

**KALAMAZOO AREA TRANSPORTATION STUDY
KALAMAZOO, MICHIGAN**

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

YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Policy Committee of the
Kalamazoo Area Transportation Study
Kalamazoo, Michigan

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Kalamazoo Area Transportation Study (the Study), as of and for the year ended September 30, 2023, 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 September 30, 2023, 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 Opinions

We conducted our audit 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. 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.

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 and *Government 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 and *Government 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 accompanying other supplementary information, as identified 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, other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of the Study'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 solely 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 the effectiveness of the Study's 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 the Study's internal control over financial reporting and compliance.

Maney Costeiran PC

December 13, 2023

KALAMAZOO 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 September 30, 2023 and 2022. 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 \$226,131, or approximately 26% of total expenses. This decreased from the prior year, which was approximately 27% of last year's total expenses.
- Revenues increased by \$47,210, or approximately 6%, from the prior year.
- Expenses increased by \$50,467, or approximately 6%, 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 Metropolitan Planning Organization (MPO), the Study prepares transportation plans and improvement programs and assigns federal surface transportation program funds to various eligible road and public transportation projects within the Kalamazoo Planning Area. Funding for the Study is provided for on a reimbursement basis of expenses incurred on its programs. Other local agencies match a certain amount to complete the program by contributing in-kind efforts. The Study is governed by a policy committee that consists of several representatives 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. This statement measures the success of the Study's operations over the past year.

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.

**KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF KALAMAZOO 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 September 30, 2023. 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:

CONDENSED STATEMENT OF NET POSITION

	Sept. 30, 2023	Sept. 30, 2022
ASSETS		
Current assets	\$ 321,878	\$ 347,413
Capital assets, net	150,668	24,260
TOTAL ASSETS	472,546	371,673
LIABILITIES		
Current liabilities	105,762	133,620
Noncurrent liabilities	140,653	14,002
TOTAL LIABILITIES	246,415	147,622
NET POSITION		
Net investment in capital assets	(303)	(31)
Unrestricted net position	226,434	224,082
TOTAL NET POSITION	\$ 226,131	\$ 224,051

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

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

	Year Ended	
	Sept. 30, 2023	Sept. 30, 2022
REVENUES		
Grant revenues	\$ 580,034	\$ 540,522
Local contributions (in-kind)	285,701	275,598
Other	11,081	13,486
TOTAL REVENUES	876,816	829,606
EXPENSES	874,736	824,269
Change in net position	\$ 2,080	\$ 5,337

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 increased by approximately 6% over the prior year, this was largely due to an increase in payments received from the 112-grant contract. Expenses increased by approximately 6% over the prior year as non-motorized counters were purchased for the first time in fiscal year 2023 in accordance with approved Unified Planning Work Program.

CAPITAL ASSETS

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

	Sept. 30, 2023	Sept. 30, 2022
Capital assets being depreciated/amortized		
Office space - right to use	\$ 158,598	\$ 56,132
Furniture and equipment	15,556	15,556
Less accumulated depreciation/amortization		
Office space - right to use	(7,930)	(31,872)
Furniture and equipment	(15,556)	(15,556)
Net capital assets	\$ 150,668	\$ 24,260

**KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The capital assets of the Study consist of office furniture and equipment and lease 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 5 to the financial statements provides additional information regarding capital assets.

DEBT ADMINISTRATION

The following is a summary of long-term obligations:

	<u>Sept. 30, 2023</u>	<u>Sept. 30, 2022</u>
Lease payable	\$ 150,971	\$ 24,291
Compensated absences	<u>47,872</u>	<u>40,390</u>
Net capital assets	<u>\$ 198,843</u>	<u>\$ 64,681</u>

During the year ended September 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 6 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. An agreement has been reached to split the non-reimbursable audit costs of the Study among the local benefiting agencies.

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 5220 Lovers Lane, Suite 110, Portage, MI 49002 or by phone at (269) 343-0766.

