

**WASHTENAW AREA TRANSPORTATION
STUDY**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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STEFFORIA, PETIK & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Policy Committee
Washtenaw Area Transportation Study

We have audited the accompanying financial statements of Washtenaw Area Transportation Study which comprise the statements of net assets as of June 30, 2017 and 2016, and the related statements of revenues, expenditures and changes in net assets, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washtenaw Area Transportation Study as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of revenues, expenditures and changes in net assets – budget vs. actual on pages 13 & 14 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stefforia, Petik & Associates, P.C.
Certified Public Accountants

December 27, 2017

**WASHTENAW AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

The intent of the management's discussion and analysis is to provide highlights of the Washtenaw Area Transportation Study's (WATS) financial activities for the fiscal years ended June 30, 2017 and 2016. Readers are encouraged to read this section in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of WATS exceeded its liabilities at the close of the most recent fiscal year by \$673,111 or approximately 140% of total expenses. This is an increase from \$661,927, which was approximately 136% of the year's total expenses.
- Revenues increased 13% over the prior year.
- Expenses increased 17% over 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 statements of WATS, which include notes that explain in more detail some of the information in the financial statements.

WATS 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 WATS is provided on a reimbursement basis of expenses incurred on its programs. Other local agencies match a certain amount to complete the program through annual dues paid by the local agencies. WATS is governed by a policy committee that consists of representatives from all local dues paying member agencies.

REQUIRED FINANCIAL STATEMENTS

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

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenditures and Changes in Net Assets. This statement measures how WATS' net position changed during the current fiscal year.

The final required financial statement is the Statement of Cash Flows. This 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 did cash come from, what cash was used for, and what was the change in the cash balance during the period.

**WASHTENAW AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

FINANCIAL ANALYSIS OF WASHTENAW AREA TRANSPORTATION STUDY

The Statement of Net Assets and the Statement of Revenues, Expenditures and Changes in Net Assets provide the information to determine how WATS finances changed during the fiscal years ended June 30, 2017 and 2016. The net assets, or the difference between assets and liabilities, and the changes in them can indicate whether WATS' finances are 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 WATS' financial condition.

NET ASSETS

WATS' Comparative Condensed Statements of Net Assets and Revenue, Expenses and Changes in Net Assets are presented in the following tables:

Current assets	\$	277,285	\$	260,523
Capital assets, net		31,317		40,579
Other assets		<u>401,339</u>		<u>399,058</u>
Total Assets		709,941		700,160
Current liabilities		<u>36,830</u>		<u>38,233</u>
Invested in Capital assets		31,317		40,579
Unrestricted		<u>641,794</u>		<u>621,348</u>
Total Net Assets	\$	<u><u>673,111</u></u>	\$	<u><u>661,927</u></u>

**WASHTENAW AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

NET ASSETS (continued)

**CONSOLIDATED STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET ASSETS**

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
Grant Revenues	\$ 394,058	\$ 335,789
Local funding	94,500	94,500
Interest earnings	2,391	1,547
Other	<u>3,154</u>	<u>4,999</u>
Total revenues	494,103	436,835
Expenses	<u>482,919</u>	<u>413,992</u>
Change in net assets	<u>\$ 11,184</u>	<u>\$ 22,843</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets shows the total revenues and expenses that factor in the Change in Net Assets. Due to the nature of WATS, expenses are largely based on the grants available through local, state, federal and private funding.

CAPITAL ASSETS

The following is a summary of capital assets and the associated accumulated depreciation:

CAPITAL ASSETS

	Fiscal Year <u>2017</u>	Fiscal Year <u>2016</u>
Furniture and equipment	\$ 45,784	\$ 45,784
Less: Accumulated depreciation	<u>(14,467)</u>	<u>(5,205)</u>
Net Capital Assets	<u>\$ 31,317</u>	<u>\$ 40,579</u>

WATS 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.

**WASHTENAW AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

DEBT ADMINISTRATION

WATS currently carries no long-term debt as all expenses have been secured by state, federal or private projects. This allows WATS to avoid any debt other than current liabilities incurred as a result of normal operations.

