

Southeast Michigan Council of Governors
1001 Woodward Ave, Detroit, MI 48226
Detroit, MI 48226

SMART Audit Committee Meeting

October 23, 2025



MEMORANDUM

TO: SMART Board of Directors

FROM: Chairperson

DATE: October 23, 2025

SUBJECT: Call to Order





Buhl Building • 535 Griswold St, Suite 600 • Detroit, MI 48226 • (313) 223-2100

ROLL CALL

Date: October 23, 2025

MR. ELI COOPER

MS. SHEILA COTE

MR. ASSAD TURFE



SMART Audit Committee Meeting Agenda

October 23, 2025

12:00 PM

SEMCOG

1001 Woodward Ave, Detroit, MI 48226

ITEM	ACTION	PRESENTED BY
1. Call to Order		Eli Cooper
2. Roll Call		Eli Cooper
3. Adoption of Agenda	Approval	Eli Cooper
4. Certification of Public Notice	Information	Tiffany Martin-Patterson
5. Public Participation	Discussion	
6. New Business		
A. Resolution: Approval of Audited Financial Statements for the Year Ending June 30, 2025, Including Other Independent Auditor Reports		Ryan Byrne <i>VP of Finance</i>
7. Committee Member Business	Discussion	Eli Cooper
8. Adjournment	Discussion	Eli Cooper



Buhl Building • 535 Griswold Street, Suite 600 • Detroit, MI 48226 • (313) 223-2100

PUBLIC NOTICE

SMART will hold its Audit Committee meeting on Thursday, October 23, 2025 at 12:00 P.M. at the Southeast Michigan Council of Governments Building, located at 1001 Woodward Ave Ste 1400, Detroit, MI 48226. 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 via zoom. The Meeting will be live streamed on YouTube and available at the following link: <https://www.youtube.com/@MySMARTBus>.

To attend virtually; on a smartphone, tablet, or computer; please enter this URL in a web browser:

- <https://smartbus.zoom.us/j/86728758619>
- Via phone only, please dial: +1 305 224 1968
- Webinar ID: 867 2875 8619 (no password required)
- One-tap mobile: +19292056099,,86728758619# US

Members of the public may also submit a written comment by emailing SMARTBoard@smartbus.org by 11:00 AM 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 and we will assist you to the best of our abilities.

Public Comment will proceed as follows:

- All comments: 3-minute limit per member of the public.
- Public comments will be received in the following order:
 1. Members of the public who attend in person
 2. Members of the public present via Zoom
 3. Written comments via email.

Public comment shall be allowed for one participant at a time. Participants shall not speak until recognized by the Chairperson. Each participant, remote and in person, will be required to provide their name, county of residence, and the topic they would like to address. Online participants must also provide an email address, by sending the email address to SMARTBoard@smartbus.org. Online participants must also have camera access.

Virtual participation will be facilitated through Zoom. (link provided) To register to speak via zoom, a comment participant must "raise hand." The meeting administrator will select individuals in the order received. Online participants will have 3 minutes to speak. Participants will be muted when the time expires. The Chairperson shall designate a timekeeper for purposes of enforcing the time limit.

Emailed public comment will not be read but printed, copied, and made available at the meeting.

MEMORANDUM

TO: SMART Board of Directors

FROM: Chairperson

DATE: October 23, 2025

SUBJECT: Public Participation



MEMORANDUM

TO: SMART Board of Directors

FROM: SMART Staff

DATE: October 23, 2025

SUBJECT: New Business



Opinion Date

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, 2025 and have issued our report thereon dated Opinion Date. 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 - Other Recommendations and Related Information

Section III – 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 presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping SMART in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

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

We would like to take this opportunity to thank SMART'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 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 and any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

Keith Szymanski

Amy Tytar

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 May 9, 2025, 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 Opinion Date 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 5, 2025.

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.

As described in Note 1 of the financial statements, SMART implemented Governmental Accounting Standards Board Statement No. 101, which resulted in changes to the way in which the liability for compensated absences is calculated. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been in place.

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

Section I - Required Communications with Those Charged with Governance (Continued)

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.

- Net OPEB (other postemployment benefits) asset and pension liability 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 Opinion Date.

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 - Other Recommendations and Related Information

As part of our audit procedures, we occasionally come across items that we would consider to be best practices. Below are certain items we believe may merit further attention by SMART:

Agreements and Reporting with Community Partners

During our agreed-upon procedures performed for the Municipal and Community Credits Program and the subrecipients of SMART's federal grants, we noted multiple instances of community partners not providing accurate or timely information to SMART. We recommend a few items to improve reporting accuracy and timeliness for community partners:

- Follow up on the current year findings and go back to previous report findings to ensure the issues identified have been adequately corrected.
- Consider implementing additional review procedures over the information being submitted by local communities and subrecipients to ensure accuracy and compliance with contracts and federal requirements.
- Consider issuing more guidance to communities on both the expected reporting frequency as well as what would be expected and considered best practices for compiling and maintaining supporting information that is utilized to produce reimbursement requests.

Grant Best Practices

During our audit procedures, we noted instances in which there was a significant lag between when expenditures were incurred and when the draw of grant funds ultimately took place. As of year-end, accounts receivable included over \$20 million of unbilled federal government grants whereas total federal expenditures reported on the Schedule of Expenditures of Federal Awards for 2025 was \$28 million. We recommend SMART put in place a process to minimize the time between incurring and paying qualifying expenditures and submitting the draw request. This will help get ahead of any potential lags in reimbursement at the federal level as well as increase cash on hand with the Authority.

Section III – Legislative and Informational Items

Inflation Reduction Act (IRA)

Significant legislation was enacted in 2022 that has dramatically expanded the available tax credits, tax incentives, and other funding opportunities related to the green energy sector. The One Big Beautiful Bill (OBBB), enacted on July 4, 2025, introduced sweeping changes to those credits. However, the OBBB delayed the implementation of certain provisions - meaning that, with careful planning, SMART can still take advantage of available credits. Additionally, the new monetization options from the original legislation that expanded the benefits of tax credits for qualifying activities to public sector organizations like SMART remain unchanged from the OBBB. The breadth of qualifying activities is significant, including, in most cases, the production of electricity; production of solar, wind, and energy equipment; installation of energy-efficient upgrades to businesses and homes; and the acquisition of electric vehicles (EVs) and charging equipment. We are happy to discuss any questions or potential tax credit opportunities with you, and please also feel free to visit our IRA tax credits articles and webinars at <https://www.plantemoran.com/explore-our-thinking/areas-of-focus/inflation-reduction-act-tax-credits>.

Monitoring Lease, SBITA, and PPP Activity

GASB Statements No. 87, *Leases*; No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs); and No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements*, were effective in fiscal years 2022 and 2023. Although significant analyses were performed to determine the applicability of the new standards and record any necessary adjustments, we want to stress the importance of implementing ongoing monitoring procedures over lease, SBITA, and PPP activity. When the Authority enters into new leases, SBITAs, or PPPs; existing agreements are modified; or other facts and circumstances change, consideration must be given to the impact those changes will have on lease, SBITA, and PPP accounting. In order to do so, the Authority must ensure there is a process in place to identify and appropriately account for new leases, SBITAs, or PPPs or changes to existing agreements on an ongoing basis or at least at the end of each year.

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 assessment of the system in order to verify that the control environment is working as intended is a key part 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.

OMB Revisions to the Uniform Guidance

In April 2024, the Office of Management and Budget (OMB) released revisions for the Uniform Guidance for federal grants and agreements, which are effective for fiscal year ends beginning on October 1, 2024 and after. The guidance clarifies the applicability of requirements and terminology and includes some relaxation and clarification of certain requirements that required prior approval from federal regulators. A few key changes include the following:

- Increase the single audit threshold to \$1 million from \$750,000
- Require the schedule of expenditures of federal awards (SEFA) to identify recipient of federal award for audits that cover multiple recipients

Section III – Legislative and Informational Items (Continued)

- Increase the *de minimis* indirect cost rate from 10 percent to 15 percent, effective for grants received on October 1, 2024, and after

The changes are included in more detail within the federal register at <https://www.federalregister.gov/documents/2024/04/22/2024-07496/guidance-for-federal-financial-assistance>, and we are happy to discuss these changes with you.

Capitalization Thresholds

The April 2024 Uniform Grants Guidance 2024 Revision described above resulted in the equipment threshold increasing from \$5,000 to \$10,000. This threshold applies to the value of equipment that at the end of the grant period may be retained, sold, or otherwise disposed of with no further responsibility to the federal agency. In addition to considering this Uniform Guidance threshold related to federal grants compliance, it may be a good time for SMART to reevaluate the capitalization thresholds. We are happy to assist you in thinking through considerations in evaluating these thresholds.

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 SMART. 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 update and a link to previous fall and spring updates are available [here](#).