BASIC FINANCIAL STATEMENTS

**KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

ASSETS	
Current assets	
Cash	\$ 163,767
Due from other governmental units	17,288
Due from grantors	124,801
Prepaid expenses	<u>16,022</u>
Total current assets	<u>321,878</u>
Noncurrent assets	
Capital assets	174,154
Less accumulated depreciation/amortization	<u>(23,486)</u>
Total noncurrent assets	<u>150,668</u>
TOTAL ASSETS	<u>472,546</u>
LIABILITIES	
Current liabilities	
Accounts payable	17,165
Accrued liabilities	30,089
Due to local agencies	318
Current portion of compensated absences	27,304
Current portion of long-term debt	<u>30,886</u>
Total current liabilities	<u>105,762</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	20,568
Noncurrent portion of long-term debt	<u>120,085</u>
Total noncurrent liabilities	<u>140,653</u>
TOTAL LIABILITIES	<u>246,415</u>
NET POSITION	
Net investment in capital assets	(303)
Unrestricted	<u>226,434</u>
	<u><u>\$ 226,131</u></u>

See accompanying notes to financial statements.

**KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2023**

REVENUES	
Federal grants	\$ 462,751
State grants	117,283
Local unit contributions	285,701
Other	<u>11,081</u>
TOTAL REVENUES	<u>876,816</u>
EXPENSES	
Program management	80,721
Short range planning	138,289
Data and performance management measures	332,472
Asset management	19,909
Long range planning	179,811
Special studies	17,160
Other program costs	97,374
Other	<u>8,364</u>
TOTAL EXPENSES	<u>874,100</u>
TOTAL OPERATING INCOME	2,716
NONOPERATING EXPENSE	
Interest expense	<u>(636)</u>
CHANGE IN NET POSITION	2,080
Net position, beginning of year	<u>224,051</u>
Net position, end of year	<u><u>\$ 226,131</u></u>

See accompanying notes to financial statements.

**KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 830,326
Cash paid to suppliers	(440,416)
Cash paid to/for employees	<u>(428,910)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(39,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on lease payable	(31,918)
Interest paid on lease payable	<u>(636)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(32,554)</u>
NET DECREASE IN CASH	(71,554)
Cash, beginning of year	<u>235,321</u>
Cash, end of year	<u><u>\$ 163,767</u></u>
Operating income	\$ 2,716
Adjustments to reconcile change in net position to net cash used by operating activities	
Depreciation/amortization	32,190
(Increase) decrease in:	
Due from other governmental units	7,820
Due from grantors	(54,310)
Prepaid expenses	471
Increase (decrease) in:	
Accounts payable	(4,578)
Accrued liabilities	2,707
Due to local agencies	(33,498)
Compensated absences	<u>7,482</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (39,000)</u></u>

See accompanying notes to financial statements.

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

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kalamazoo Area Transportation Study (the Study) is an Inter-Municipality Committee established under Act 200 of 1957 of the Public Acts of Michigan. 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 Study is the Metropolitan Planning Organization (MPO) for the Kalamazoo Urbanized Area and is governed by a board of directors primarily designated by each of the member units.

As the MPO of the Kalamazoo Urbanized Area, the Study is required by federal legislation to provide coordinated transportation planning for urban populations over 200,000. The MPO designation is made through Federal legislation, 23 CFR Section 450. This legislation outlines the definition of an MPO and its responsibilities. More information on 23 CFR Section 450 can be obtained at the Federal Highway Administration Web site. The Study considers the entire area of Kalamazoo County, as well as a portion of Van Buren County, as the Metropolitan Planning Boundary, including all local governmental jurisdictions in transportation planning. The Study receives Federal and State financial assistance in the form of operating and capital grant funding to support its operations.

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 Kalamazoo 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.

**KALAMAZOO 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

Cash consists of a checking account and a savings account.

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.

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

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash (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.

Due from Other Governmental Units

Receivables consist of amounts due from other governmental units for services provided.

Due from Grantors

Receivables consist of amounts due from grantors for contractual agreements.

