

**WASHTENAW AREA TRANSPORTATION  
STUDY**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2018 AND 2017**

**DRAFT**

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**WASHTENAW AREA TRANSPORTATION STUDY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

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, 2018 and 2017. 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 \$676,480 or approximately 130% of total expenses. This is an increase from \$673,111, which was approximately 140% of the year's total expenses.
- Revenues increased 7% over the prior year.
- Expenses increased 9% 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, 2018 AND 2017**

**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, 2018 and 2017. 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:

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>
Current assets	\$ 284,825	\$ 277,285
Capital assets, net	22,055	31,317
Other assets	406,212	401,339
Total Assets	713,092	709,941
Current liabilities	36,612	36,830
Invested in Capital assets	22,055	31,317
Unrestricted	654,425	641,794
Total Net Assets	\$ 676,480	\$ 673,111

**WASHTENAW AREA TRANSPORTATION STUDY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

**NET ASSETS (continued)**

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

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>
Grant Revenues	\$ 428,223	\$ 394,058
Local funding	94,500	94,500
Interest earnings	4,973	2,391
Other	<u>3,154</u>	<u>3,154</u>
Total revenues	530,850	494,103
Expenses	<u>527,481</u>	<u>482,919</u>
Change in net assets	<u>\$ 3,369</u>	<u>\$ 11,184</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>2018</u>	Fiscal Year <u>2017</u>
Furniture and equipment	\$ 45,784	\$ 45,784
Less: Accumulated depreciation	<u>(23,729)</u>	<u>(14,467)</u>
Net Capital Assets	<u>\$ 22,055</u>	<u>\$ 31,317</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, 2018 AND 2017**

**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, 2018 AND 2017**

**Assets**

	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash	\$ 15,759	\$ 65,016
Grants receivable	260,680	204,694
Prepaid expenses	8,386	7,575
Total current assets	284,825	277,285
Property and equipment - net	22,055	31,317
<b>Other Assets:</b>		
Investments - due from Washtenaw County	406,212	401,339
<b>Total assets</b>	<b>\$ 713,092</b>	<b>\$ 709,941</b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable	\$ 3,987	\$ 2,069
Accrued liabilities	182	120
Accrued compensated absences	32,443	34,641
Total current liabilities	36,612	36,830
<b>Net assets</b>		
Unrestricted	676,480	673,111
<b>Total liabilities and net assets</b>	<b>\$ 713,092</b>	<b>\$ 709,941</b>

**WASHTENAW AREA TRANSPORTATION STUDY  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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	2018	2017
<b>Revenues:</b>		
Federal Highway Administrative grant	\$ 417,864	\$ 383,699
Federal Transit Administrative grant	10,359	10,359
Membership dues and local funding	94,500	94,500
State asset management	3,154	3,154
Gain on sale of fixed assets	-	-
Investment income	4,973	2,391
Total Revenues	530,850	494,103
 <b>Operating expenses:</b>		
Plan monitoring	30,392	36,164
Plan development	205,658	150,105
Planning services	74,135	74,333
Plan implementation	89,682	95,354
Administrative staff	46,964	40,609
Rent	25,635	25,245
Depreciation	9,262	9,262
Printing	1,213	1,672
Supplies & equipment	10,884	5,494
Telephone	1,549	4,432
Travel	7,055	10,481
Payroll fees	3,713	6,304
Postage	460	392
Insurance	6,642	6,050
Training	2,610	4,837
Professional fees	8,725	9,125
Web hosting	630	600
License and subscriptions	2,272	2,403
Miscellaneous	-	57
Total operating expenses	527,481	482,919
Change in net assets	3,369	11,184
Net assets at beginning of year	673,111	661,927
Net assets at end of year	\$ 676,480	\$ 673,111

