

**WASHTENAW AREA TRANSPORTATION STUDY
ANN ARBOR, MICHIGAN**

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

YEAR ENDED JUNE 30, 2022

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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

🖨 517.323.6346

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Washtenaw Area Transportation Study (the Study), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively 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, 2022, 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.

Change in Accounting Principle

As discussed in Note 8 to the financial statements, the Study adopted new accounting guidance, GASB Statements No. 87, *Leases*, during the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 opinions. 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 opinions 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.

Manes Costeiran PC

April 28, 2023

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, 2022 and 2021. 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 \$677,519, or approximately 166% of total expenses. Net position increased \$5,413, which was approximately 1.3% of last year's total expenses.
- Revenues decreased by \$114,830, or approximately 22%, from the prior year.
- Expenses decreased by \$142,377, or approximately 26%, 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.

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

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, 2022. 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

	2022	2021*
ASSETS		
Current and other assets	\$ 707,438	\$ 710,823
Capital assets, net	75,805	-
TOTAL ASSETS	783,243	710,823
LIABILITIES		
Current liabilities	53,696	38,717
Noncurrent liabilities	52,028	-
TOTAL LIABILITIES	105,724	38,717
NET POSITION		
Net investment in capital assets	(814)	-
Unrestricted net position	678,333	672,106
TOTAL NET POSITION	\$ 677,519	\$ 672,106

*The 2021 figures have not been updated for the adoption of GASB Statement No. 87.

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

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

	Year Ended	
	2022	2021*
REVENUES		
Grant revenues	\$ 338,795	\$ 464,116
Local contributions	76,136	64,550
Other	-	1,095
	<u>414,931</u>	<u>529,761</u>
TOTAL REVENUES		
	<u>407,841</u>	<u>550,218</u>
EXPENSES		
OPERATING (LOSS)	7,090	(20,457)
NONOPERATING EXPENSE	<u>1,677</u>	<u>-</u>
Change in net position	<u>\$ 5,413</u>	<u>\$ (20,457)</u>

*The 2021 figures have not been updated for the adoption of GASB Statement No. 87.

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 decreased by approximately 22% over the prior year, this was largely due to a decrease in expenses reimbursed. Expenses decreased by approximately 26% over the prior year due to a decrease 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:

	2022	2021*
Capital assets being depreciated/amortized		
Furniture and equipment	\$ 45,784	\$ 15,556
Right to use - leased buildings	101,050	-
Less accumulated depreciation/amortization		
Furniture and equipment	(45,784)	(15,556)
Right to use - leased buildings	<u>(25,245)</u>	<u>-</u>
Net capital assets	<u>\$ 75,805</u>	<u>\$ -</u>

*The 2021 figures have not been updated for the adoption of GASB Statement No. 87.

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

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. 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:

	<u>2022</u>	<u>2021*</u>
Direct borrowing and direct placement - Lease payable	\$ 76,619	\$ -
Compensated absences	<u>29,105</u>	<u>32,222</u>
Net capital assets	<u>\$ 105,724</u>	<u>\$ 32,222</u>

*The 2021 figures have not been updated for the adoption of GASB Statement No. 87.

During the year ended June 30, 2022, the Study began to carry long-term debt related to a lease payable as required by GASB Statement No. 87, *Leases*. Otherwise, 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, 2022**

ASSETS	
Current assets	
Cash	\$ 146,303
Due from other governmental units	282,363
Prepaid expenses	<u>6,131</u>
Total current assets	<u>434,797</u>
Noncurrent assets	
Investments - due from Washtenaw County	272,641
Capital assets, net	<u>75,805</u>
Total noncurrent assets	<u>348,446</u>
TOTAL ASSETS	<u>783,243</u>
LIABILITIES	
Current liabilities	
Current portion of compensated absences	29,105
Current portion of long-term debt	<u>24,591</u>
Total current liabilities	<u>53,696</u>
Noncurrent liabilities	
Noncurrent portion of long-term debt	<u>52,028</u>
TOTAL LIABILITIES	<u>105,724</u>
NET POSITION	
Net investment in capital assets	(814)
Unrestricted	<u>678,333</u>
	<u><u>\$ 677,519</u></u>

See accompanying notes to financial statements.

**WASHTENAW AREA TRANSPORTATION STUDY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022**

REVENUES	
Federal highway administrative grant	\$ 325,880
Federal transit administrative grant	12,915
Membership dues and local funding	<u>76,136</u>
 TOTAL REVENUES	 <u>414,931</u>
EXPENSES	
Plan monitoring	40,540
Plan development	46,269
Planning services	54,198
Plan implementation	132,695
Administrative staff	62,766
Rent	2,739
Depreciation/amortization	25,245
Supplies and equipment	4,244
Telephone	1,295
Travel and training	134
Insurance	12,986
Professional fees	11,470
License and subscriptions	7,313
State asset management	5,912
Other expenses	<u>35</u>
 TOTAL EXPENSES	 <u>407,841</u>
 TOTAL OPERATING INCOME	 7,090
NONOPERATING EXPENSES	
Investment loss, net	863
Interest expense	<u>814</u>
 TOTAL NONOPERATING EXPENSES	 <u>1,677</u>
 CHANGE IN NET POSITION	 5,413
Net position, beginning of year	<u>672,106</u>
Net position, end of year	<u><u>\$ 677,519</u></u>

See accompanying notes to financial statements.