GASB Statement No. 103 - Financial Reporting Model Improvements

This new accounting pronouncement will be effective for SMART's fiscal year ending June 30, 2026. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis (MD&A); unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement requires that the MD&A be limited to the five topics noted in the standard and provides further guidance on how the MD&A should be written. For proprietary fund financial reporting, the statement defines nonoperating revenue and expense and introduces the concept of subsidies. It also requires new subtotals to present total noncapital subsidies and income or loss, including both operating activities and noncapital subsidies. The statement also outlines how unusual or infrequent items should be presented separately on the financial statements.

GASB Statement No. 104 - Disclosure of Certain Capital Assets

This new accounting pronouncement requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. This pronouncement will also be effective next year.

Significant GASB Proposal Worth Watching

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. The GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step categorization process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions. The exposure draft for this project is expected sometime in 2026.

Section III – Legislative and Informational Items (Continued)

Plante & Moran, PLLC has spent significant time digesting this new proposed standard and recently testified to the GASB about our feedback. We strongly encourage SMART to monitor developments with this standard, as the potential impact is quite broad.

DRAFT

Suburban Mobility Authority for Regional Transportation

**Financial Report
with Supplementary Information
June 30, 2025**

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-6
Basic Financial Statements	
Fund Financial Statements:	
Statement of Net Position	7-8
Statement of Revenue, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10-11
Fiduciary Funds:	
Statement of Fiduciary Net Position	12
Statement of Changes in Fiduciary Net Position	13
Notes to Financial Statements	14-38
Required Supplementary Information	39
Schedule of Changes in the Net Pension Liability and Related Ratios	40
Schedule of Pension Contributions	41
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios	42
Schedule of OPEB Contributions	43
Schedule of OPEB Investment Returns	44
Notes to Required Supplementary Information	45
Supplementary Information	46
1. & 2. Operating Revenue Schedule	46-47
3. & 4. Local Revenue Schedule	48-49
5. & 6. Federal and State Operating Revenue	50-53
7-10. SMART Expense Schedule	54-61
11. Schedule of Financial Assistance	62-67
12. & 13. Other Operating Expenses	68-77
14. Other Operating Expenses - Combined Total	78
15. URBAN Revenue Combined Schedule	79
16. URBAN Expense Combined Schedule	80
17. SMART Combined Urban Regular Service Revenue Report	81
18. SMART Combined Urban Regular Service Expense Report	82
19. SMART Combined Urban Regular Service Nonfinancial Report	83
Supplementary Information Notes	84

Independent Auditor's Report

To the Board of Directors
Suburban Mobility Authority for Regional Transportation

Report on the Audits 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, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the Suburban Mobility Authority for Regional Transportation'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 Suburban Mobility Authority for Regional Transportation as of June 30, 2025 and 2024 and the respective changes in its financial position and, where applicable, its 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 described in Note 1 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits 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 audits 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 audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Suburban Mobility Authority for Regional Transportation's basic financial statements. The supplementary information, as identified in the table of contents, except for the community-based report numbered 12, the nonfinancial report numbered 19, and all reports for the year ended September 30, 2024 (those numbered 2, 4, 6, 8, 10, and 13-18), 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 audits 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 supplementary information, except for the community-based report numbered 12, the nonfinancial report numbered 19, and all reports for the year ended September 30, 2024 (those numbered 2, 4, 6, 8, 10, and 13-18), is fairly stated in all material respects in relation to the basic financial statements as a whole.

Additional Information

Management is responsible for the accompanying other information, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other information comprises the community based report numbered 12, the nonfinancial report numbered 19, and all reports for the year ended September 30, 2024 (those numbered 2, 4, 6, 8, 10, and 13-18). Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2025 on our consideration of the Suburban Mobility Authority for Regional Transportation'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 Suburban Mobility Authority for Regional Transportation'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 Suburban Mobility Authority for Regional Transportation's internal control over financial reporting and compliance.

November 20, 2025

Suburban Mobility Authority for Regional Transportation

Management's Discussion and Analysis

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, 2025 and 2024 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 decreased in fiscal year 2024-2025 (FY 2025) as compared to fiscal year 2023-2024 (FY 2024). This total operating revenue decrease related to fares increasing 3.66 percent, or approximately \$204,000 and other operating income decreasing 18.61 percent or approximately \$385,000. This is due to increased ridership and decreased community transit revenue, respectively.
- Nonoperating revenue increased by approximately \$41.1 million, or 28.81 percent, in FY 2025 compared to FY 2024. This is primarily due to additional local contributions of county property taxes and additional reimbursement from MDOT for eligible expenditures.
- In FY 2025, operating expenses of approximately \$188.5 million are approximately \$37.4 million higher than FY 2024. This is largely due to an increase in employee compensation from wage increases and additional personnel hired during the year.
- Capital contribution spending in FY 2025 amounted to approximately \$10.23 million. This is a decrease of approximately \$9.47 million, or 48 percent, for FY 2025. SMART relies heavily on federal capital funds to purchase capital assets (i.e., bus replacement and facility rehabilitation). SMART had fewer capital projects open during FY 2025 than FY 2024.
- Current liabilities increased by approximately \$2.2 million primarily due to an increase in accounts payable of \$3.2 million and a decrease in municipal and community credits payable of \$0.7 million.
- Net position, which is detailed later, increased by approximately \$14.3 million to \$290.2 million, which is a combination of the \$13.29 million decrease in net investment in capital assets, \$1.0 million increase in restricted net position related to postemployment benefits, and \$26.4 million increase in unrestricted net position due to FY 2025 financial activity.

Suburban Mobility Authority for Regional Transportation

Management's Discussion and Analysis (Continued)

The Authority's Net Position

A summary of SMART's assets, liabilities, deferred outflows and inflows, and net position at June 30, 2025, 2024, and 2023 is as follows:

	2023	2024	2025
Assets			
Current and other assets:			
Cash and investments	\$ 186,875,427	\$ 135,689,663	\$ 143,004,168
Receivables	64,803,263	42,518,794	49,818,698
Other assets	3,875,319	21,090,415	23,117,355
Capital assets	154,167,366	152,212,121	138,421,527
Total assets	409,721,375	351,510,993	354,361,748
Deferred Outflows of Resources	35,940,224	76,763,434	26,701,714
Liabilities			
Current liabilities	30,557,924	31,691,935	33,916,953
Noncurrent liabilities	108,750,250	83,762,745	33,761,610
Total liabilities	139,308,174	115,454,680	67,678,563
Deferred Inflows of Resources	50,340,231	36,896,436	23,193,238
Net Position			
Net investment in capital assets	151,147,487	149,685,808	136,397,030
Restricted	69,867	16,884,208	18,014,248
Unrestricted	104,795,840	109,353,295	135,780,383
Total net position, as restated	\$ 256,013,194	\$ 275,923,311	\$ 290,191,661

SMART's current assets, including restricted cash, had a net increase of approximately \$16.6 million, which represents an increase of approximately 22.6 percent compared to FY 2024. Restricted cash increased from approximately \$179,000 to \$304,000 at the end of FY 2025.

Amounts invested in capital assets decreased by \$13.8 million to \$138.4 million.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by approximately \$26.4 million from FY 2024.

The Authority's Changes in Net Position

	2023	2024	2025
Operating Revenue	\$ 7,025,687	\$ 7,636,159	\$ 7,455,419
Operating Expenses	151,150,000	151,144,470	188,536,237
Operating Loss	(144,124,313)	(143,508,311)	(181,080,818)
Nonoperating Revenue	191,615,533	143,711,912	185,116,016
Income - Before capital contributions	47,491,220	203,601	4,035,198
Capital Contributions	11,166,635	19,706,516	10,233,152
Change in Net Position	58,657,855	19,910,117	14,268,350
Net Position - Beginning of year, as restated	197,355,339	256,013,194	275,923,311
Net Position - End of year, as restated	\$ 256,013,194	\$ 275,923,311	\$ 290,191,661

Suburban Mobility Authority for Regional Transportation

Management's Discussion and Analysis (Continued)

As described earlier in the financial highlights, total operating revenue decreased in FY 2025 as compared to FY 2024. This is mainly a result of more fares being collected during all of FY 2025 but a decrease in community transit revenue.

Operating expenses are approximately \$37.4 million higher than FY 2024. This is largely due to a increase in employee fringe benefits and increased expense related to SMART wage payments.

Capital Assets and Debt Administration

The Authority continues to invest in infrastructure, equipment, and vehicles. SMART had approximately \$138.4 million and \$152.2 million invested in capital assets as of June 30, 2025 and 2024, respectively. During FY 2025, SMART had total capital asset additions of approximately \$10.0 million, primarily consisting of bus equipment, software, and facilities projects. More detailed information concerning capital assets can be found in Note 5 to the financial statements.

