Maner Costerisan

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April 1, 2024

To the Policy Committee
Washtenaw Area Transportation Study
Ann Arbor, Michigan

We have audited the financial statements of Washtenaw Area Transportation Study for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our discussions regarding planning matters. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Washtenaw Area Transportation Study are described in Note 1 to the financial statements. As described in Note 8 to the financial statements, the Study adopted Governmental Accounting Standards Board (GASB) Statements No. 96, *Subscription-based Information Technology Arrangements*, during the year ended June 30, 2023. The implementation of this new accounting standard did not have an effect on the financial statements or note disclosures of Washtenaw Area Transportation Study. We noted no transactions entered into by Washtenaw Area Transportation Study during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's calculation of the fair market value of pooled investments, which is defined as the amount that the Study could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, is generally measured by published fair value per share (unit) for the fund.
>
> Management's calculation of depreciation/amortization expense for the current period is based on the useful lives of the capital assets.
>
> Management's calculation of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing 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 clearly trivial, and communicate them to the appropriate level of management. Material misstatements were not detected as a result of audit procedures.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is 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.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 1, 2024.

*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 Washtenaw Area Transportation Study'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.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Washtenaw Area Transportation Study's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the management and members of the Policy Committee of Washtenaw Area Transportation Study and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

Maner Costerisan

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Policy Committee
Washtenaw Area Transportation Study
Ann Arbor, Michigan

In planning and performing our audit of the financial statements of Washtenaw Area Transportation Study (the Study), as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Study's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Study's internal control. Accordingly, we do not express an opinion on the effectiveness of the Study's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Study's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 the following instance of noncompliance that is required to be reported.

DELINQUENT ANNUAL FINANCIAL REPORT

Michigan Public Act 200 of 1957 requires the Study to have an audit conducted no less frequently than biennially. The Study has elected to conduct an audit of its financial records, accounts, and procedures on an annual basis. Michigan Public Act 2 of 1968 requires that the annual financial report be filed within six (6) months after the end of the fiscal year of the local unit. For the year ended June 30, 2023, the audited financial statements are approximately three (3) months delinquent to the State of Michigan.

We recommend the Study assure that, in the future, records are ready for audit and the audit be completed within six (6) months subsequent to the fiscal year end.

This communication is intended solely for the information and use of the members of the Study's Policy Committee, others within the Study, and applicable departments of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

Maner Costerisan PC

April 1, 2024

# WASHTENAW AREA TRANSPORTATION STUDY
# ANN ARBOR, MICHIGAN

## REPORT ON FINANCIAL STATEMENTS
## (with other supplementary information)

## YEAR ENDED JUNE 30, 2023

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# INDEPENDENT AUDITOR'S REPORT

To the Policy Committee
Washtenaw Area Transportation Study
Ann Arbor, Michigan

### *Opinion*

We have audited the accompanying financial statements of Washtenaw Area Transportation Study (the Study), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Study's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Study, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Study and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Study'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 Study's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Study's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maner Costerisan PC

April 1, 2024

**WASHTENAW AREA TRANSPORTATION STUDY**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The intent of the management's discussion and analysis is to provide highlights of the Study's financial activities for the fiscal years ended June 30, 2023 and 2022. Readers are encouraged to read this section in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Study exceeded its liabilities at the close of the most recent fiscal year resulting in a net position of $691,829, or approximately 153% of total expenses. Net position increased $14,310, which was approximately 2% of the prior year's net position.

- Operating revenues increased by $43,344, or approximately 10%, from the prior year.

- Operating expenses increased by $42,929, or approximately 11%, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report includes this management discussion and analysis report, the independent auditor's report, and the basic financial statement of the Study, which include notes that explain in more detail some of the information in the financial statements.

As a Transportation Management Area (TMA) originally formed as an inter-municipality committee under Act 200 of 1957, the Study prepares transportation plans and improvement programs and assigns federal surface transportation program funds to various eligible road and public transportation projects within Washtenaw County. Funding for the Study is provided for on a reimbursement basis of expenses incurred on its programs. The Study is governed by a policy committee that consists of a representative from local governmental agencies.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information of the Study using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Study's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Study creditors (liabilities). It also provides the basis for evaluating the capital structure of the Study and assessing the liquidity and financial flexibility of the Study.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in the cash balance during the report period.

