

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**FINANCIAL STATEMENTS**  
**(With Required Supplementary Information)**

**September 30, 2016 and 2015**

*The preparation of this document was financed in part through cooperation with the Federal Transit Administration and the Michigan Department of Transportation. This document was prepared in March 2017 for the Regional Transit Authority of Southeast Michigan.*



REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

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## **INDEPENDENT AUDITOR'S REPORT**

March 30, 2017

To the Board of Directors  
Regional Transit Authority of Southeast Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Regional Transit Authority of Southeast Michigan ("RTA") as of, and for the years ended, September 30, 2016 and 2015, as well as the related notes to the financial statements, which collectively comprise RTA's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

RTA's 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 RTA'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 RTA'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 opinions.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities and each major fund of RTA as of September 30, 2016 and 2015, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Adoption of New Accounting Pronouncements**

As discussed in Note A, effective October 1, 2015, RTA has adopted the fair value measurement and disclosure provisions contained in Statement of Governmental Accounting Standards No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

**Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and budgetary comparison on pages 18 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 audits 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 30, 2017, on our consideration of RTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RTA's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS  
Detroit, Michigan

## REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**September 30, 2016 and 2015**

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This section of the annual report of the Regional Transit Authority of Southeast Michigan ("RTA") presents management's discussion and analysis of RTA's financial performance during the fiscal years that ended on September 30, 2016 and 2015. Please read it in conjunction with RTA's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

During the year ended September 30, 2016, RTA created and introduced the first Regional Master Transit Plan for the four-county region. The Board of Directors agreed unanimously to place a funding question on the ballot that would support the implementation and operation of the 20-year plan on the November 2016 ballot. The ballot initiative failed by one percent, a narrow defeat. The budget for the year ending September 30, 2017 did not contemplate the effect of a successful ballot initiative. The budget revealed that there was sufficient funding to support the administration through the remainder of the year ending September 30, 2017. However, the projection for the year ending September 30, 2018 identifies a shortfall that would not allow the agency to continue its administration through until the end of the year.

The next opportunity for a ballot initiative exists in 2018, yet both SMART and AAATA (transit providers) will be renewing millages in 2018. The possibility of a 2018 ask for RTA may not be possible. Therefore, RTA leadership will work fervently to secure a stronger financial position that will sustain operations through the year ending September 30, 2021, which will allow RTA the opportunity to return to the ballot in 2020.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains two types of financial statements. The statements of net position and statements of activities (which are presented on pages 8 and 9) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds (which are presented on pages 10 and 11) are considered fund financial statements. A further discussion of each type of statement follows.

##### **Government-Wide Financial Statements**

The government-wide financial statements report information about RTA as a whole, using accounting methods similar to those used by private-sector companies and non-profit organizations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2016 and 2015**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Financial Statements (continued)**

The statements of net position include all of RTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

The two government-wide financial statements report RTA's net position and how they have changed. Net position represents the difference between RTA's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure RTA's financial health or position. Over time, increases or decreases in RTA's net position are an indicator of whether its financial health is improving or deteriorating.

**Fund Financial Statements**

The fund financial statements provide more detailed information about RTA's funds, not RTA as a whole. Funds are accounting devices that RTA uses to keep track of specific sources of funding and spending for particular purposes. Most of RTA's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out, and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance RTA's programs.

The notes to the financial statements, which begin on page 12, explain some of the information in the financial statements and provide more detailed data. A comparison of RTA's general fund revenue and expenditures to its budget is provided on page 18.

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Because RTA began active operations during the year ended September 30, 2015, comparisons of financial results with those of the year ended September 30, 2014 cannot be provided.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2016 and 2015**

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 1 reflects a condensed summary of RTA’s assets, liabilities, and net position as of September 30, 2016 and 2015:

**Table 1**  
**Statements of Net Position**  
**September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Cash	\$ 84,539	\$ 278,771
Accounts and grants receivable	2,467,989	1,472,417
Prepaid expenses	13	18,819
Other assets	3,400	-0-
	<u>2,555,941</u>	<u>1,770,007</u>
<b>Total Assets</b>		
<b>Liabilities:</b>		
Accounts payable	1,947,954	1,053,718
Accrued payroll and related liabilities	61,055	48,397
Deferred revenue	546,587	669,277
	<u>2,555,596</u>	<u>1,771,392</u>
<b>Total Liabilities</b>		
<b>Net Position:</b>		
Unrestricted	<u>345</u>	<u>(1,385)</u>
	<u>\$ 345</u>	<u>\$ (1,385)</u>
<b>Total Net Position</b>		

The net position of \$345 is due to small amounts of recorded revenue that were not related to RTA’s ongoing projects.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2016 and 2015**

