

**WASHTENAW AREA TRANSPORTATION  
STUDY**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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.

## ***Emphasis of Matter Regarding COVID-19***

As discussed in Note 9 to the financial statements, the Company is facing a global economic crisis regarding the coronavirus pandemic. While the disruption is expected to be temporary, there is considerable uncertainty around the duration. Therefore, the Company expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time. Our conclusion is not modified with respect to this matter.

## ***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.*

***Stefforia, Petik & Associates, P.C.***

Certified Public Accountants

December 9, 2020

**WASHTENAW AREA TRANSPORTATION STUDY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

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, 2020 and 2019. 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 \$692,563 or approximately 142% of total expenses. This is an increase from \$674,956, which was approximately 130% of the year's total expenses.
- Revenues decreased 17% over the prior year.
- Expenses decreased 20% 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, 2020 AND 2019**

**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, 2020 and 2019. 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>2020</u>	Fiscal Year <u>2019</u>
Current assets	\$ 449,351	\$ 428,881
Capital assets, net	5,237	12,793
Other assets	<u>270,332</u>	<u>264,795</u>
Total Assets	724,920	706,469
Current liabilities	<u>32,357</u>	<u>31,513</u>
Invested in Capital assets	5,237	12,793
Unrestricted	<u>687,326</u>	<u>662,163</u>
Total Net Assets	<u><u>\$ 692,563</u></u>	<u><u>\$ 674,956</u></u>

**WASHTENAW AREA TRANSPORTATION STUDY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020 AND 2019**

**NET ASSETS (continued)**

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

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>
Grant Revenues	\$ 394,241	\$ 487,046
Local funding	94,500	94,500
Interest earnings	5,553	9,332
Other	<u>-</u>	<u>3,333</u>
Total revenues	<u>494,294</u>	<u>594,211</u>
 Expenses	 <u>476,687</u>	 <u>595,735</u>
 Change in net assets	 <u>\$ 17,607</u>	 <u>\$ (1,524)</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>2020</u>	Fiscal Year <u>2019</u>
Furniture and equipment	\$ 45,784	\$ 45,784
Less: Accumulated depreciation	<u>(40,547)</u>	<u>(32,991)</u>
 Net Capital Assets	 <u>\$ 5,237</u>	 <u>\$ 12,793</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, 2020 AND 2019**

**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, 2020 AND 2019**

	<b>Assets</b>	
	<b>2020</b>	<b>2019</b>
Current Assets		
Cash	\$ 213,461	\$ 114,506
Grants receivable	228,500	308,117
Prepaid expenses	7,390	6,258
Total current assets	449,351	428,881
Property and equipment - net	5,237	12,793
Other Assets:		
Investments - due from Washtenaw County	270,332	264,795
Total assets	\$ 724,920	\$ 706,469

<b>Liabilities and Net Assets</b>		
Current liabilities		
Accrued liabilities	\$ 7,399	\$ 375
Accrued compensated absences	24,958	31,138
Total current liabilities	32,357	31,513
Net assets		
Without donor restrictions	692,563	674,956
Total liabilities and net assets	\$ 724,920	\$ 706,469

**WASHTENAW AREA TRANSPORTATION STUDY  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Revenues:		
Federal Highway Administrative grant	\$ 381,326	\$ 476,687
Federal Transit Administrative grant	12,915	10,359
Membership dues and local funding	94,500	94,500
State asset management	-	3,333
Investment income	5,553	9,332
Total Revenues	<u>494,294</u>	<u>594,211</u>
Operating expenses:		
Plan monitoring	60,465	46,411
Plan development	123,923	277,288
Planning services	76,383	66,987
Plan implementation	77,292	87,157
Administrative staff	56,943	43,370
Rent	25,665	25,665
Depreciation	7,557	9,262
Printing	-	480
Supplies & equipment	9,058	1,199
Telephone	1,259	1,052
Travel	-	7,175
Payroll fees	1,427	8,047
Postage	-	304
Insurance	14,613	7,022
Training	4,834	-
Professional fees	9,725	10,525
Web hosting	-	320
License and subscriptions	7,543	3,471
Miscellaneous	-	-
Total operating expenses	<u>476,687</u>	<u>595,735</u>
Change in net assets	17,607	(1,524)
Net assets at beginning of year	674,956	676,480
Net assets at end of year	<u>\$ 692,563</u>	<u>\$ 674,956</u>

See Notes to Financial Statements

**WASHTENAW AREA TRANSPORTATION STUDY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Revenues over expenditures	\$ 17,607	\$ (1,524)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	7,557	9,262
Investment income	(5,553)	(4,973)
Changes in operating assets		
Grants receivable	79,617	(55,986)
Prepaid expenses	(1,132)	(811)
Accounts payable	-	1,918
Accrued liabilities	7,039	162
Accrued compensated absences	(6,180)	(2,198)
Net cash flows from operating activities	<u>98,955</u>	<u>(54,150)</u>
Cash flows from investing activities		
Net (Purchase) Redemption of investments	<u>-</u>	<u>-</u>
Net cash flows used by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	98,955	(54,150)
Cash and cash equivalents at beginning of year	114,506	168,656
Cash and cash equivalents at end of year	<u>\$ 213,461</u>	<u>\$ 114,506</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

*See Notes to Financial Statements*

**WASHTENAW AREA TRANSPORTATION STUDY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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.