FINANCIAL ANALYSIS OF WASHTENAW AREA TRANSPORTATION STUDY

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide the information to determine how the Study did financially during the fiscal year ended June 30, 2023. The net position, or the difference between assets and liabilities, and the changes in them can indicate whether financial health is improving or deteriorating over time. However, other non-financial factors such as changes in economic conditions, service area, and new or changed government legislation also need to be considered in determining the Study's financial health.

NET POSITION

The Study's Comparative Condensed Statements of Net Position and Revenue, Expenses and Changes in Fund Net Position are presented in the following Tables for the year ended June 30:

CONDENSED STATEMENT OF NET POSITION

| | 2023 | 2022 |
|---|---|---|
| ASSETS | | |
| Current and other assets | $ 731,666 | $ 707,438 |
| Capital assets, net | 50,560 | 75,805 |
| TOTAL ASSETS | 782,226 | 783,243 |
| LIABILITIES | | |
| Current liabilities | 63,207 | 53,696 |
| Noncurrent liabilities | 27,190 | 52,028 |
| TOTAL LIABILITIES | 90,397 | 105,724 |
| NET POSITION | | |
| Net investment in capital assets | (1,468) | (814) |
| Unrestricted | 693,297 | 678,333 |
| TOTAL NET POSITION | $ 691,829 | $ 677,519 |

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

| | Year Ended 2023 | Year Ended 2022 |
|---|---|---|
| OPERATING REVENUES | | |
| Grant revenues | $ 365,775 | $ 338,795 |
| Local contributions | 92,500 | 76,136 |
| TOTAL REVENUES | 458,275 | 414,931 |
| OPERATING EXPENSES | 450,770 | 407,841 |
| OPERATING INCOME | 7,505 | 7,090 |
| NONOPERATING REVENUES (EXPENSE) | 6,805 | 1,677 |
| Change in net position | $ 14,310 | $ 5,413 |

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position shows the total revenues and expenses that factor in the Change in Net Position. Due to the nature of the Study, expenses are largely based on the grants available through the Local, State, and Federal funding.

Program revenues and expenses vary annually depending on the Study's activities. The Study's operating revenues increased by approximately 10% over the prior year, this was largely due increases in plan development, planning services, and other miscellaneous increases. Operating expenses increased by approximately 11% over the prior year due to an increase in salary and related expenses.

CAPITAL ASSETS

The following is a summary of capital assets and the associated accumulated depreciation/amortization for year ended June 30:

| | 2023 | 2022 |
|---|---|---|
| Capital assets being depreciated/amortized | | |
| Furniture and equipment | $ 45,784 | $ 45,784 |
| Right to use - leased buildings | 101,050 | 101,050 |
| Less accumulated depreciation/amortization | | |
| Furniture and equipment | (45,784) | (45,784) |
| Right to use - leased buildings | (50,490) | (25,245) |
| Net capital assets | $ 50,560 | $ 75,805 |

The capital assets of the Study consist of office furniture and equipment and leased office space. The Study has implemented a capitalization policy consistent with MDOT and federal funding that require all items purchased having a useful life in excess of one year and an individual cost of more than $5,000 be capitalized and depreciated/amortized. There were no additions to capital assets purchased in the current fiscal year. Note 3 to the financial statements provides additional information regarding capital assets.

## DEBT ADMINISTRATION

The following is a summary of long-term obligations for year-end as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Direct borrowing and direct placement - Lease payable | $ 52,028 | $ 76,619 |
| Compensated absences | 33,643 | 29,105 |
| Total long-term obligations | $ 85,671 | $ 105,724 |

Aside from lease payable, all expenses of the Study have been secured by state or federal projects. This allows the Study to avoid any debt other than current liabilities in the normal operation of the system and compensated absences which have been divided into a current and noncurrent portion on the Statement of Net Position. Note 4 to the financial statements provides additional details regarding long-term obligations.

## ECONOMIC FACTORS

The Study has the ability to be reimbursed through Federal programs for all allowable costs incurred with administering its grants and programs.

## CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the Study's finances and to demonstrate its accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact the Study at 200 N. Main, Ann Arbor, MI 48104 or by phone at (734) 994-3127.