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 of the Study are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Study are depreciated using the straight-line method over the following estimated useful lives:

Office space - right to use	5 years
Furniture and equipment	5 years

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 the lease asset in the government-wide financial statements. The Study recognizes lease liabilities that are considered material and have an initial, individual value the Study would recognize as a capital asset.

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 the shorter of the lease term or its estimated useful life.

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

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Lease (continued)

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 as a part of capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Compensated Absences

Employees are granted paid vacation and sick leave in varying amounts. In the event of termination, an employee is paid for all accumulated vacation up to 30 days and 50% of sick leave. This amount includes related payroll taxes and 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.

Cost Allocations

The Study's policy for allocating costs between common task items (program management and development) is to distribute certain costs (fringe benefits and indirect costs) to the programs based on labor costs. All agencies report labor and/or direct costs to the Study. Only the Study is allowed to charge fringe benefits and indirect costs.

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

NOTE 2 - DEPOSITS

As of September 30, 2023, 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 September 30, 2023, the Study's bank balance of \$171,671 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 \$163,767 as of September 30, 2023.

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 fail due to changes in market interest rates. As of September 30, 2023, 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 September 30, 2023, 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 September 30, 2023, the Study did not have any investments that would be subject to concentration of credit risk.

Foreign Currency Risk

As of September 30, 2023, the Study did not hold any investments that have this type of risk.

NOTE 3 - DUE FROM GRANTORS

Due from grantors at September 30, 2023, by grant type, are as follows:

Federal	
FHWA Section 112	\$ 66,720
FTA Section 8	7,644
State	
SMPC Region 3	
Asset Management	36,569
Regional Transportation Planning Work Program	1,429
Rural Task Force Program	12,439
	12,439
	\$ 124,801

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

NOTE 4 - FUNCTIONAL ALLOCATION OF COSTS

The costs of providing the various programs have been summarized on a functional basis. The following schedule presents total expenses provided by the Study and other agencies during the fiscal year ended September 30, 2023.

	<u>Grant Costs Submitted</u>	<u>Additional Project Effort</u>	<u>Total</u>
Kalamazoo Area Transportation Study	\$ 580,035	\$ -	\$ 580,035
Local Match			
Road Commission of Kalamazoo County	9,128	16,286	25,414
City of Kalamazoo	7,398	13,199	20,597
City of Portage	16,812	29,996	46,808
Van Buren County Road Commission	1,408	2,512	3,920
Public Transportation Agencies	28,261	50,425	78,686
Other agencies	39,606	70,670	110,276
	<u>682,648</u>	<u>183,088</u>	<u>865,736</u>
Total grant expenses			
Other expenses	9,000	-	9,000
	<u>\$ 691,648</u>	<u>\$ 183,088</u>	<u>\$ 874,736</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Balance Oct. 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Sept. 30, 2023</u>
Capital assets being depreciated/amortized				
Office space - right to use	\$ 56,132	\$ 158,598	\$ (56,132)	\$ 158,598
Furniture and equipment	15,556	-	-	15,556
	<u>71,688</u>	<u>158,598</u>	<u>(56,132)</u>	<u>174,154</u>
Subtotal				
Less accumulated depreciation/amortization for:				
Office space - right to use	(31,872)	(32,190)	56,132	(7,930)
Furniture and equipment	(15,556)	-	-	(15,556)
	<u>(47,428)</u>	<u>(32,190)</u>	<u>56,132</u>	<u>(23,486)</u>
Subtotal				
Net capital assets	<u>\$ 24,260</u>	<u>\$ 126,408</u>	<u>\$ -</u>	<u>\$ 150,668</u>

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

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Study for the year ended September 30, 2023:

	Balance Oct. 1, 2022	Additions	Deletions	Balance Sept. 30, 2023	Amount Due Within One Year
Direct borrowing and direct placement					
Lease payable	\$ 24,291	\$ 158,598	\$ (31,918)	\$ 150,971	\$ 30,886
Compensated absences	40,390	30,519	(23,037)	47,872	27,304
 Total long-term obligations	<u>\$ 64,681</u>	<u>\$ 189,117</u>	<u>\$ (54,955)</u>	<u>\$ 198,843</u>	<u>\$ 58,190</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$158,598 Lease payable, recorded in accordance with GASB Statement No. 87, was originally dated June 10, 2013, with an initial period of five years extended for additional five year periods to now expire on June 30, 2028. Future monthly payments range from \$2,632 to \$2,849, including imputed interest of 6.00%. The lease agreement is for the right to use office space. The agreements contain provisions related to the Study continuing to receive state and federal funding. The agreements also contains provisions that in an event of default by the Study, the landlord shall have the rights and remedies to immediately accelerate the present value of the full balance of the base rent payable for the remainder of the lease term; terminate the lease; and/or have the immediate right of entry and may remove all persons and property from the leased premises.

\$ 150,971

Year Ended September 30,	Lease Payable		
	Principal	Interest	Total
2024	\$ 30,886	\$ 855	\$ 31,741
2025	31,504	873	32,377
2026	32,134	890	33,024
2027	32,444	896	33,340
2028	24,003	604	24,607
	<u>\$ 150,971</u>	<u>\$ 4,118</u>	<u>\$ 155,089</u>

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.

Upon termination, an employee receives payment for the balance of up to 30 days of unused vacation leave and 50% of sick leave, which was credited to an employee each pay period. Therefore, compensated absences are divided between a current and noncurrent portion, and the total amount is recorded as a liability in the Statement of Net Position.

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

NOTE 7 - DEFINED CONTRIBUTION PLAN

The Study offers a defined contribution retirement plan administered by MissionSquare Retirement Corporation. The 401 Governmental Money Purchase Plan is available to all the Study's full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The authority to establish and amend benefit provisions rests with the Policy Committee of the Study. As established by the Study's Policy Committee, the Study contributes 6% of full-time employees' base earnings. In accordance with these requirements, the Study contributed \$16,370, during the year ended September 30, 2023.

NOTE 8 - DEFERRED COMPENSATION

The Study offers a deferred compensation plan administered by MissionSquare Retirement Corporation created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. The plan balances and activities are not reflected in the Study's financial statements.

The Study matches up to 4% of each employee's base earnings to the deferred compensation plan. For the year ended September 30, 2023, the Study contributed \$10,913 to the plan.

NOTE 9 - RISK MANAGEMENT

The Study is exposed to various risks 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 participates in the Michigan Township Participating Plan (the Plan), with other municipalities for auto, property, crime, general liability, equipment breakdown, public official liability, electronic data processing (EDP), and inland marine losses. The Plan is organized under Public Act 138 of 1982, as amended. The Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to the transfer of risk to the U.S. Specialty Insurance Company backing the Michigan Township Participating Plan under a master policy. Due to the Master Policy purchase, there is no polling of risk between members, but is instead considered commercial insurance. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10 - 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.

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

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

**KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2023**

All Grants Combined

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Program management	\$ 80,721	\$ -	\$ 80,721	\$ -	\$ 80,721	\$ 83,255
Short range planning	118,911	6,960	125,871	12,418	138,289	166,807
Data and performance management measures	130,862	72,411	203,273	129,199	332,472	248,434
Asset management	19,909	-	19,909	-	19,909	22,000
Long range planning	118,212	22,124	140,336	39,475	179,811	165,795
Special studies	<u>14,046</u>	<u>1,118</u>	<u>15,164</u>	<u>1,996</u>	<u>17,160</u>	<u>17,160</u>
Subtotals	<u>482,661</u>	<u>102,613</u>	<u>585,274</u>	<u>183,088</u>	<u>768,362</u>	<u>703,451</u>
Other program costs						
Region 3	<u>97,374</u>	<u>-</u>	<u>97,374</u>	<u>-</u>	<u>97,374</u>	<u>102,863</u>
Total grant expenses	580,035	102,613	682,648	183,088	865,736	806,314
Other expenses	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>10,800</u>
TOTAL EXPENSES	<u><u>\$ 589,035</u></u>	<u><u>\$ 102,613</u></u>	<u><u>\$ 691,648</u></u>	<u><u>\$ 183,088</u></u>	<u><u>\$ 874,736</u></u>	<u><u>\$ 817,114</u></u>

**KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2023**

**Grant - FHWA CPG PL
(81.85% / 18.15%)**

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Program management	\$ 80,721	\$ -	\$ 80,721	\$ -	\$ 80,721	\$ 83,255
Short range planning	118,911	6,960	125,871	12,418	138,289	166,807
Data and performance management measures	130,862	72,411	203,273	129,199	332,472	248,434
Long range planning	118,212	22,124	140,336	39,475	179,811	165,795
Special studies	<u>14,046</u>	<u>1,118</u>	<u>15,164</u>	<u>1,996</u>	<u>17,160</u>	<u>17,160</u>
TOTAL EXPENSES	<u>\$ 462,752</u>	<u>\$ 102,613</u>	<u>\$ 565,365</u>	<u>\$ 183,088</u>	<u>\$ 748,453</u>	<u>\$ 681,451</u>

**KALAMAZOO AREA TRANSPORTATION STUDY
 SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL (continued)
 YEAR ENDED SEPTEMBER 30, 2023**

	<u>KATS</u>	<u>Budget</u>
Grant - MTF Asset Management	<u>\$ 19,909</u>	<u>\$ 22,000</u>
Grant - Region 3 Regional Transportation Planning Work Program	<u>\$ 20,557</u>	<u>\$ 26,000</u>
Grant - Region 3 Rural Task Force and Small Urban Program	<u>\$ 21,827</u>	<u>\$ 21,863</u>
Grant - Region 3 Asset Management	<u>\$ 54,990</u>	<u>\$ 55,000</u>

**KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF BUDGETED AND ACTUAL COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Costs	Budget	Percent	Actual	Percent
Direct salaries	\$ 330,937	100.00%	\$ 266,612	100.00%
Fringe benefits				
Wages allocated to fringe	45,759		44,436	
Health insurance	57,096		56,348	
Vision and Dental	4,320		3,718	
Healthcare reimbursement account	9,600		9,600	
Life, short term, & long term insurance	5,846		5,446	
Workers' compensation	853		598	
Social Security/Medicare	28,817		24,058	
Retirement	34,104		28,283	
State unemployment insurance	1,500		-	
Subtotals	187,895	56.78%	172,487	64.70%
Fringe cost allocation base	330,937		266,612	
Indirect costs				
Equipment	8,000		6,808	
Office Space Utilities	4,490		3,305	
Lease Asset Depreciation Expense	32,500		32,190	
Lease Interest Expense	761		636	
Legal Services	1,500		-	
Legal Notices	1,500		-	
Payroll Services	2,179		1,779	
ADA Accommodation Services	500		-	
Computer Software	5,000		3,102	
Copy/Printing	2,300		456	
Equipment Maintenance/Repair	2,000		1,160	
Memberships	2,000		1,779	
Postage	300		127	
Professional Development/Travel	19,800		19,491	
Space Insurance	3,482		3,327	
Subscriptions/Publications	400		-	
Supplies	7,350		3,904	
Telephone/Internet	4,028		3,286	
Website	6,500		5,248	
Translation Services	2,001		-	
Subtotals	106,591	20.54%	86,598	19.72%
Indirect cost allocation base	518,832		439,099	
Direct costs	57,208		54,338	
Total allowable and allocable costs	682,631		580,035	
Less expenses paid by local match	-		-	
Total charged to grants	682,631		580,035	
Other				
Local match	123,683		285,701	
Other	10,800		9,000	
Subtotals	134,483		294,701	
TOTAL COSTS	\$ 817,114		\$ 874,736	



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Policy Committee of the
Kalamazoo Area Transportation Study
Kalamazoo, Michigan

We have audited, in accordance with the 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, the financial statements of the Kalamazoo Area Transportation Study (the Study), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Study's basic financial statements, and have issued our report thereon dated December 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Study's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Study's internal control. Accordingly, we do not express an opinion on the effectiveness of the Study's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Study's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manes Costeiran PC

December 13, 2023