**WASHTENAW AREA TRANSPORTATION STUDY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 506,929
Cash paid to suppliers and service providers	(45,113)
Cash paid to/for employees	<u>(346,080)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>115,736</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on lease payable	(24,431)
Interest paid on lease payable	<u>(814)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(25,245)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>9</u>
NET INCREASE IN CASH	90,500
Cash, beginning of year	<u>55,803</u>
Cash, end of year	<u><u>\$ 146,303</u></u>
Operating income	\$ 7,090
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation/amortization	25,245
Decrease in:	
Due from other governmental units	91,998
Prepaid expenses	1,015
(Decrease) in:	
Accrued liabilities	(6,495)
Compensated absences	<u>(3,117)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 115,736</u></u>

See accompanying notes to financial statements.

**WASHTENAW AREA TRANSPORTATION STUDY
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) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and operating grants.

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS**

**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 a checking 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.

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS**

**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 Policy Committee approved a fiduciary agreement with Washtenaw County for investment purposes of 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, 2022.

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 or 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 life. 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

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS**

**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 measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and 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 notice of varying amount of 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, in 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.

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2022, 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, 2022, the Study's bank balance of \$161,704 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 \$146,303 as of June 30, 2022.

Interest Rate Risk

The Study has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. As of June 30, 2022, 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. As of June 30, 2022, the Study did not have any investments that would be subject to rating.

Concentration of Credit Risk

The Study has not adopted a 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, 2022, the Study did not have any investments that would be subject to concentration of credit risk.

Foreign Currency Risk

As of June 30, 2022, 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.

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS**

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 City'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 pools is valued at published fair value per share (unit) for the fund. The underlying investments of the pools are reported at fair value and classified as Level 2.

Credit Risk - Investment

The 2a7-like investment pools 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, 2022, was as follows:

	Restated Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Capital assets being depreciated/amortized:				
Furniture and equipment	\$ 45,784	\$ -	\$ -	\$ 45,784
Right to use - leased buildings	101,050	-	-	101,050
Subtotal	<u>146,834</u>	<u>-</u>	<u>-</u>	<u>146,834</u>
Less accumulated depreciation/amortization for:				
Furniture and equipment	(45,784)	-	-	(45,784)
Right to use - leased buildings	-	(25,245)	-	(25,245)
Subtotal	<u>(45,784)</u>	<u>(25,245)</u>	<u>-</u>	<u>(71,029)</u>
Net capital assets	<u>\$ 101,050</u>	<u>\$ (25,245)</u>	<u>\$ -</u>	<u>\$ 75,805</u>

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS**

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, 2022:

	Restated Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>	Amount Due Within <u>One Year</u>
Direct borrowing and direct placement					
Lease payable	\$ 101,050	\$ -	\$ (24,431)	\$ 76,619	\$ 24,591
Compensated absences	<u>32,222</u>	<u>32,451</u>	<u>(35,568)</u>	<u>29,105</u>	<u>29,105</u>
Total long-term obligations	<u>\$ 133,272</u>	<u>\$ 32,451</u>	<u>\$ (59,999)</u>	<u>\$ 105,724</u>	<u>\$ 53,696</u>

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.

\$ 76,619

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 <u>June 30,</u>	<u>Direct Borrowing and Direct Placement</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 24,591	\$ 654	\$ 25,245
2024	24,838	407	25,245
2025	25,088	157	25,245
2026	<u>2,102</u>	<u>2</u>	<u>2,104</u>
	<u>\$ 76,619</u>	<u>\$ 1,220</u>	<u>\$ 77,839</u>

NOTE 5 - PENSION

The Study sponsors a Simplified Employee Pension (SEP) Program and 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 in to the SEP-IRA if the employee contributes 2.5% of their salary. Pension expense for the year ended June 30, 2022 was \$47,112.

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS**

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, 2022, the Study implemented the following new pronouncement:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement of the beginning of the year had no impact on net position. The changes to capital assets and long-term obligations are as follows:

	Capital Assets	Long-term Obligations
Balances as of July 1, 2021, as previously stated	\$ -	\$ -
Adoption of GASB Statement No. 87	101,050	101,050
Balances as of July 1, 2021, as restated	\$ 101,050	\$ 101,050

**WASHTENAW AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The 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 a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Study is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 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 period, (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 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 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.

OTHER SUPPLEMENTARY INFORMATION

**WASHTENAW AREA TRANSPORTATION STUDY
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Over (under) Budget</u>
REVENUES			
Federal highway administrative grant	\$ 478,952	\$ 325,880	\$ (153,072)
Federal transit administrative grant	12,915	12,915	-
Membership dues and local funding	94,500	76,136	(18,364)
TOTAL REVENUES	586,367	414,931	(171,436)
EXPENSES			
Plan monitoring	59,564	40,540	19,024
Plan development	137,470	46,269	91,201
Planning services	99,273	54,198	45,075
Plan implementation	140,967	132,695	8,272
Administrative staff	43,680	62,766	(19,086)
Rent	25,665	2,739	22,926
Unemployment	2,500	-	2,500
Depreciation/amortization	-	25,245	(25,245)
Printing	5,000	-	5,000
Supplies and equipment	14,000	4,244	9,756
Telephone	-	1,295	(1,295)
Travel and training	12,500	134	12,366
Postage	250	-	250
Insurance	4,500	12,986	(8,486)
Professional fees	29,000	11,470	17,530
License and subscriptions	12,000	7,313	4,687
State asset management	-	5,912	(5,912)
Other expenses	-	35	(35)
TOTAL EXPENSES	586,369	407,841	178,528
TOTAL OPERATING INCOME (LOSS)	(2)	7,090	7,092
NONOPERATING EXPENSES			
Investment loss, net	-	863	(863)
Interest expense	-	814	(814)
TOTAL NONOPERATING EXPENSES	-	1,677	(1,677)
CHANGE IN NET POSITION	(2)	5,413	5,415
Net position, beginning of year	672,106	672,106	-
Net position, end of year	<u>\$ 672,104</u>	<u>\$ 677,519</u>	<u>\$ 5,415</u>