# BASIC FINANCIAL STATEMENTS

**WASHTENAW AREA TRANSPORTATION STUDY**
**STATEMENT OF NET POSITION**
**JUNE 30, 2023**

| | |
|---|---|
| ASSETS | |
| Current assets | |
| Cash | $ 70,768 |
| Due from other governmental units | 308,239 |
| Prepaid expenses | 2,569 |
| Total current assets | 381,576 |
| Noncurrent assets | |
| Investments - on deposit with Washtenaw County | 350,090 |
| Capital assets, net | 50,560 |
| Total noncurrent assets | 400,650 |
| TOTAL ASSETS | 782,226 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 4,726 |
| Current portion of compensated absences | 33,643 |
| Current portion of long-term debt | 24,838 |
| Total current liabilities | 63,207 |
| Noncurrent liabilities | |
| Noncurrent portion of long-term debt | 27,190 |
| TOTAL LIABILITIES | 90,397 |
| NET POSITION | |
| Net investment in capital assets | (1,468) |
| Unrestricted | 693,297 |
| TOTAL NET POSITION | $ 691,829 |

See accompanying notes to financial statements.

**WASHTENAW AREA TRANSPORTATION STUDY**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**YEAR ENDED JUNE 30, 2023**

| | |
|---|---|
| REVENUES | |
| Federal highway administrative grant | $ 352,860 |
| Federal transit administrative grant | 12,915 |
| Membership dues and local funding | 92,500 |
| TOTAL REVENUES | 458,275 |
| EXPENSES | |
| Plan monitoring | 40,393 |
| Plan development | 69,609 |
| Planning services | 94,409 |
| Plan implementation | 114,179 |
| Administrative staff | 55,020 |
| Depreciation/amortization | 25,245 |
| Supplies and equipment | 10,920 |
| Telephone | 1,265 |
| Travel and training | 3,593 |
| Insurance | 7,508 |
| Professional fees | 20,057 |
| License and subscriptions | 8,572 |
| TOTAL EXPENSES | 450,770 |
| OPERATING INCOME | 7,505 |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment income | 7,459 |
| Interest expense | (654) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 6,805 |
| CHANGE IN NET POSITION | 14,310 |
| Net position, beginning of year | 677,519 |
| Net position, end of year | $ 691,829 |

See accompanying notes to financial statements.

**WASHTENAW AREA TRANSPORTATION STUDY**
**STATEMENT OF CASH FLOWS**
**YEAR ENDED JUNE 30, 2023**

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash receipts from customers | $ 432,399 |
| Cash paid to suppliers and service providers | (48,353) |
| Cash paid to/for employees | (364,346) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 19,700 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Principal paid on lease payable | (24,591) |
| Interest paid on lease payable | (654) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (25,245) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments | (77,449) |
| Interest received on investments | 7,459 |
| NET CASH USED BY INVESTING ACTIVITIES | (69,990) |
| NET DECREASE IN CASH | (75,535) |
| Cash, beginning of year | 146,303 |
| Cash, end of year | $ 70,768 |
| Operating income | $ 7,505 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation/amortization | 25,245 |
| (Increase) decrease in: | |
| Due from other governmental units | (25,876) |
| Prepaid expenses | 3,562 |
| Increase in: | |
| Accounts payable | 4,726 |
| Compensated absences | 4,538 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 19,700 |

See accompanying notes to financial statements.

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

The Washtenaw Area Transportation Study (the Study) is an Inter-Municipality Committee established under Act 200 of 1957 of the Public Acts of Michigan. The Study is a Transportation Management Area (TMA) for the Washtenaw Area and is governed by a board of directors primarily designated by each of the 21 member units. The Study was established to provide coordinated leadership and direction for the development and conduct of a continuing, cooperative, and comprehensive transportation planning process for the purposes of complying with the intent of the applicable sections of the Federal Highway Act of 1964, as amended.

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

### Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Study. The Study operates as an autonomous agency separate from Washtenaw County or any of the other member units and is not financially accountable to any other unit.

The criteria established by Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of the Study will not be included in the financial statements of any other organizations. The Study is considered a special purpose governmental unit operating business-type activities and accounts for those activities in a single enterprise fund.

### Basis of Presentation

The accounts of the Study are organized on the basis of a fund, which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, deferred outflows of resources, fund equity, revenues, and expenses. The Study's resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

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

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

Measurement Focus

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

Basis of Accounting

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

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred, regardless of the timing of related cash flows.

If/when both restricted and unrestricted resources are available for use, it is the Study's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

The Study defines cash as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash consists of checking and money market accounts.

In accordance with Michigan Compiled Laws, the Study is authorized to invest in the following investment vehicles:

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145n and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.

d. The United States government or Federal agency obligations repurchase agreements.