The only capital-related debt are lease liabilities amounting to \$2.0 million and \$2.5 million as of June 30, 2025 and 2024, respectively. More detailed information can be found in Note 8 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 tricity 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 2026 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 2026, Section 5307 funding of approximately \$45.7 million is included in SMART's capital budget.

In December 2022, voters in the service areas of Macomb, Oakland, and Wayne counties approved a \$0.95 per thousand taxable value millage rate. The millage is applied against taxable value across Macomb and Oakland counties and in participating communities in Wayne County. The millage rate is subject to the State Headlee Amendment annually. The millage has been voter approved for a 10-year rate in Oakland, 5-year rate in Macomb, and 4-year rate in Wayne and is estimated to generate \$102.9 million in FY 2026 for SMART.

SMART adopted a balanced budget for FY 2026. The FY 2026 operating budget is approved for \$183.9 million. In addition, the FY 2026 restricted passthrough revenue and expense budget has been approved for \$20.1 million. In FY 2026, the board also approved a federal/state \$505.3 million capital spending plan. In addition, the board continued to support incorporating \$166.5 million in prior year unspent approved grant dollars within the FY 2026 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.

Suburban Mobility Authority for Regional Transportation

Statement of Net Position

June 30, 2025 and 2024

	Enterprise Operating Fund	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 119,208,555	\$ 113,153,841
Investments (Note 3)	23,795,613	22,535,822
Receivables:		
Local contributions receivable (Note 1)	800,999	33,938
Accrued interest receivable	126,031	71,139
Current portion of leases receivable	10,112	9,913
Other receivables	672,488	863,454
Grant receivable (Note 4)	47,715,514	41,036,483
Materials and supplies inventories	4,471,878	3,645,186
Prepaid expenses and other assets	631,229	561,021
Total current assets	197,432,419	181,910,797
Noncurrent assets:		
Restricted cash (Note 3)	304,414	178,692
Leases receivable - Net of current portion	493,554	503,867
Net OPEB asset (Note 12)	17,709,834	16,705,516
Nondepreciable capital assets (Note 5)	20,427,358	19,767,513
Depreciable capital assets - Net (Note 5)	117,994,169	132,444,608
Total noncurrent assets	156,929,329	169,600,196
Total assets	354,361,748	351,510,993
Deferred Outflows of Resources		
Deferred pension costs (Note 10)	15,953,431	73,809,346
Deferred OPEB costs (Note 12)	10,748,283	2,954,088
Total deferred outflows of resources	26,701,714	76,763,434
Liabilities		
Current liabilities:		
Municipal and community credits payable (Note 1)	8,477,494	9,173,505
Amounts payable under purchase of service agreements	1,909,903	1,217,258
Current portion of accrued self-insurance (Note 9)	4,690,983	3,671,258
Accounts payable	11,150,590	7,894,226
Accrued liabilities and other:		
Accrued salaries and wages	1,908,851	1,258,677
Operating assistance reserve	41,859	3,909,646
Other accrued liabilities	295,715	349,900
Current portion of long-term liabilities (Note 8)	5,441,558	4,217,465
Total current liabilities	33,916,953	31,691,935
Noncurrent liabilities:		
Accrued self-insurance - Net of current portion (Note 9)	11,208,427	8,975,427
Net pension liability (Note 10)	20,804,285	71,775,945
Long-term liabilities - Net of current portion (Note 8)	1,748,898	3,011,373
Total noncurrent liabilities	33,761,610	83,762,745
Total liabilities	67,678,563	115,454,680

Suburban Mobility Authority for Regional Transportation

Statement of Net Position (Continued)

June 30, 2025 and 2024

	Enterprise Operating Fund	
	2025	2024
Deferred Inflows of Resources		
Deferred pension cost reductions (Note 10)	\$ 205,421	\$ 596,483
Deferred OPEB cost reductions (Note 12)	22,539,746	35,831,042
Deferred inflows from leases	448,071	468,911
Total deferred inflows of resources	23,193,238	36,896,436
Net Position		
Net investment in capital assets	136,397,030	149,685,808
Restricted:		
Acquisition of capital assets	304,414	178,692
Postemployment benefits other than pension	17,709,834	16,705,516
Unrestricted	135,780,383	109,353,295
Total net position, as restated (Note 1)	<u>\$ 290,191,661</u>	<u>\$ 275,923,311</u>

Suburban Mobility Authority for Regional Transportation

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2025 and 2024

	Enterprise Operating Fund	
	2025	2024
Operating Revenue		
Fares	\$ 5,772,663	\$ 5,568,412
Other income	1,682,756	2,067,747
Total operating revenue	7,455,419	7,636,159
Operating Expenses		
Salaries and wages	74,866,076	53,567,940
Fringe benefits	19,904,113	14,364,306
Materials and supplies	14,574,436	14,826,011
Contractual services	9,865,198	8,623,333
Utilities	1,273,424	1,421,967
Claims and insurance	10,541,331	7,931,611
Purchased transportation (Note 7)	22,826,151	18,964,287
Miscellaneous expense	3,181,144	1,102,285
Depreciation	23,791,436	22,447,924
Microtransit	7,712,928	7,894,806
Total operating expenses	188,536,237	151,144,470
Operating Loss	(181,080,818)	(143,508,311)
Nonoperating Revenue (Expense)		
Investment income	5,719,689	8,757,668
Gain on sale of assets	111,473	114,218
Federal operating and preventive maintenance assistance	19,432,472	4,215,524
State operating grants	61,947,560	52,919,743
Local contributions (Note 6)	95,266,564	74,892,498
Other state and local sources	2,602,726	2,073,091
Interest expense	(43,796)	(50,614)
Other nonoperating revenue	79,328	789,784
Total nonoperating revenue	185,116,016	143,711,912
Income (Loss) - Before capital contributions	4,035,198	203,601
Capital Contributions	10,233,152	19,706,516
Change in Net Position	14,268,350	19,910,117
Net Position - Beginning of year, as previously reported	275,923,311	256,701,667
Cumulative Effect of Change in Accounting (Note 1)	-	(688,473)
Net Position - Beginning of year, as restated	275,923,311	256,013,194
Net Position - End of year, as restated	<u><u>\$ 290,191,661</u></u>	<u><u>\$ 275,923,311</u></u>

Suburban Mobility Authority for Regional Transportation

Statement of Cash Flows

Years Ended June 30, 2025 and 2024

	Enterprise Operating Fund	
	2025	2024
Cash Flows from Operating Activities		
Receipts from transit operations	\$ 7,667,049	\$ 7,631,667
Payments to suppliers	(25,329,656)	(26,858,247)
Payments to employees and fringes	(109,092,281)	(160,990,966)
Payments to claims and insurance	(7,288,606)	(10,791,646)
Payments for purchased transportation	(30,542,445)	(25,650,995)
Net cash and cash equivalents used in operating activities	(164,585,939)	(216,660,187)
Cash Flows from Noncapital Financing Activities		
State operating grants	45,392,487	50,268,910
Federal operating and preventive maintenance assistance	28,203,072	33,908,324
Local contributions	94,499,503	75,403,183
Other nonoperating receipts	2,356,424	2,852,252
Net cash and cash equivalents provided by noncapital financing activities	170,451,486	162,432,669
Cash Flows from Capital and Related Financing Activities		
Receipt of capital grants	6,344,763	15,359,028
Proceeds from sale of capital assets	111,473	114,218
Purchase of capital assets	(10,000,842)	(20,492,677)
Lease payments	(545,511)	(544,179)
Net cash and cash equivalents used in capital and related financing activities	(4,090,117)	(5,563,610)
Cash Flows from Investing Activities		
Interest received on investments - Net of losses	5,664,797	8,714,189
Purchases of investment securities	(1,259,791)	(5,696,779)
Net cash and cash equivalents provided by investing activities	4,405,006	3,017,410
Net Increase (Decrease) in Cash and Cash Equivalents	6,180,436	(56,773,718)
Cash and Cash Equivalents - Beginning of year	113,332,533	170,106,251
Cash and Cash Equivalents - End of year	\$ 119,512,969	\$ 113,332,533
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 119,208,555	\$ 113,153,841
Restricted cash	304,414	178,692
Total cash and cash equivalents	\$ 119,512,969	\$ 113,332,533

Suburban Mobility Authority for Regional Transportation

Statement of Cash Flows (Continued)