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects a condensed summary of RTA’s revenue, expenses, and changes in net position for the years ended September 30, 2016 and 2015:

**Table 2**  
**Statements of Activities**  
**For the Years Ended September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Revenue:</b>		
Program revenue	\$ 5,364,547	\$ 2,796,338
General revenue	-0-	375
	<u>5,364,547</u>	<u>2,796,713</u>
<b>Expenses:</b>		
Regional transit	<u>5,362,817</u>	<u>2,798,098</u>
<b>Net Increase (Decrease)</b>		
<b>    in Net Position</b>	<b>1,730</b>	<b>(1,385)</b>
Net Position, Beginning of Year	<u>(1,385)</u>	<u>-0-</u>
<b>Net Position,</b>		
<b>    End of Year</b>	<b><u>\$ 345</u></b>	<b><u>\$ (1,385)</u></b>

The increase in net position of \$1,730 is due to small amounts of recorded revenue that were not related to RTA’s ongoing projects.

**ECONOMIC FACTORS**

RTA will seek to secure administrative funds through the year ending September 30, 2021. RTA will explore all potential funding options for administrative activities. There is a provision that exists within the enabling legislation that allows RTA to receive up to a one percent share of the Local Bus Operating funds allocated to the region through the State of Michigan. The RTA Board maintains this option as last resort funding for the organization.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2016 and 2015**

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**FINANCIAL CONTACT**

This financial report is designed to present its users with a general overview of RTA's finances and to demonstrate RTA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the office of the Chief Operating Officer of the Regional Transit Authority of Southeast Michigan, 1001 Woodward Avenue, Suite 1400, Detroit, Michigan 48226.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**STATEMENTS OF NET POSITION**

September 30, 2016 and 2015

	<b><u>Governmental Activities</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Assets:</b>		
Cash (Note B)	\$ 84,539	\$ 278,771
Accounts and grants receivable (no allowance considered necessary)	2,467,989	1,472,417
Prepaid expenses	13	18,819
Other assets	3,400	-0-
<b>Total Assets</b>	<b><u>2,555,941</u></b>	<b><u>1,770,007</u></b>
<b>Liabilities:</b>		
Accounts payable	1,947,954	1,053,718
Accrued payroll and related liabilities	61,055	48,397
Deferred revenue	546,587	669,277
<b>Total Liabilities</b>	<b><u>2,555,596</u></b>	<b><u>1,771,392</u></b>
<b>Net Position:</b>		
Unrestricted	345	(1,385)
<b>Total Net Position (see page 10)</b>	<b><u>\$ 345</u></b>	<b><u>\$ (1,385)</u></b>

See notes to financial statements.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**STATEMENTS OF ACTIVITIES**

**For the Years Ended September 30, 2016 and 2015**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Expenses:</b>		
Regional transit program:		
Salaries and wages	\$ 551,209	\$ 464,340
Employee benefits	286,999	253,933
Services	4,348,700	2,003,073
Materials and supplies	14,663	7,738
Utilities	5,958	5,115
Insurance	19,221	1,344
Travel	36,965	37,943
Marketing and printing	62,647	-0-
Other expenses	36,455	24,612
	<b>5,362,817</b>	<b>2,798,098</b>
<b>Program Revenue:</b>		
Regional transit program:		
Grants	5,364,547	2,796,338
	<b>1,730</b>	<b>(1,760)</b>
<b>General Revenue:</b>		
Other revenue	-0-	375
	<b>1,730</b>	<b>(1,385)</b>
<b>Net Increase (Decrease) in Net Position (see page 11)</b>	<b>1,730</b>	<b>(1,385)</b>
Net Position, Beginning of Year	(1,385)	-0-
<b>Net Position, End of Year</b>	<b>\$ 345</b>	<b>\$ (1,385)</b>

See notes to financial statements.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**BALANCE SHEETS - GOVERNMENTAL FUNDS**

September 30, 2016 and 2015

	<b>General Fund</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash (Note B)	\$ 84,539	\$ 278,771
Accounts and grants receivable (no allowance considered necessary)	2,467,989	1,472,417
Prepaid expenditures	13	18,819
Other assets	3,400	-0-
<b>Total Assets</b>	<b><u>\$ 2,555,941</u></b>	<b><u>\$ 1,770,007</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,947,954	\$ 1,053,718
Accrued payroll and related liabilities	61,055	48,397
Deferred revenue	546,587	669,277
<b>Total Liabilities</b>	<b><u>2,555,596</u></b>	<b><u>1,771,392</u></b>
<b>Fund Balances:</b>		
Nonspendable	13	18,819
Unassigned	332	(20,204)
<b>Total Fund Balances (see page 8)</b>	<b><u>345</u></b>	<b><u>(1,385)</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,555,941</u></b>	<b><u>\$ 1,770,007</u></b>