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

Cash and Investments (continued)

e. Bankers' acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

In January 2015, the Study's Policy Committee approved a fiduciary agreement with Washtenaw County for purposes of investing cash reserves. The Study also adopted Washtenaw County investment policies which allow funds to be invested in all securities authorized by Michigan Public Act 20 of 1943 with the exception of mutual funds that have a fluctuating per share value. Funds invested with Washtenaw County are recorded at cost, which approximates fair value, and are classified as long-term due to management's intentions to hold the investments for the long-term.

Due from Other Governmental Units

Receivables consist of amounts due from other governmental units for services provided. Bad debts are accounted for using the direct write-off method. The expense is recognized when a specific account is determined to be uncollectible. The effects of using this method approximate those of the allowance method. Past due receivables do not accrue interest, and there were no amounts recognized as bad debt expense for the year ended June 30, 2023.

Prepaid Expenses

Certain payments to vendors for services that will benefit future periods are recorded as prepaid expenses.

Capital Assets

Capital assets are recorded (net of accumulated depreciation/amortization, if applicable) and are those assets with an initial individual cost of $5,000 of more and an estimated useful life of more than one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Right to use assets are amortized using the straight-line method over the shorter of the lease period or the estimated useful live. Depreciation/amortization is computed using the straight-line method over the following useful lives:

| | |
|---|---|
| Furniture and equipment | 3-5 years |
| Right to use - leased buildings | 4 years |

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

Lease

The Study is a lessee for a noncancelable lease of office space. The Study recognizes a lease liability and an intangible right-to-use lease asset in the financial statements.

At the commencement of a lease, the Study initially measured 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 judgements related to leases include how the Study determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

- 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 Study is reasonably certain to exercise.

The Study 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 obligations on the statement of net position.

Compensated Absences

Employees are granted paid time off in varying amounts. Upon termination of employment if the employee has provided appropriate notice, accumulated paid time off shall be paid at a daily rate of pay determined by dividing total current annual compensation by the number of workdays in that year. This amount has been divided between a current and noncurrent portion, as applicable, on the statement of net position.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2023, the Study had deposits subject to the following risk.

### Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Study's deposits may not be returned to it. As of June 30, 2023, the Study's bank balance of $87,791 was not exposed to custodial credit risk because it was fully insured by the Federal Depository Insurance Corporation (FDIC). The Study's deposits had a carrying amount of $70,768 as of June 30, 2023.

### Interest Rate Risk

The Study has adopted the Washtenaw County policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fail due to changes in market interest rates. As of June 30, 2023, the Study did not have any investments that would be subject to interest rate risk.

### Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require financial disclosure of credit quality.

### Concentration of Credit Risk

The Study has adopted the Washtenaw County policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Study's investment in a single issuer. As of June 30, 2023, the Study did not have any investments that would be subject to concentration of credit risk.

### Foreign Currency Risk

As of June 30, 2023, the Study did not hold any investments that have this type of risk.

### Fair Value Measurement

The Study is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

## NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Study's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Study's only investment is in Washtenaw County money market 2a7-like investment pool. The pool is valued at published fair value per share (unit) for the fund.

| Investment Type | Level 1 | Level 2 | Level 3 | Fair Value |
|---|---|---|---|---|
| 2a7-like Investment Pool | $ - | $ 350,090 | $ - | $ 350,090 |

Credit Risk - Investment

The 2a7-like investment pool and the local government investment pool are rated AAA by S&P.

## NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

| | Balance July 1, 2022 | Additions | Disposals | Balance June 30, 2023 |
|---|---|---|---|---|
| Capital assets being depreciated/amortized: | | | | |
| Furniture and equipment | $ 45,784 | $ - | $ - | $ 45,784 |
| Right to use - leased buildings | 101,050 | - | - | 101,050 |
| Subtotal | 146,834 | - | - | 146,834 |
| Less accumulated depreciation/amortization for: | | | | |
| Furniture and equipment | (45,784) | - | - | (45,784) |
| Right to use - leased buildings | (25,245) | (25,245) | - | (50,490) |
| Subtotal | (71,029) | (25,245) | - | (96,274) |
| Net capital assets | $ 75,805 | $ (25,245) | $ - | $ 50,560 |

## NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Study for the year ended June 30, 2023:

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 | Amount Due Within One Year |
|---|---|---|---|---|---|
| Direct borrowing and direct placement | | | | | |
| Lease payable | $ 76,619 | $ - | $ (24,591) | $ 52,028 | $ 24,838 |
| Compensated absences | 29,105 | 34,904 | (30,366) | 33,643 | 33,643 |
| Total long-term obligations | $ 105,724 | $ 34,904 | $ (54,957) | $ 85,671 | $ 58,481 |

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

| | |
|---|---|
| $101,050 Lease payable was originally dated August 1, 2015 for a period of ten years expiring on July 31, 2025. Future monthly payments are $2,104, including imputed interest of 1%. The lease agreement was for the right to use office space. | $ 52,028 |

Vacation and sick leave are earned in varying amounts depending on the number of years of service of an employee determined by the anniversary date of the employee.

Future minimum lease payments to be paid by the Study under the lease agreement are as follows:

| Year Ended June 30, | Direct Borrowing and Direct Placement | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2024 | $ 24,838 | $ 407 | $ 25,245 |
| 2025 | 25,088 | 157 | 25,245 |
| 2026 | 2,102 | 2 | 2,104 |
| | $ 52,028 | $ 566 | $ 52,594 |

## NOTE 5 - PENSION

The Study sponsors a Simplified Employee Pension (SEP) Program, this program is a self-directed defined contribution plan and can be amended by the Policy Committee. The SEP is administered by Fidelity and the SEP contributes an amount equal to 15% of each full-time employee's salary to a SEP-IRA program selected by the employee. An additional 2.5% is matched and put into the SEP-IRA if the employee contributes 2.5% of their salary. Pension expense for the year ended June 30, 2023 was, $48,716 and the employer's liability for the year ended June 30, 2023, was $2,601.

## NOTE 6 - RISK MANAGEMENT

The Study is exposed to risk of loss for workers' compensation for which they carry commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

The Study is a voluntary member of the Michigan Municipal Risk Management Authority, which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing the Study with protection for general liability, vehicle physical damage, property damage, and losses due to crime. The Study has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

## NOTE 7 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Study's management expects such amounts, if any, to be immaterial.

## NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Study implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*, which was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability: (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA: and (4) requires not disclosures regarding SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the Study's financial statement after the adoption of GASB Statement No. 96.

## NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement N*o. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Study is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Study is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Study is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

# OTHER SUPPLEMENTARY INFORMATION

**WASHTENAW AREA TRANSPORTATION STUDY**
**BUDGETARY COMPARISON SCHEDULE**
**YEAR ENDED JUNE 30, 2023**

| | Budget | Actual | Over (under) Budget |
|---|---|---|---|
| REVENUES | | | |
| Federal highway administrative grant | $ 494,732 | $ 352,860 | $ (141,872) |
| Federal transit administrative grant | 12,915 | 12,915 | - |
| Membership dues and local funding | 94,500 | 92,500 | (2,000) |
| TOTAL REVENUES | 602,147 | 458,275 | (143,872) |
| EXPENSES | | | |
| Plan monitoring | 65,410 | 40,393 | 25,017 |
| Plan development | 129,592 | 69,609 | 59,983 |
| Planning services | 113,940 | 94,409 | 19,531 |
| Plan implementation | 141,370 | 114,179 | 27,191 |
| Administrative staff | 46,420 | 55,020 | (8,600) |
| Rent | 25,665 | - | 25,665 |
| Unemployment | 2,500 | - | 2,500 |
| Depreciation/amortization | - | 25,245 | (25,245) |
| Printing | 5,000 | - | 5,000 |
| Supplies and equipment | 14,000 | 10,920 | 3,080 |
| Telephone | - | 1,265 | (1,265) |
| Travel and training | 12,500 | 3,593 | 8,907 |
| Postage | 250 | - | 250 |
| Insurance | 4,500 | 7,508 | (3,008) |
| Professional fees | 29,000 | 20,057 | 8,943 |
| License and subscriptions | 12,000 | 8,572 | 3,428 |
| TOTAL EXPENSES | 602,147 | 450,770 | 151,377 |
| OPERATING INCOME | - | 7,505 | 7,505 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | - | 7,459 | 7,459 |
| Interest expense | - | (654) | (654) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | - | 6,805 | 6,805 |
| CHANGE IN NET POSITION | - | 14,310 | 14,310 |
| Net position, beginning of year | 677,519 | 677,519 | - |
| Net position, end of year | $ 677,519 | $ 691,829 | $ 14,310 |