Years Ended June 30, 2025 and 2024

	Enterprise Operating Fund	
	2025	2024
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (180,393,382)	\$ (143,915,189)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	23,791,436	22,447,924
Noncash change in net pension liability	6,493,193	(49,956,251)
Noncash change in net OPEB liability	(22,089,809)	(43,861,105)
Noncash change in self-insurance liability	3,252,725	(2,860,035)
Changes in assets and liabilities:		
Materials and supplies inventory	(93,945)	(283,132)
Other receivables	211,630	(4,492)
Prepaid and other assets	(70,208)	(117,623)
Accounts payable	3,202,179	(489,975)
Municipal and community credits payable	(566,609)	1,395,115
Payable under purchase service contracts	563,243	(180,938)
Accrued wages and compensated absences	1,113,608	1,165,514
Net cash and cash equivalents used in operating activities	<u><u>\$ (164,585,939)</u></u>	<u><u>\$ (216,660,187)</u></u>

Suburban Mobility Authority for Regional Transportation

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets - Interest in pooled investments	\$ 160,466,984	\$ 146,517,778
Liabilities	-	-
Net Position - Restricted for postemployment benefits other than pension	<u><u>\$ 160,466,984</u></u>	<u><u>\$ 146,517,778</u></u>

Draft

Suburban Mobility Authority for Regional Transportation

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Years Ended June 30, 2025 and 2024

	2025	2024
Additions		
Investment income	\$ 14,269,437	\$ 12,254,915
Contributions - Employer contributions	8,625,266	30,238,556
Total additions	22,894,703	42,493,471
Deductions		
Benefit payments	8,625,266	6,238,557
Administrative expenses	320,231	263,690
Total deductions	8,945,497	6,502,247
Net Increase in Fiduciary Net Position	13,949,206	35,991,224
Net Position - Beginning of year	146,517,778	110,526,554
Net Position - End of year	\$ 160,466,984	\$ 146,517,778

June 30, 2025 and 2024

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 tricity 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 "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 tricity 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.

June 30, 2025 and 2024

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 to leases and 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.

June 30, 2025 and 2024

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 asset 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 asset, 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; 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. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

June 30, 2025 and 2024

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 noncancelable leases of building space, parking spaces, and bus batteries. 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.

June 30, 2025 and 2024

Note 1 - Significant Accounting Policies (Continued)

- The lease term includes the noncancelable 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 noncancelable 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 noncancelable 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.

Use of Estimates

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.

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2026.

Note 1 - Significant Accounting Policies (Continued)

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2026.

Accounting Change

Adoption of New Accounting Pronouncements

During the current year, SMART adopted GASB Statement No. 101, *Compensated Absences*. As a result, the liability for compensated absences in the statement of net position has been calculated to comply with this new pronouncement. The financial statements for the year ended June 30, 2023 have been restated in order to adopt GASB Statement No. 101. The restatement was accounted for in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. The effects of this adoption of a new accounting pronouncement are shown in the table below:

Adjustments to and Restatements of Beginning Balances

The changes noted above resulted in adjustments to and restatements of beginning net position and fund net position as follows:

	June 30, 2023		June 30, 2023
	As Previously Reported	Adoption of New Accounting Pronouncement	As Restated
Enterprise Operating Fund:	\$ 256,701,667	\$ (688,473)	\$ 256,013,194

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 (MDOT) 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, 2021. There were no further adjustments to the Act 51 revenue as a result of closing out these years. Furthermore, SMART awaits the "final" determination for the years ended September 30, 2022, 2023, 2024 and 2025. SMART has recorded an estimated net receivable of approximately \$21.4 million as of June 30, 2025 based on management's anticipation of the results of the State's final determination of the ACT 51 funding formula for the open years.

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 2025 and 2024. Refer to Note 1 for additional information regarding the State of Michigan operating assistance funds.

June 30, 2025 and 2024

Note 3 - Deposits and Investments

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

Cash and cash equivalents	\$ 119,208,555
Investments	23,795,613
Restricted cash	304,414
Total deposits and investments	<u>\$ 143,308,582</u>

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.

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 bank deposits of \$43,602,921 (checking and savings accounts), of which \$42,846,971 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	\$ 8,918,949	0.53
U.S. government agency securities	14,876,664	2.87

June 30, 2025 and 2024

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority's investment policy minimizes credit risk by limiting exposure to poor credits and concentrating the investments in the safest type of securities, diversifying the investment portfolio so that potential losses on individual securities will be minimized, and actively monitoring the investment portfolio holdings for economic changes and changes to ratings of investments. As of June 30, 2025, the Authority had \$78,190,974 in an investment pool (Comerica J-Fund) that is not rated.

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, 2025:

- Negotiable certificates of deposit of \$8,918,949 are valued using a matrix pricing model (Level 2 inputs).
- U.S. government agency securities of \$14,876,664 are valued using a matrix pricing model (Level 2 inputs).
- The fiduciary fund interest in pooled investments (MERS Total Market Portfolio) of \$160,466,984 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.

Bank pools totaling \$78,190,974 are recorded at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. These investments are held in the Comerica J-Fund and are not subject to any limitations or restrictions on withdrawals.

June 30, 2025 and 2024**Note 4 - Grants Receivable**

At June 30, 2025 and 2024, grants receivable are composed of the following:

	2025	2024
Accounts receivable - Billed:		
Federal government grants	\$ 661,711	\$ 3,899,155
State of Michigan grants	24,474,232	11,502,928
Total billed	25,135,943	15,402,083
Accounts receivable - Unbilled:		
Federal government grants	20,862,016	21,990,044
State of Michigan grants	1,715,426	3,642,227
Local grants	2,129	2,129
Total unbilled	22,579,571	25,634,400
Total	\$ 47,715,514	\$ 41,036,483

Suburban Mobility Authority for Regional Transportation

Notes to Financial Statements

June 30, 2025 and 2024

Note 5 - Capital Assets

Capital asset activity during the fiscal year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2025
Capital assets not being depreciated:					
Land	\$ 3,473,174	\$ -	\$ -	\$ -	\$ 3,473,174
Construction in progress	16,289,339	(9,340,997)	10,000,842	-	16,949,184
Trademark	5,000	-	-	-	5,000
Subtotal	19,767,513	(9,340,997)	10,000,842	-	20,427,358
Capital assets being depreciated:					
Fixed-route buses and equipment	125,661,130	833,814	-	(2,826,314)	123,668,630
Connector buses and related equipment	92,030,977	6,393,720	-	(4,874,837)	93,549,860
Buildings and improvements	64,017,017	-	-	-	64,017,017
Office furnishings and equipment	2,363,756	25,348	-	-	2,389,104
Other equipment	96,764,757	1,849,115	-	-	98,613,872
Leasehold improvements	8,316,895	239,000	-	-	8,555,895
Right-to-use asset - Building space	4,225,737	-	-	-	4,225,737
Subtotal	393,380,269	9,340,997	-	(7,701,151)	395,020,115
Accumulated depreciation:					
Fixed-route buses and equipment	64,373,229	-	9,284,028	(2,826,314)	70,830,943
Connector buses and related equipment	66,486,131	-	7,151,919	(4,874,837)	68,763,213
Buildings and improvements	41,191,213	-	1,442,744	-	42,633,957
Office furnishings and equipment	2,217,556	-	28,774	-	2,246,330
Other equipment	77,122,044	-	5,282,823	-	82,404,867
Leasehold improvements	7,724,795	-	181,835	-	7,906,630
Right-to-use asset - Building space	1,820,693	-	419,313	-	2,240,006
Subtotal	260,935,661	-	23,791,436	(7,701,151)	277,025,946
Net capital assets being depreciated	132,444,608	9,340,997	(23,791,436)	-	117,994,169
Net capital assets	\$ 152,212,121	\$ -	\$ (13,790,594)	\$ -	\$ 138,421,527

Suburban Mobility Authority for Regional Transportation

Notes to Financial Statements

June 30, 2025 and 2024

Note 5 - Capital Assets (Continued)

Capital asset activity during the fiscal year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 3,473,174	\$ -	\$ -	\$ -	\$ 3,473,174
Construction in progress	26,359,446	(30,156,465)	20,086,358	-	16,289,339
Trademark	5,000	-	-	-	5,000
Subtotal	29,837,620	(30,156,465)	20,086,358	-	19,767,513
Capital assets being depreciated:					
Fixed-route buses and equipment	125,646,130	15,000	-	-	125,661,130
Connector buses and related equipment	82,511,851	9,826,072	-	(306,946)	92,030,977
Buildings and improvements	50,277,507	13,726,823	12,687	-	64,017,017
Office furnishings and equipment	2,363,756	-	-	-	2,363,756
Other equipment	89,782,553	6,588,570	393,634	-	96,764,757
Leasehold improvements	8,316,895	-	-	-	8,316,895
Right-to-use asset - Building space	4,225,737	-	-	-	4,225,737
Subtotal	363,124,429	30,156,465	406,321	(306,946)	393,380,269
Accumulated depreciation:					
Fixed-route buses and equipment	55,131,293	-	9,241,936	-	64,373,229
Connector buses and related equipment	60,161,798	-	6,631,279	(306,946)	66,486,131
Buildings and improvements	39,992,729	-	1,198,484	-	41,191,213
Office furnishings and equipment	2,180,763	-	36,793	-	2,217,556
Other equipment	72,486,773	-	4,635,271	-	77,122,044
Leasehold improvements	7,549,014	-	175,781	-	7,724,795
Right-to-use asset - Building space	1,292,313	-	528,380	-	1,820,693
Subtotal	238,794,683	-	22,447,924	(306,946)	260,935,661
Net capital assets being depreciated	124,329,746	30,156,465	(22,041,603)	-	132,444,608
Net capital assets	\$ 154,167,366	\$ -	\$ (1,955,245)	\$ -	\$ 152,212,121

The eligible depreciation for fiscal year 2025 of \$449,293 (\$23,791,436 total depreciation reported less ineligible depreciation of \$23,342,143) 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).

