be burdensome and likely more complex than they need to be. This can make accurate financial reporting more difficult to achieve and also places greater strain on the finance staff. We have found that, as systems age and organizations are able to take a step back to look at practices that have been in place for several years, there may be more efficient ways of doing things. We always encourage organizations to revisit the business processes in place to look for efficiencies. We recommend SMART consider reviewing and potentially optimizing its chart of accounts and business processes. We are happy to discuss this further with SMART management.

ACH Policy

SMART utilizes automated clearing house (ACH) payments on a limited basis without having a written policy in place related to ACH payments. Public Act (PA) 738 of 2002 requires a written policy be in place anytime a local unit of government is making ACH payments. The policy should include the employee responsible for overseeing the process, reporting of the goods or services received, the internal accounting controls, and the approval process. We recommend SMART implement a written ACH policy in order to be in compliance with PA 738 of 2002.

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

Federal Procurement Threshold Changes

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

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

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

- During the original adoption of the Uniform Guidance procurement standards, were specific amounts included within the Authority's procurement policy, or were references to the Uniform Guidance sections or amounts as adjusted referenced? If specific amounts were referenced, the procurement policy will need to be updated to take advantage of the changes.

- If the Authority's procurement policy was written to allow for changes in amounts, the procedures will need to be updated to conform.

- If this change is inconsistent with other procurement policies within the organization, the Authority must decide how the policy will be enacted. Remember local ordinances in place may limit full utilization of changes.

- If the Authority has chosen not to fully adopt the change and maintain a lower threshold, then the Authority is not required to use these thresholds but cannot exceed them.

Upcoming Accounting Standards Requiring Preparation

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

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITAs)

This new accounting pronouncement will be effective for the Authority's year ending June 30, 2023. This statement defines SBITAs and provides accounting and financial reporting for SBITAs by governments, including requiring a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs.

GASB Statement No. 99 - Omnibus 2022

This new accounting pronouncement has various effective dates. This statement addresses accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology.

GASB Statement No. 100 - Accounting Changes and Error Corrections

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

GASB Statement No. 101 - Compensated Absences

This new accounting pronouncement will be effective for fiscal years ending December 31, 2024 and after. This statement updates the recognition and measurement guidance for compensated absences under a unified model, requiring that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. This statement also establishes guidance for measuring a liability for leave that has not been used and updates disclosure requirements for compensated absences.