CONTACT INFORMATION

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

**WASHTENAW AREA TRANSPORTATION STUDY
STATEMENTS OF NET ASSETS
JUNE 30, 2017 AND 2016**

	Assets	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 65,016	\$ 110,039
Grants receivable	204,694	144,588
Prepaid expenses	7,575	5,896
Total current assets	<u>277,285</u>	<u>260,523</u>
Property and equipment - net	31,317	40,579
Other Assets:		
Investments - due from Washtenaw County	<u>401,339</u>	<u>399,058</u>
Total assets	<u>\$ 709,941</u>	<u>\$ 700,160</u>

Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 2,069	\$ 2,069
Accrued liabilities	120	57
Accrued compensated absences	34,641	36,107
Total current liabilities	<u>36,830</u>	<u>38,233</u>
Net assets		
Unrestricted	<u>673,111</u>	<u>661,927</u>
Total liabilities and net assets	<u>\$ 709,941</u>	<u>\$ 700,160</u>

See Notes to Financial Statements

**WASHTENAW AREA TRANSPORTATION STUDY
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Revenues:		
Federal Highway Administrative grant	\$ 383,699	\$ 322,677
Federal Transit Administrative grant	10,359	13,112
Membership dues and local funding	94,500	94,500
State asset management	3,154	-
Gain on sale of fixed assets	-	4,999
Investment income	2,391	1,547
Total Revenues	494,103	436,835
 Operating expenses:		
Plan monitoring	36,164	42,837
Plan development	150,105	89,554
Planning services	74,333	65,998
Plan implementation	95,354	111,033
Administrative staff	40,609	33,713
Rent	25,245	25,245
Depreciation	9,262	4,292
Printing	1,672	1,561
Supplies & equipment	5,494	7,551
Telephone	4,432	4,042
Travel	10,481	6,548
Payroll fees	6,304	903
Postage	392	28
Insurance	6,050	6,487
Training	4,837	2,561
Professional fees	9,125	7,925
Web hosting	600	679
License and subscriptions	2,403	3,035
Miscellaneous	57	-
Total operating expenses	482,919	413,992
Change in net assets	11,184	22,843
Net assets at beginning of year	661,927	639,084
Net assets at end of year	\$ 673,111	\$ 661,927

See Notes to Financial Statements

**WASHTENAW AREA TRANSPORTATION STUDY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Cash flows from operating activities		
Revenues over expenditures	\$ 11,184	\$ 22,843
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	9,262	4,292
Changes in operating assets		
Grants receivable	(60,106)	24,963
Prepaid expenses	(1,679)	(265)
Accounts payable	-	350
Accrued liabilities	63	58
Accrued compensated absences	(1,466)	4,131
Net cash flows from operating activities	(42,742)	56,372
Cash flows from investing activities		
Purchase of property and equipment	-	(27,523)
Purchase of investments	(2,281)	(1,446)
Net cash flows used by investing activities	(2,281)	(28,969)
Net increase (decrease) in cash and cash equivalents	(45,023)	27,403
Cash and cash equivalents at beginning of year	110,039	82,636
Cash and cash equivalents at end of year	\$ 65,016	\$ 110,039

See Notes to Financial Statements

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Washtenaw Area Transportation Study (WATS) is a multi-jurisdictional agency responsible for transportation planning in Washtenaw County. The agency is mandated by Federal law to provide a continuing, cooperative and comprehensive transportation planning process, which guides the expenditure of state and federal transportation funds in Washtenaw County. WATS is an association of 21 local governments, transit agencies, business and educational institutions organized under Act 200 of the Michigan Public Acts of 1957. WATS receives the majority of its funding from grants from the Federal Highway Administration, the Michigan Department of Transportation and from dues paid by members.

Basis of accounting

The financial records and statements of WATS are maintained on the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Cash and Cash Equivalents

WATS defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. WATS maintains cash balances and temporary cash investments in one high credit quality financial institutions which sometimes exceed the federally insured limit.

Accounts Receivable

Accounts receivable consist of short-term receivables that arise in the normal course of business. 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 years ended June 30, 2017 or 2016.

Investments

In January 2015 the WATS policy committee approved a fiduciary agreement with Washtenaw County for investment purposes of cash reserves. WATS 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 and are classified as long-term due to management's intentions to hold the investments for the long-term.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United State of America requires management to make estimates and

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the useful life of 3 or 5 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance, repairs, and minor improvements are charged to expense as incurred; significant renewals and improvements are capitalized. Total depreciation expense for the year ended June 30, 2017 and 2016 was \$9,262 and \$4,292 respectively.

Fair value of financial instruments

WATS financial instruments consist of cash, investments, grants receivable, accounts receivable, prepaid expenses and accrued liabilities. The carrying value of all such instruments, considering the terms, approximates fair value at June 30, 2017 and 2016.

Concentration of credit risk arising from deposit accounts

WATS maintains checking and savings accounts at one high quality financial institution. All accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. WATS evaluates the financial institutions with which it deposits funds; however, it may not be practical to insure all cash deposits.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 27, 2017 which is the date the financial statements were available to be issued.

NOTE 2 – PENSION

WATS sponsors a Simplified Employee Pension (SEP) Program and contributes an amount equal to 12.5 percent of each full-time employee's salary to a SEP program selected by the employee. An additional 2.5 percent is matched and put into a Roth IRA if the employee contributes 2.5 percent of their salary. Pension expense for the years ended June 30, 2017 and 2016 was \$39,465 and \$38,288 and respectively.