June 30, 2025 and 2024

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	\$ 5,609,976	\$ 9,277,540
Building construction	6,759,857	8,019,108
Bus shelters	240,734	534,266
Software	4,014,533	534,266
Communication boards	1,993,108	59,510
Bus components	4,127,619	647,298
Total	<u>\$ 22,745,827</u>	<u>\$ 19,071,988</u>

Note 6 - Property Taxes

In November 2022, Wayne and Macomb counties had property tax millages approved as follows: Wayne County was approved at 0.994 mills for four years from 2022-2025, and Macomb County was approved at 0.95 mills for five years from 2022-2026. These millages were first levied and collected in 2023. In February 2023, Oakland County and SMART established an Interlocal Public Transportation Agreement. The agreement stated Oakland County will continue to provide a foundation of \$31.6 million in millage funding per year to SMART to preserve services that were in place as of December 31, 2022, as well as an additional \$10.1 million in millage funding for expanded services. In November 2023, the Interlocal Public Transportation Agreement was amended. The amendment resulted in a 7 percent increase for inflation (\$33.8 million foundation), with no additional funding for expanded services beyond the initial \$10.1 million. In April of 2025, the Interlocal Public Transportation Agreement was amended again. The amendment resulted in an increase in the foundation funding to \$44.1 million. The agreement will continue to be negotiated on an annual basis. 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, 2025 and 2024, totaled \$95,266,564 and \$74,892,498, 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.

Suburban Mobility Authority for Regional Transportation

Notes to Financial Statements

June 30, 2025 and 2024

Note 7 - Community Support and Purchase of Service (Continued)

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

	2025	2024
Purchased transportation:		
Community-based services	\$ 620,000	\$ 495,000
Community credits	4,536,683	4,320,647
Community transit bus service	328,000	328,000
Total purchased transportation	5,484,683	5,143,647
Pass-through community support:		
Municipal credits	3,261,080	3,261,080
Specialized services	1,672,799	1,782,435
JARC and New Freedom	2,357,835	2,319,584
Royal Oak Township	11,142	11,331
Community transit bus service	9,417,793	6,022,367
CRRSAA/CARES Act	620,819	423,843
Total pass-through community support	17,341,468	13,820,640
Total	\$ 22,826,151	\$ 18,964,287

Note 8 - Long-term Liabilities

Long-term debt activity for the year ended June 30, 2025 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Accumulated compensated absences - As restated (Note 1)	\$ 4,702,525	\$ 463,434	\$ -	\$ 5,165,959	\$ 4,907,661
Lease liability (Note 15)	2,526,313	-	(501,816)	2,024,497	533,897
Total long-term debt	\$ 7,228,838	\$ 463,434	\$ (501,816)	\$ 7,190,456	\$ 5,441,558

Activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Accumulated compensated absences - As restated (Note 1)	\$ 4,284,173	\$ 418,352	\$ -	\$ 4,702,525	\$ 3,723,898
Lease liability (Note 15)	3,019,879	-	(493,566)	2,526,313	493,567
Total long-term debt	\$ 7,304,052	\$ 418,352	\$ (493,566)	\$ 7,228,838	\$ 4,217,465

The change in the compensated absence liability presented above reflects net additions and reductions during the reporting periods.

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).

June 30, 2025 and 2024

Note 9 - Risk Management (Continued)

In fiscal years 2025 and 2024, 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, 2025.

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.

	2025	2024	2023
Claims liability - July 1	\$ 12,646,685	\$ 15,506,720	\$ 14,597,317
Incurred claims - Current year, including adjustments to IBNR	8,799,046	5,717,460	8,369,997
Claim payments	(5,546,321)	(8,577,495)	(7,460,594)
Claims liability - June 30	<u>\$ 15,899,410</u>	<u>\$ 12,646,685</u>	<u>\$ 15,506,720</u>

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, 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 supplementary 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 and UAW employees hired prior to February 1, 2024 and Teamsters, AFSCME, and nonunion employees hired prior to September 1, 2024.

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.

Note 10 - Agent Defined Benefit Pension Plan (Continued)

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, 2024:

Inactive plan members or beneficiaries currently receiving benefits	1,016
Inactive plan members entitled to but not yet receiving benefits	124
Active plan members	770
Total employees covered by the plan	1,910

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, 2025, 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 20.19 percent of annual payroll. For the fiscal year ended June 30, 2025, the Authority made no additional contributions.

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, 2025 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, 2024 measurement date. The December 31, 2024 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Suburban Mobility Authority for Regional Transportation

Notes to Financial Statements

June 30, 2025 and 2024

Note 10 - Agent Defined Benefit Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 311,362,506	\$ 239,586,561	\$ 71,775,945
Changes for the year:			
Service cost	5,790,611	-	5,790,611
Interest	21,824,831	-	21,824,831
Differences between expected and actual experience	6,840,158	-	6,840,158
Changes in assumptions	(410,842)	-	(410,842)
Contributions - Employer	-	62,934,637	(62,934,637)
Contributions - Employee	-	2,582,049	(2,582,049)
Net investment income	-	20,108,439	(20,108,439)
Benefit payments, including refunds	(20,581,615)	(20,581,615)	-
Administrative expenses	-	(608,707)	608,707
Net changes	13,463,143	64,434,803	(50,971,660)
Balance at December 31, 2024	\$ 324,825,649	\$ 304,021,364	\$ 20,804,285

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

For the year ended June 30, 2025, the Authority recognized pension expense of \$12,449,721.

At June 30, 2025, 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	\$ 3,420,079	\$ -
Changes in assumptions	-	205,421
Net difference between projected and actual earnings on pension plan investments	9,511,462	-
Employer contributions to the plan subsequent to the measurement date	3,021,890	-
Total	\$ 15,953,431	\$ 205,421

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 December 31, 2024, but before June 30, 2025, in the amount of \$3,021,890, which will impact the net pension liability in fiscal year 2026 rather than pension expense.

Years Ending June 30	Amount
2026	\$ 7,799,452
2027	7,321,492
2028	(2,131,863)
2029	(262,961)
Total	\$ 12,726,120

Note 10 - Agent Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2024 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)	7.18%

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

Preretirement 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

Future mortality improvements are assumed each year using scale MP-2021 applied fully generationally from the Pub-2010 base year of 2010. All assumptions used, except for investment rate of return, are based on an actuarial study conducted for the period from 2019-2023.

Discount Rate

The discount rate used to measure the total pension liability was 7.18 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.

June 30, 2025 and 2024

Note 10 - Agent Defined Benefit Pension Plan (Continued)

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, 2024, 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	2.16
Private investments	20.00	6.50

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

The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 7.18 percent, as well as what the Authority's net pension liability (asset) 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 (6.18%)	Current Discount Rate (7.18%)	1 Percentage Point Increase (8.18%)
Net pension liability (asset) of the Suburban Mobility Authority for Regional Transportation	\$ 55,770,714	\$ 20,804,285	\$ (8,832,077)

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

With the most recent valuation, the mortality improvement scale was updated from MP-2019 to MP-2021.

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, 2025 and 2024, the Authority made contributions of \$1,963,967 and \$1,060,317, 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 supplementary 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.

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, 2024:

Inactive plan members or beneficiaries currently receiving benefits	739
Active plan members	921
Total plan members	1,660

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). In fiscal year 2024, SMART made additional payments to the OPEB retiree health funding vehicle at MERS on a discretionary basis.

Note 12 - Other Postemployment Benefit Plan (Continued)

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, 2025, SMART paid postemployment health care benefit premiums and administrative costs of \$8,301,720.

Net OPEB Asset

The Authority has chosen to use the June 30, 2025 measurement date as its measurement date for the net OPEB asset. The June 30, 2025 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2025 measurement date. The June 30, 2025 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2024, which used update procedures to roll forward the estimated liability to June 30, 2025.