See notes to financial statements.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Years Ended September 30, 2016 and 2015

	<b>General Fund</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenue:</b>		
Grants	\$ 5,364,547	\$ 2,796,338
Other revenue	-0-	375
<b>Total Revenue</b>	<b>5,364,547</b>	<b>2,796,713</b>
<b>Expenditures:</b>		
Current:		
Salaries and wages	551,209	464,340
Employee benefits	286,999	253,933
Services	4,348,700	2,003,073
Materials and supplies	14,663	7,738
Utilities	5,958	5,115
Insurance	19,221	1,344
Travel	36,965	37,943
Marketing and printing	62,647	-0-
Other expenses	36,455	24,612
<b>Total Expenditures</b>	<b>5,362,817</b>	<b>2,798,098</b>
<b>Net Increase (Decrease) in Fund Balances (see page 9)</b>	<b>1,730</b>	<b>(1,385)</b>
Fund Balances, Beginning of Year	(1,385)	-0-
<b>Fund Balances, End of Year</b>	<b>\$ 345</b>	<b>\$ (1,385)</b>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2016 and 2015**

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**NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities and Purpose**

The Regional Transit Authority of Southeast Michigan (“RTA”) was created by the Michigan Legislature through Public Act No. 387 of 2012 and is governed by 10-member board that is appointed for three-year terms by the county executives of Wayne, Oakland, and Macomb counties, the chair of the Washtenaw County Board of Commissioners, the Mayor of Detroit, and the Governor of Michigan. The Governor’s appointee serves as RTA’s chair, without a vote.

The purpose of RTA is to plan for and coordinate public transportation in the four-county region of southeast Michigan, including the City of Detroit, and to deliver rapid transit in a region where none exists. RTA is the entity through which transit providers must apply for state and federal funds, and through which those funds are allocated to providers. RTA is also responsible for developing a Regional Master Transit Plan to guide present and future service and is empowered to put funding questions on the ballot for public vote.

For financial reporting purposes, RTA is not a component unit of any other governmental entity. There are no fiduciary funds or component units included in the accompanying financial statements.

**Adoption of New Accounting Pronouncements**

In February 2015, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards (“SGAS”) No. 72, *Fair Value Measurement and Application*. SGAS No. 72 defines “fair value,” establishes a framework for measuring fair value, and expands disclosures about fair value measurements. RTA adopted the provisions of SGAS No. 72, effective October 1, 2015. The implementation of SGAS No. 72 did not impact RTA’s net position, changes in net position, fund balances, or changes in fund balances.

**Basis of Presentation**

The financial statements of RTA consist of government-wide financial statements, which include the statements of net position and statements of activities, and fund financial statements, which include the balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds.

**Government-Wide Financial Statements**

The government-wide financial statements report information about all of RTA’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2016 and 2015

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**NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

**Government-Wide Financial Statements (continued)**

Deferred outflows of resources represent the consumption of net assets by RTA that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by RTA that is applicable to a future reporting period, and net position is the residual of all other elements presented in the statements of net position.

**Fund Financial Statements**

For purposes of the fund financial statements, the accounts of RTA are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The various funds are summarized by type in the fund financial statements. The following fund is used by RTA:

**General Fund**

The general fund is the general operating fund of RTA. It is used to account for all financial resources other than those required to be accounted for in another fund.

RTA's fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable**

These fund balances consist of amounts that are not in a spendable form (such as inventory or prepaid expenditures) or that are required to be maintained intact.

**Restricted**

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2016 and 2015

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**NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

**Committed**

These fund balances consist of amounts that are constrained to specific purposes by RTA itself, using its highest level of decision-making authority, which is the Board of Directors. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Directors takes action to remove or change the constraint. The Board of Directors typically establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, or through adoption and amendment of the budget.

**Assigned**

These fund balances consist of amounts that RTA intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Directors, or by an official or body to which the Board of Directors delegates the authority, such as RTA's duly authorized agents. Assigned fund balances are typically established through adoption or amendment of the budget.

**Unassigned**

These fund balances consist of amounts that are available for any purpose. Only the general fund has a positive unassigned fund balance.

**Basis of Accounting**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred. Grants and other revenue intended for use in specific projects are classified as program revenue. All other revenue is classified as general revenue.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2016 and 2015**

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**NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (continued)**

**Fund Financial Statements**

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. “Available” means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

**Concentration of Credit Risk**

During the years ended September 30, 2016 and 2015, RTA utilized four vendors for total purchases of \$4,302,214 and \$2,210,459, respectively, or 81 percent and 85 percent, respectively, of total purchases. The total amounts due to these vendors was \$1,350,002 and \$940,419 as of September 30, 2016 and 2015, respectively.