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation. A summary of WATS property and equipment is shown below:

	Fiscal Year 2017	Fiscal Year 2016
Furniture & equipment	\$45,784	\$45,784
Total	\$45,784	\$45,784
Less: Accumulated depreciation	(14,467)	(5,205)
Net property and equipment	\$ 31,317	\$ 40,579

NOTE 4 – OPERATING LEASE

WATS leased its office under an operating lease agreement with the County which required monthly payments of \$2,910 through December, 2017. Total rental expense was \$25,245 and \$25,245 for the years ending June 30, 2017 and 2016, respectively. The following minimum future lease payments reflect this new amended lease agreement.

Minimum future lease payments for the amended office lease are as follows:

2018	\$	25,245
2019		25,245
2020		25,245
2021		25,245
2022		25,245
	\$	126,225

NOTE 5 – CONTINGENT LIABILITIES

Under the terms of various Federal and state grants, periodic compliance audits are required and certain costs may be questioned, allowed or disallowed, which could result in funds being returned and/or received from grantor agencies.

OTHER SUPPLEMENTARY INFORMATION

**WASHTENAW AREA TRANSPORTATION STUDY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET VS. ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Over (under) Budget</u>
Revenues:			
Federal Highway Administrative grant	\$ 455,629	\$ 383,699	\$ (71,930)
Federal Transit Administrative grant	10,359	10,359	-
Membership dues and local funding	99,331	94,500	(4,831)
State asset management	7,161	3,154	(4,007)
Interest income	4,000	2,391	(1,609)
Total Revenues	<u>576,480</u>	<u>494,103</u>	<u>(82,377)</u>
Operating expenses:			
Plan monitoring	51,570	36,164	(15,406)
Plan development	186,960	150,105	(36,855)
Planning services	78,310	74,333	(3,977)
Plan implementation	103,140	95,354	(7,786)
Administrative staff	57,300	40,609	(16,691)
Rent	25,250	25,245	(5)
Unemployment	5,000	-	(5,000)
Depreciation	-	9,262	9,262
Printing	2,250	1,672	(578)
Supplies & equipment	8,000	5,494	(2,506)
Telephone	3,800	4,432	632
Travel	10,000	10,481	481
Payroll fees	11,750	6,304	(5,446)
Postage	400	392	(8)
Insurance	7,500	6,050	(1,450)
Training	5,000	4,837	(163)
Professional fees	14,250	9,125	(5,125)
Web hosting	-	600	600
License and subscriptions	6,000	2,403	(3,597)
Miscellaneous	-	57	57
Total operating expenses	<u>576,480</u>	<u>482,919</u>	<u>(93,561)</u>
Change in net assets	-	11,184	11,184
Net assets at beginning of year	661,927	661,927	-
Net assets at end of year	<u>\$ 661,927</u>	<u>\$ 673,111</u>	<u>\$ 11,184</u>

**WASHTENAW AREA TRANSPORTATION STUDY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET VS. ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>Over (under)</u> <u>Budget</u>
Revenues:			
Federal Highway Administrative grant	\$ 396,826	\$ 322,677	\$ (74,149)
Federal Transit Administrative grant	12,816	13,112	296
Membership dues and local funding	94,500	94,500	-
State asset management	6,050	-	(6,050)
Other income	-	4,999	4,999
Interest income	-	1,547	1,547
Total Revenues	<u>510,192</u>	<u>436,835</u>	<u>(73,357)</u>
Operating expenses:			
Plan monitoring	96,760	42,837	(53,923)
Plan development	80,200	89,554	9,354
Planning services	78,000	65,998	(12,002)
Plan implementation	102,960	111,033	8,073
Administrative staff	42,120	33,713	(8,407)
Rent	26,000	25,245	(755)
Unemployment	5,000	-	(5,000)
Depreciation	-	4,292	4,292
Printing	2,250	1,561	(689)
Supplies & equipment	19,000	7,551	(11,449)
Telephone	1,750	4,042	2,292
Travel & Training	17,500	9,109	(8,391)
Payroll fees	-	903	903
Postage	500	28	(472)
Insurance	10,000	6,487	(3,513)
Professional fees	24,452	7,925	(16,527)
Web hosting	700	679	(21)
License and subscriptions	3,000	3,035	35
Total operating expenses	<u>510,192</u>	<u>413,992</u>	<u>(96,200)</u>
Change in net assets	-	22,843	22,843
Net assets at beginning of year	639,084	639,084	-
Net assets at end of year	<u>\$ 639,084</u>	<u>\$ 661,927</u>	<u>\$ 22,843</u>