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

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at July 1, 2024	\$ 129,812,262	\$ 146,517,778	\$ (16,705,516)
Changes for the year:			
Service cost	447,068	-	447,068
Interest	8,811,946	-	8,811,946
Differences between expected and actual experience	3,160,824	-	3,160,824
Changes in assumptions	8,826,770	-	8,826,770
Contributions - Employer	-	8,301,719	(8,301,719)
Net investment income	-	14,269,437	(14,269,437)
Benefit payments, including refunds	(8,301,720)	(8,301,720)	-
Administrative expenses	-	(320,230)	320,230
Net changes	12,944,888	13,949,206	(1,004,318)
Balance at June 30, 2025	\$ 142,757,150	\$ 160,466,984	\$ (17,709,834)

The plan's fiduciary net position represents 112.41 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, 2025, the Authority recognized an OPEB cost recovery of \$13,788,091.

At June 30, 2025, 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	\$ 2,585,585	\$ 12,152,668
Changes in assumptions	8,162,698	7,056,821
Net difference between projected and actual earnings on OPEB plan investments	-	3,330,257
Total	\$ 10,748,283	\$ 22,539,746

June 30, 2025 and 2024

Note 12 - Other Postemployment Benefit Plan (Continued)

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
2026	\$ (6,709,975)
2027	(6,815,455)
2028	(672,105)
2029	1,326,604
2030	1,079,468
Total	<u>\$ (11,791,463)</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2024 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 7.00 percent; a health care cost trend rate of 7.75 percent, decreasing for 15 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-2021. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 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), 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, 2025 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	4.50 %
Global fixed income	2.16
Private investments	6.50

June 30, 2025 and 2024

Note 12 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB asset of the Authority, calculated using the discount rate of 7.00 percent, as well as what the Authority's net OPEB asset 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 (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB asset of the Municipal Employees' Retirement System of Michigan	\$ (2,185,736)	\$ (17,709,834)	\$ (30,822,220)

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

The following presents the net OPEB asset of the Authority, calculated using the health care cost trend rate of 7.50 percent, as well as what the Authority's net OPEB asset 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 (6.75%)	Current Health Care Cost Trend Rate (7.75%)	1 Percentage Point Increase (8.75%)
Net OPEB asset of the Municipal Employees' Retirement System of Michigan	\$ (31,315,680)	\$ (17,709,834)	\$ (1,739,631)

Assumption Changes

With the most recent valuation, the mortality improvement scale was updated from MP-2019 to MP-2021. Additionally, the health care cost trend rate was updated from 7.00 percent, decreasing for 11 years to an ultimate rate of 3.50 percent to 7.75 percent, decreasing for 15 years to an ultimate rate of 3.50 percent.

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, 2025:

Municipal Employees' Retirement System of Michigan

Asset Class	Target Allocation
Global equity	60.00 %
Global fixed income	20.00
Private investments	20.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 9.65 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

June 30, 2025 and 2024**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, of which there were none in 2025 and 2024. Also, any expenses associated with earned revenue, of which SMART had none in 2025 and 2024, would be subtracted from eligible costs.

Note 15 - Leases

The Authority leases building space, parking spaces, and bus batteries from third parties. Payments are fixed monthly. 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, 2025 are as follows:

Years Ending	Principal	Interest	Total
2026	\$ 533,897	\$ 36,841	\$ 570,738
2027	520,168	29,736	549,904
2028	217,107	23,477	240,584
2029	161,960	23,040	185,000
2030	123,878	16,122	140,000
2031-2035	467,487	25,647	493,134
Total	<u>\$ 2,024,497</u>	<u>\$ 154,863</u>	<u>\$ 2,179,360</u>

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, 2025 and 2024, the Authority recognized approximately \$21,000 and \$30,000, respectively, of revenue from leases, including interest.

Note 16 - Defined Contribution Pension Plan

The Authority sponsors a 401(a) plan for eligible employees hired after February 1, 2024 for ATU and UAW 771. Additionally, the plan is available to eligible employees hired after September 1, 2024 for Teamsters, AFSCME, and nonunion employees. The specific eligibility for each group is determined by their employment contracts. The plan provides for the Authority to make an annual contribution in the amount of 6 percent of the employees' total pensionable compensation (including, but not limited to, wages, overtime, vacation, personal leave time, and sick usage for the calendar year to the 401(a) plan). Employees will also be required to contribute 3.0 percent of total compensation (including, but not limited to, wages, overtime, vacation, personal leave time, and sick time usage) to MERS. The plan change will not affect any current SMART employees represented by ATU Local 1564. The Authority's contributions to the plan totaled \$396,877 and \$23,773 for the years ended June 30, 2025 and 2024, respectively. Employees contributed \$197,232 and \$11,663 in 2025 and 2024, respectively.

Note 16 - Defined Contribution Pension Plan (Continued)

The Authority's contribution to the 401(a) plan shall vest as follows:

<u>Months of Service</u>	<u>Vesting Level (Percentage Only)</u>
12	20 %
24	40
36	60
48	80
60	100

Required Supplementary Information

Suburban Mobility Authority for Regional Transportation

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

Last Ten Years
Years Ended December 31

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 5,790,611	\$ 4,780,943	\$ 4,435,172	\$ 3,881,625	\$ 4,510,489	\$ 4,502,393	\$ 4,468,876	\$ 4,143,547	\$ 3,891,466	\$ 3,819,202
Interest	21,824,831	21,501,809	20,970,409	21,012,969	19,888,505	19,885,440	19,353,007	19,005,207	18,585,805	17,695,500
Differences between expected and actual experience	6,840,158	(1,192,968)	1,437,986	(3,593,770)	966,309	(2,768,704)	(870,763)	(3,478,232)	(2,515,718)	99,715
Changes in assumptions	(410,842)	2,138,171	-	10,047,909	7,535,899	8,381,719	-	-	-	10,351,934
Benefit payments, including refunds	(20,581,615)	(20,103,244)	(19,270,348)	(18,459,581)	(17,122,807)	(16,641,264)	(15,806,604)	(15,337,264)	(14,527,892)	(13,643,308)
Net Change in Total Pension Liability	13,463,143	7,124,711	7,573,219	12,889,152	15,778,395	13,359,584	7,144,516	4,333,258	5,433,661	18,323,043
Total Pension Liability - Beginning of year	311,362,506	304,237,795	296,664,576	283,775,424	267,997,029	254,637,445	247,492,929	243,159,671	237,726,010	219,402,967
Total Pension Liability - End of year	\$ 324,825,649	\$ 311,362,506	\$ 304,237,795	\$ 296,664,576	\$ 283,775,424	\$ 267,997,029	\$ 254,637,445	\$ 247,492,929	\$ 243,159,671	\$ 237,726,010
Plan Fiduciary Net Position										
Contributions - Employer	\$ 62,934,637	\$ 5,173,152	\$ 15,146,136	\$ 16,218,042	\$ 12,117,144	\$ 13,368,558	\$ 8,165,009	\$ 16,522,752	\$ 15,725,356	\$ 5,096,203
Contributions - Employee	2,582,049	2,077,906	2,045,700	1,920,194	2,067,490	2,013,938	1,972,003	1,750,206	1,650,588	1,627,578
Net investment income (loss)	20,108,439	25,360,930	(28,599,214)	31,018,133	28,663,528	24,557,841	(7,496,684)	23,044,677	17,449,806	(2,305,957)
Administrative expenses	(608,707)	(528,856)	(476,924)	(367,088)	(407,927)	(423,144)	(373,896)	(364,112)	(348,853)	(340,843)
Benefit payments, including refunds	(20,581,615)	(20,103,244)	(19,270,348)	(18,459,581)	(17,122,807)	(16,641,264)	(15,806,604)	(15,337,264)	(14,527,892)	(13,643,308)
Net Change in Plan Fiduciary Net Position	64,434,803	11,979,888	(31,154,650)	30,329,700	25,317,428	22,875,929	(13,540,172)	25,616,259	19,949,005	(9,566,327)
Plan Fiduciary Net Position - Beginning of year	239,586,561	227,606,673	258,761,323	228,431,623	203,114,195	180,238,266	193,778,438	168,162,179	148,213,174	157,779,501
Plan Fiduciary Net Position - End of year	\$ 304,021,364	\$ 239,586,561	\$ 227,606,673	\$ 258,761,323	\$ 228,431,623	\$ 203,114,195	\$ 180,238,266	\$ 193,778,438	\$ 168,162,179	\$ 148,213,174
Authority's Net Pension Liability - Ending	\$ 20,804,285	\$ 71,775,945	\$ 76,631,122	\$ 37,903,253	\$ 55,343,801	\$ 64,882,834	\$ 74,399,179	\$ 53,714,491	\$ 74,997,492	\$ 89,512,836
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.60 %	76.95 %	74.81 %	87.22 %	80.50 %	75.79 %	70.78 %	78.30 %	69.16 %	62.35 %
Covered Payroll	\$ 58,263,188	\$ 48,180,722	\$ 44,463,919	\$ 41,411,960	\$ 45,036,165	\$ 44,836,035	\$ 43,850,988	\$ 40,197,698	\$ 36,992,486	\$ 36,833,068
Authority's Net Pension Liability as a Percentage of Covered Payroll	35.71 %	148.97 %	172.34 %	91.53 %	122.89 %	144.71 %	169.66 %	133.63 %	202.74 %	243.02 %

Schedule is built prospectively upon implementation of GASB 68.