*See Notes to Financial Statements*



**WASHTENAW AREA TRANSPORTATION STUDY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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	<b>2018</b>	<b>2017</b>
Cash flows from operating activities		
Revenues over expenditures	\$ 3,369	\$ 11,184
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	9,262	9,262
Changes in operating assets		
Grants receivable	(55,986)	(60,106)
Prepaid expenses	(811)	(1,679)
Accounts payable	1,918	-
Accrued liabilities	62	62
Accrued compensated absences	(2,198)	(1,465)
Net cash flows from operating activities	(44,384)	(42,742)
Cash flows from investing activities		
Purchase of investments	(4,873)	(2,281)
Net cash flows used by investing activities	(4,873)	(2,281)
Net increase (decrease) in cash and cash equivalents	(49,257)	(45,023)
Cash and cash equivalents at beginning of year	65,016	110,039
Cash and cash equivalents at end of year	\$ 15,759	\$ 65,016

*See Notes to Financial Statements*

**WASHTENAW AREA TRANSPORTATION STUDY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**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, 2018 or 2017.

**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, 2018 AND 2017**

**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, 2018 and 2017 was \$9,262 and \$9,262 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, 2018 and 2017.

**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 14, 2018 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, 2018 and 2017 was \$40,737 and \$39,465 and respectively.

**WASHTENAW AREA TRANSPORTATION STUDY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**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 <u>2018</u>	Fiscal Year <u>2017</u>
Furniture & equipment	<u>\$45,784</u>	<u>\$45,784</u>
Total	<u>\$45,784</u>	<u>\$45,784</u>
Less: Accumulated depreciation	<u>(23,729)</u>	<u>(14,467)</u>
Net property and equipment	<u>\$ 22,055</u>	<u>\$ 31,317</u>

**NOTE 4 – OPERATING LEASE**

WATS leased its office under an operating lease agreement with the County through December, 2022. Total rental expense was \$25,635 and \$25,245 for the years ending June 30, 2018 and 2017, respectively. The following minimum future lease payments reflect this new amended lease agreement.

Minimum future lease payments for the office lease are as follows for the years ended June 30:

2019	\$	25,635
2020		25,635
2021		25,635
2022		25,635
		<u>\$ 102,540</u>

**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.

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**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, 2018**

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	<u>2018</u> <u>Budget</u>	<u>2018</u> <u>Actual</u>	<u>Over (under)</u> <u>Budget</u>
<b>Revenues:</b>			
Federal Highway Administrative grant	\$ 467,422	\$ 417,864	\$ (49,558)
Federal Transit Administrative grant	12,815	10,359	(2,456)
Membership dues and local funding	94,500	94,500	-
State asset management	2,448	3,154	706
Other income	59,991	-	(59,991)
Interest income	2,000	4,973	2,973
Total Revenues	639,176	530,850	(108,326)
 <b>Operating expenses:</b>			
Plan monitoring	53,244	30,392	(22,852)
Plan development	250,292	205,658	(44,634)
Planning services	78,880	74,135	(4,745)
Plan implementation	108,460	89,682	(18,778)
Administrative staff	49,300	46,964	(2,336)
Rent	27,500	25,635	(1,865)
Unemployment	5,000	-	(5,000)
Depreciation	-	9,262	9,262
Printing	3,000	1,213	(1,787)
Supplies & equipment	9,000	10,884	1,884
Telephone	-	1,549	1,549
Travel & Training	12,500	7,055	(5,445)
Payroll fees	2,500	3,713	1,213
Postage	500	460	(40)
Insurance	7,500	6,642	(858)
Training	-	2,610	2,610
Professional fees	23,500	8,725	(14,775)
Web hosting	-	630	630
License and subscriptions	8,000	2,272	(5,728)
Total operating expenses	639,176	527,481	(111,695)
 Change in net assets	 -	 3,369	 3,369
 Net assets at beginning of year	 673,111	 673,111	 -
 Net assets at end of year	 \$ 673,111	 \$ 676,480	 \$ 3,369

**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>
<b>Revenues:</b>			
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>
<b>Operating expenses:</b>			
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>