**Revenue Recognition**

Revenue is recorded when: a contract with a client has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Company has satisfied the applicable performance obligation. The expenses that are directly related to such transactions are recorded as incurred and presented within operating expenses. Revenue associated with the reimbursement of such expenses is recorded when the Company is contractually entitled to reimbursement and presented within other income.

The Company provides related services to its customers. The benefits of the Company's services are generally transferred to the Company's customers over time as the customers simultaneously receive and consume the benefits as the Company performs the service. The Company's contracts are usually cancellable by either party at any time. fees are generally fixed and charged on a basis when billed. Related expenses are recorded at the same time.

**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, 2020 or 2019.

**WASHTENAW AREA TRANSPORTATION STUDY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 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, 2020 and 2019 was \$7,557 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, 2020 and 2019.

**Concentration of credit risk arising from deposit accounts**

WATS maintains checking and savings accounts at one high quality financial institution. All accounts at 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 9, 2020 which is the date the financial statements were available to be issued.

**WASHTENAW AREA TRANSPORTATION STUDY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 – PENSION**

WATS sponsors a Simplified Employee Pension (SEP) Program and contributes an amount equal to 15.0 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, 2020 and 2019 was \$39,306 and \$41,287 and respectively.

**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>2020</u>	Fiscal Year <u>2019</u>
Furniture & equipment	<u>\$45,784</u>	<u>\$45,784</u>
Total	\$45,784	\$45,784
Less: Accumulated depreciation	<u>(40,547)</u>	<u>(32,991)</u>
Net property and equipment	<u>\$ 5,237</u>	<u>\$ 12,793</u>

**NOTE 4 – OPERATING LEASE**

WATS leased its office under an operating lease agreement with the County through December, 2022. Total rental expense was \$25,665 and \$25,665 for the years ending June 30, 2020 and 2019, 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:

2021	\$	25,665
2022		25,665
2023		12,832
		<u>\$ 64,162</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.

**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, 2020**

	<u>2020 Budget</u>	<u>2020 Actual</u>	<u>Over (under) Budget</u>
<b>Revenues:</b>			
Federal Highway Administrative grant	\$ 562,922	\$ 381,326	\$ (181,596)
Federal Transit Administrative grant	-	12,915	12,915
Membership dues and local funding	94,500	94,500	-
State asset management	-	-	-
Interest income	-	5,553	5,553
<b>Total Revenues</b>	<u>657,422</u>	<u>494,294</u>	<u>(163,128)</u>
<b>Operating expenses:</b>			
Plan monitoring	58,509	60,465	1,956
Plan development	169,532	123,923	(45,609)
Planning services	119,185	76,383	(42,802)
Plan implementation	147,356	77,292	(70,064)
Administrative staff	54,175	56,943	2,768
Rent	25,665	25,665	-
Unemployment	-	-	-
Depreciation	-	7,557	7,557
Printing	3,000	-	(3,000)
Supplies & equipment	8,500	9,058	558
Telephone	-	1,259	1,259
Travel & Training	17,500	4,834	(12,666)
Payroll fees	2,500	1,427	(1,073)
Postage	250	-	(250)
Insurance	7,500	14,613	7,113
Professional fees	33,750	9,725	(24,025)
Web hosting	-	-	-
License and subscriptions	10,000	7,543	(2,457)
<b>Total operating expenses</b>	<u>657,422</u>	<u>476,687</u>	<u>(180,735)</u>
<b>Change in net assets</b>	-	17,607	17,607
<b>Net assets at beginning of year</b>	674,956	674,956	-
	-	-	-
<b>Net assets at end of year</b>	<u>\$ 674,956</u>	<u>\$ 692,563</u>	<u>\$ 17,607</u>



**WASHTENAW AREA TRANSPORTATION STUDY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN NET ASSETS - BUDGET VS. ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019 Budget</u>	<u>2019 Actual</u>	<u>Over (under) Budget</u>
Revenues:			
Federal Highway Administrative grant	\$ 566,334	\$ 476,687	\$ (89,647)
Federal Transit Administrative grant	12,913	10,359	(2,554)
Membership dues and local funding	94,500	94,500	-
State asset management	8,232	3,333	(4,899)
Interest income	-	9,332	9,332
Total Revenues	<u>681,979</u>	<u>594,211</u>	<u>(87,768)</u>
Operating expenses:			
Plan monitoring	55,566	46,411	(9,155)
Plan development	280,538	277,288	(3,250)
Planning services	82,320	66,987	(15,333)
Plan implementation	113,190	87,157	(26,033)
Administrative staff	51,450	43,370	(8,080)
Rent	25,665	25,665	-
Unemployment	5,000	-	(5,000)
Depreciation	-	9,262	9,262
Printing	3,500	480	(3,020)
Supplies & equipment	7,250	1,199	(6,051)
Telephone	2,000	1,052	(948)
Travel & Training	12,500	7,175	(5,325)
Payroll fees	9,000	8,047	(953)
Postage	500	-	(500)
Insurance	4,500	7,022	2,522
Professional fees	20,000	10,525	(9,475)
Web hosting	-	320	320
License and subscriptions	9,000	3,471	(5,529)
Total operating expenses	<u>681,979</u>	<u>595,431</u>	<u>(86,548)</u>
Change in net assets	-	(1,220)	(1,220)
Net assets at beginning of year	676,176	676,176	-
Net assets at end of year	<u>\$ 676,176</u>	<u>\$ 674,956</u>	<u>\$ (1,220)</u>