See notes to required supplementary information.

Suburban Mobility Authority for Regional Transportation

Required Supplementary Information Schedule of Pension Contributions

**Last Ten Fiscal Years
Years Ended June 30**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 5,948,556	\$ 8,869,644	\$ 9,571,368	\$ 9,147,144	\$ 7,966,477	\$ 8,212,548	\$ 7,033,464	\$ 6,522,752	\$ 5,725,357	\$ 5,096,203
Contributions in relation to the actuarially determined contribution	5,948,556	60,000,000	10,294,148	17,576,710	15,986,477	13,199,457	8,165,009	16,522,752	15,725,357	5,096,203
Contribution Excess	\$ -	\$ 51,130,356	\$ 722,780	\$ 8,429,566	\$ 8,020,000	\$ 4,986,909	\$ 1,131,545	\$ 10,000,000	\$ 10,000,000	\$ -
Covered Payroll	\$ 63,004,750	\$ 50,790,489	\$ 45,442,353	\$ 45,582,462	\$ 42,005,571	\$ 44,268,897	\$ 43,850,988	\$ 40,197,698	\$ 36,992,486	\$ 36,833,068
Contributions as a Percentage of Covered Payroll	9.44 %	118.13 %	22.65 %	38.56 %	38.06 %	29.82 %	18.62 %	41.10 %	42.51 %	13.84 %

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	15 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increase	3.00 percent - Including inflation
Investment rate of return	6.93 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

Suburban Mobility Authority for Regional Transportation

Required Supplementary Information Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios

	Last Eight Fiscal Years Years Ended June 30							
	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 447,068	\$ 514,915	\$ 776,079	\$ 1,006,225	\$ 1,414,989	\$ 1,676,593	\$ 1,499,372	\$ 1,672,442
Interest	8,811,946	8,796,708	8,611,998	8,490,468	9,971,568	9,808,385	11,539,771	11,264,428
Differences between expected and actual experience	3,160,824	(1,773,212)	(17,265,224)	(992,549)	(42,262,549)	(1,297,425)	(27,059,480)	(321,657)
Changes in assumptions	8,826,770	-	(16,924,200)	-	11,001,181	-	22,428,697	-
Benefit payments, including refunds	(8,301,720)	(6,271,889)	(5,693,299)	(6,665,578)	(7,034,223)	(7,145,341)	(8,249,942)	(8,335,309)
Net Change in Total OPEB Liability	12,944,888	1,266,522	(30,494,646)	1,838,566	(26,909,034)	3,042,212	158,418	4,279,904
Total OPEB Liability - Beginning of year	129,812,262	128,545,740	159,040,386	157,201,820	184,110,854	181,068,642	180,910,224	176,630,320
Total OPEB Liability - End of year	\$ 142,757,150	\$ 129,812,262	\$ 128,545,740	\$ 159,040,386	\$ 157,201,820	\$ 184,110,854	\$ 181,068,642	\$ 180,910,224
Plan Fiduciary Net Position								
Contributions - Employer	\$ 8,301,719	\$ 30,271,888	\$ 8,187,899	\$ 16,565,578	\$ 17,183,823	\$ 13,445,341	\$ 13,999,942	\$ 13,553,709
Net investment income (loss)	14,269,437	12,254,915	7,605,774	(8,775,581)	20,344,183	1,564,171	1,800,508	3,672,021
Administrative expenses	(320,230)	(263,690)	(192,065)	(184,962)	(150,145)	(117,883)	(118,940)	(122,336)
Benefit payments, including refunds	(8,301,720)	(6,271,889)	(5,693,299)	(6,665,578)	(7,034,223)	(7,145,341)	(8,249,942)	(8,335,309)
Net Change in Plan Fiduciary Net Position	13,949,206	35,991,224	9,908,309	939,457	30,343,638	7,746,288	7,431,568	8,768,085
Plan Fiduciary Net Position - Beginning of year	146,517,778	110,526,554	100,618,245	99,678,788	69,335,150	61,588,862	54,157,294	45,389,209
Plan Fiduciary Net Position - End of year	\$ 160,466,984	\$ 146,517,778	\$ 110,526,554	\$ 100,618,245	\$ 99,678,788	\$ 69,335,150	\$ 61,588,862	\$ 54,157,294
Net OPEB (Asset) Liability - Ending	\$ (17,709,834)	\$ (16,705,516)	\$ 18,019,186	\$ 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	112.41 %	112.87 %	85.98 %	63.27 %	63.41 %	37.66 %	34.01 %	29.94 %
Covered-employee Payroll	\$ 86,624,300	\$ 63,052,696	\$ 57,180,553	\$ 62,948,686	\$ 58,357,225	\$ 55,369,846	\$ 54,013,348	\$ 44,134,313
Net OPEB (Asset) Liability as a Percentage of Covered-employee Payroll	(20.44)%	(26.49)%	31.51 %	92.81 %	98.57 %	207.29 %	221.20 %	287.20 %

Schedule is built prospectively upon implementation of GASB 75.

See notes to required supplementary information.

Suburban Mobility Authority for Regional Transportation

Required Supplementary Information Schedule of OPEB Contributions

**Last Ten Fiscal Years
Years Ended June 30**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 4,575,889	\$ 4,691,554	\$ 6,494,557	\$ 6,637,149	\$ 10,915,002	\$ 11,119,377	\$ 13,305,693	\$ 13,486,227	\$ 13,048,354	\$ 13,232,377
Contributions in relation to the actuarially determined contribution	8,301,719	30,271,888	8,187,899	16,565,578	17,183,823	13,445,341	13,999,942	13,553,709	14,273,710	12,955,318
Contribution Excess (Deficiency)	\$ 3,725,830	\$ 25,580,334	\$ 1,693,342	\$ 9,928,429	\$ 6,268,821	\$ 2,325,964	\$ 694,249	\$ 67,482	\$ 1,225,356	\$ (277,059)
Covered-employee Payroll	\$ 86,624,300	\$ 63,052,696	\$ 57,180,553	\$ 62,948,686	\$ 58,357,225	\$ 55,369,846	\$ 54,013,348	\$ 44,134,313	\$ 36,833,068	\$ 36,833,068
Contributions as a Percentage of Covered-employee Payroll	9.58 %	48.01 %	14.32 %	26.32 %	29.45 %	24.28 %	25.92 %	30.71 %	38.75 %	35.17 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 of even numbered years, which is six months prior to the beginning of the fiscal year biennium in which contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	20 years - Closed
Asset valuation method	Market value of assets
Inflation	2.50 percent
Health care cost trend rates	Initial trend of 7.50 percent gradually decreasing to an ultimate trend rate of 3.50 percent in year 12
Salary increase	Increases 3.00 percent to 9.70 percent
Investment rate of return	5.50 percent - Net of OPEB plan investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Sex-distinct Pub-2010 mortality tables
Other information	There were no benefit changes reported during the year

Suburban Mobility Authority for Regional Transportation

Required Supplementary Information Schedule of OPEB Investment Returns

	Last Eight Fiscal Years Years Ended June 30							
	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return - Net of investment expense	9.65 %	10.28 %	7.47 %	(8.23)%	28.12 %	2.32 %	3.09 %	7.68 %

Schedule is built prospectively upon implementation of GASB 74.

Suburban Mobility Authority for Regional Transportation

Notes to Required Supplementary Information

June 30, 2025 and 2024

Pension Information

Changes in Assumptions

Amounts reported in 2015 reflect a change in inflation rates from 3.0 to 4.0 percent in 2014 to 3.25 percent in 2015. In addition, the assumed salary increases also changed from 4.5 to 3.75 percent in 2014 and 2015, respectively. The investment rate of return went from 8.25 percent in 2014 to 8.00 percent in 2015. Lastly, the 2014 mortality rates were based on the 1994 Group Annuity Mortality table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table was used, with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members. In 2015, the mortality rates were updated based on mortality experience of nondisabled plan members, with a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

Amounts reported in 2019 reflect a reduction in the assumed investment rate of return from 8.00 percent to 7.60 percent and a reduction in the assumption for salary increases from 3.75 percent to 3.00 percent.

Amounts reported in 2021 reflect updated mortality tables from the RP-2014 Healthy Annuitant, Employee, and Juvenile Mortality Tables to the Pub-2010 Juvenile and PubG-2010 Employee and Healthy Retiree Mortality Tables with assumed mortality improvements using scale MP-2019.