**NOTE B - CASH DEPOSITS**

State of Michigan (the “State”) statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business, and having a place of business in the State that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that in the event of a bank failure, RTA’s deposits may not be returned to RTA. RTA does not have a deposit policy for custodial credit risk.

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2016 and 2015

**NOTE B - CASH DEPOSITS (CONTINUED)**

As of September 30, 2016 and 2015, RTA's carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance or another type of insurance, are as follows:

	<u>2016</u>	<u>2015</u>
Carrying amount of deposits	<u>\$ 84,539</u>	<u>\$ 278,771</u>
Total bank balances	<u>\$ 362,727</u>	<u>\$ 278,771</u>
Uninsured and uncollateralized bank balances	<u>\$ 112,727</u>	<u>\$ 28,771</u>

**NOTE C - RISK MANAGEMENT**

Given the normal activities of RTA and the relatively low rate of claims and lawsuits experienced by RTA, the risk involved in RTA's operations is minimal and, in management's opinion, is sufficiently covered by insurance policies.

**NOTE D - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund. All annual appropriations lapse at the end of the fiscal year.

Under the State's Uniform Budgeting and Accounting Act, actual expenditures for any budgeted expenditure category are not to exceed the amounts budgeted for that category. The Uniform Budgeting and Accounting Act permits governmental entities to amend their budgets during the year, and requires amended budgets to be approved by the governing body prior to expending funds in excess of the amount budgeted for that category.

During the year ended September 30, 2016, RTA incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Travel	\$ 35,000	\$ 36,965	\$ (1,965)
Marketing and printing	-0-	62,647	(62,647)

Revenue was sufficient to cover the excess expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION**

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**SCHEDULES OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL –GENERAL FUND (UNAUDITED)**

**For the Years Ended September 30, 2016 and 2015**

	2016				2015			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
<b>Revenue:</b>								
Grants	\$ 2,772,326	\$ 6,175,146	\$ 5,364,547	\$ (810,599)	\$ 1,895,381	\$ 5,741,881	\$ 2,796,338	\$ (2,945,543)
Other revenue				-0-			375	375
<b>Total Revenue</b>	<b>2,772,326</b>	<b>6,175,146</b>	<b>5,364,547</b>	<b>(810,599)</b>	<b>1,895,381</b>	<b>5,741,881</b>	<b>2,796,713</b>	<b>(2,945,168)</b>
<b>Expenditures:</b>								
Current:								
Salaries and wages	631,013	631,013	551,209	79,804	571,367	571,367	464,340	107,027
Employee benefits	319,706	315,507	286,999	28,508	261,063	226,335	253,933	(27,598)
Services	615,500	4,787,946	4,348,700	439,246	705,100	4,296,600	2,003,073	2,293,527
Materials and supplies	5,000	165,000	14,663	150,337	5,000	240,000	7,738	232,262
Utilities	5,500	11,172	5,958	5,214	9,480	9,480	5,115	4,365
Insurance	20,000	20,000	19,221	779	20,000	20,000	1,344	18,656
Travel	35,000	35,000	36,965	(1,965)	35,000	35,000	37,943	(2,943)
Marketing and printing			62,647	(62,647)				-0-
Other expenses	61,000	107,000	36,455	70,545	65,000	20,000	24,612	(4,612)
<b>Total Expenditures</b>	<b>1,692,719</b>	<b>6,072,638</b>	<b>5,362,817</b>	<b>709,821</b>	<b>1,672,010</b>	<b>5,418,782</b>	<b>2,798,098</b>	<b>2,620,684</b>
<b>Net Increase (Decrease) in Fund Balance</b>	<b>\$ 1,079,607</b>	<b>\$ 102,508</b>	<b>\$ 1,730</b>	<b>\$ (100,778)</b>	<b>\$ 223,371</b>	<b>\$ 323,099</b>	<b>\$ (1,385)</b>	<b>\$ (324,484)</b>

See note to schedules of revenue and expenditures - budget and actual (general fund).

REGIONAL TRANSIT AUTHORITY OF SOUTHEAST MICHIGAN

**NOTE TO SCHEDULES OF REVENUE AND EXPENDITURES -  
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)**

**For the Years Ended September 30, 2016 and 2015**

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**NOTE A - BUDGETS AND BUDGETARY ACCOUNTING**

The Regional Transit Authority of Southeast Michigan (“RTA”) establishes a budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting.

Budgeted amounts are as presented and approved by RTA’s Board of Directors. Appropriations are authorized by RTA’s management.