Amounts reported in 2022 reflect an updated investment rate of return (gross of investment expenses) and discount rate from 7.60 percent to 7.25 percent.

Amounts reported in 2024 reflect an updated investment rate of return (gross of investment expenses) and discount rate from 7.25 percent to 7.18 percent.

Amounts reported in 2025 reflect an updated mortality improvement scale from MP-2019 to MP-2021.

OPEB Information

Changes in Assumptions

Amounts reported in 2019 reflect a change in the mortality tables from the RP-2000 mortality tables projected 20 years with U.S. Projection Scale BB to the RP-2014 mortality tables. In addition, the investment rate of return (net of investment expenses) decreased from 6.5 to 5.5 percent, and the health care cost trend rate decreased from 9.0 to 8.25 percent.

Amounts reported in 2021 reflect a change in the initial pre-65 health care cost trend assumption from 8.25 percent to 7.50 percent and updated mortality tables from RP-2014 mortality tables to the sex-distinct Pub-2010 mortality tables, with future assumed mortality improvements using scale MP-2019.

Amounts reported in 2023 reflect an increase in the assumed rate of return from 5.50 percent to 7.00 percent.

Amounts reported in 2025 reflect a change in the mortality improvement scale from MP-2019 to MP-2021 and a change in the health care cost trend rate from 7.00 percent, decreasing for 11 years to an ultimate rate of 3.50 percent to 7.75 percent, decreasing for 15 years to an ultimate rate of 3.50 percent.

Suburban Mobility Authority for Regional Transportation

Federal Awards Supplemental Information
June 30, 2025

Independent Auditor's Reports

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

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*

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

Schedule of Expenditures of Federal Awards	1
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	3
Schedule of Findings and Questioned Costs	4-5

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, 2025, 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 the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to .

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 the purpose 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 reconciliation of basic 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 (*Government Auditing Standards*), 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, 2025 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

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

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.

Draft

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 OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2025. 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, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

To the Board of Directors
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 OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

Governmental Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our audit are 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-001, to be a significant deficiency.

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 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.

Suburban Mobility Authority for Regional Transportation

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Federal Agency/Pass-through Agency/Program Title	Identifying Number	Assistance Listing Number	Pass-through Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:					
U.S. Department of Transportation:					
Direct Programs - Federal Transit Cluster - Federal Transit - Formula Grants:					
COVID-19 - CRRSAA Operating Assistance FY21	MI-2022-032-01	20.507		\$ 518,861	\$ 518,861
Capital Assistance FY13-14-15		20.507		-	51,479
Capital Assistance FY21-22	MI-2022-048	20.507		31,196	4,589,688
Capital Assistance FY16	MI-2016-025-02	20.507		-	162,630
Operating Assistance (Monroe) FY24	MI-2022-048-04	20.507		77,840	77,840
Operating Assistance (Monroe) FY25	MI-2022-048-04	20.507		883,503	883,503
COVID-19 - Capital Assistance FY20 CARES	MI-2020-052-01	20.507		-	198,000
Capital Assistance FY18-19	MI-2018-018-03	20.507		-	2,383,287
Capital Assistance FY18-19	MI-2018-018-04	20.507		-	3,873
Capital Assistance FY20-21	MI-2020-061-04	20.507		-	352,518
COVID-19 - Operating Assistance FY21 (SMART) ARPA	MI-2023-011-00	20.507		-	15,206,830
COVID-19 - Capital Assistance FY21 (SMART) CRRSAA	MI-2022-032-01	20.507		-	283,432
Capital Assistance FY23 (CMAQ)	MI-2023-027-03	20.507		12,640	12,640
Total Federal Transit Cluster				1,524,040	24,724,581
Transit Services Programs Cluster:					
Direct Programs:					
Enhanced Mobility of Seniors and Individuals with Disabilities:					
5310 NEW FREEDOM OPERATING	MI-2021-051-02	20.513		102,907	102,907
5310 NEW FREEDOM MOBILITY MANAGEMENT	MI-2021-051-02	20.513		132,495	132,495
5310 NEW FREEDOM MOBILITY MANAGEMENT	MI-2022-052-01	20.513		382,164	382,164
5310 NEW FREEDOM OPERATING	MI-2022-052-01	20.513		943,541	943,541
5310 NEW FREEDOM MOBILITY MANAGEMENT	MI-2022-052-04	20.513		45,061	45,061
5310 NEW FREEDOM MOBILITY MANAGEMENT	MI-2024-014-01	20.513		96,731	96,731
Job Access and Reverse Commute Program:					
JARC OPERATING FY24		20.516	MI-2024-001-00	180,640	180,640
JARC OPERATING FY25		20.516	MI-2024-001-01	180,640	180,640
Pass-through programs from the State of Michigan Department of Transportation:					
Enhanced Mobility of Seniors and Individuals with Disabilities:					
OPERATING ASSIST. NOT- SEC 5310 (2025)		20.513	MI-2023-037-01	140,808	140,808
Total Transit Services Programs Cluster				2,204,987	2,204,987
U.S. Department of Transportation - Direct programs:					
FORMULA GRANTS FOR RURAL AREAS-					
COVID-19 - SECTION 5311 - LETC FY21 CARES		20.509	MI-2020-015-00	65,127	65,127
SECTION 5311 - LETC FY24		20.509	MI-2024-001	5,473	5,473
SECTION 5311 - WOTA FY24		20.509	MI-2024-001	12,097	12,097
SECTION 5311 - LETC FY25		20.509	MI-2024-001-01	166,559	166,559
SECTION 5311 - WOTA FY25		20.509	MI-2024-001-01	474,474	474,474
				723,730	723,730
U.S. Department of Transportation - Pass-through programs					
from the Southeast Michigan Council of Governments:					
HIGHWAY PLANNING AND CONSTRUCTION- PLANNING & TECHNICAL STUDIES UWP PROGRAM		20.205	MI-80-X006	-	318,805
STATE PLANNING AND RESEARCH- PLANNING & TECHNICAL STUDIES			MI-2016-017-00/		
SECTION 5303/5304		20.505	MI-2019-014-01	-	63,424
Total expenditures of federal awards				\$ 4,452,757	\$ 28,035,527

Suburban Mobility Authority for Regional Transportation

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

	Year Ended June 30, 2025
Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 19,432,472
Add federal portion of capital contributions - As reported on the financial statements	<u>8,603,055</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 28,035,527</u>

Draft

Notes to Schedule of Expenditures of Federal Awards

June 30, 2025 and 2024

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, 2025. 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 basis of accounting, with the exception of amounts passed through to subrecipients, which are recorded on the cash basis of accounting in accordance with Uniform Guidance. 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. The pass-through entity identifying numbers are presented where available.

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

Suburban Mobility Authority for Regional Transportation

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

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 ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ☒ Yes ☐ No

Identification of major programs:

Assistance Listing 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:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Suburban Mobility Authority for Regional Transportation

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2025

Section III - Federal Program Audit Findings

Reference Number	Finding
2025-001	Assistance Listing, Federal Agency, and Program Name - 20.507, Department of Transportation, Federal Transit Cluster Federal Award Identification Number and Year - MI-2022-032, MI-2022-048, and MI-2023-027 Pass-through Entity - N/A Finding Type - Significant deficiency and material noncompliance with laws and regulations Repeat Finding - No Criteria - Per the Uniform Guidance at 2 CFR 200.332, the pass-through entity (SMART) must monitor the activities of a subrecipient as necessary to ensure that the subaward(s) comply with federal statutes, regulations, and the terms and conditions of the subaward. The pass-through entity is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved. Condition - The Authority did not provide sufficient evidence that there was adequate monitoring of subrecipients. Questioned Costs - None If questioned costs are not determinable, description of why known questioned costs were undetermined or otherwise could not be reported - Not applicable Identification of How Questioned Costs Were Computed - Not applicable Context - It was identified in the 2025 triennial review that the Authority's procedures and documentation of subrecipient oversight was not adequate. The Authority had two subrecipients during fiscal year 2025 and it was identified one of the subrecipients was not adequately monitored based on the funding received. Cause and Effect - The Authority did not provide sufficient evidence for adequate monitoring of subrecipients during the triennial review. Recommendation - We recommend the Authority strengthen subrecipient procedures, as well as evidence that these procedures were performed according to schedule. Views of Responsible Officials and Corrective Action Plan - The Authority is in agreement with this finding. The Authority has reviewed and corrected procedures related to monitoring subrecipients.

MEMORANDUM

TO: SMART Board of Directors

FROM: Chairperson

DATE: October 23, 2025

SUBJECT: Committee Member Business



MEMORANDUM

TO: SMART Board of Directors

FROM: Chairperson

DATE: October 23, 2025

SUBJECT: Adjournment

