

**KALAMAZOO AREA TRANSPORTATION STUDY  
KALAMAZOO, MICHIGAN**

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

**YEAR ENDED SEPTEMBER 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Policy Committee  
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, 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 September 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 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.

#### ***Changes in Accounting Principle***

As discussed in Note 12 to the financial statements, the Study adopted new accounting guidance, GASB Statements No. 87, *Leases*, and No. 96, *Subscription-Based Information Technology Arrangements*, during the year ended September 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 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 January 23, 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*

January 23, 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, 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 \$224,051, or approximately 27% of total expenses. This decreased from the prior year, which was approximately 30% of last year's total expenses.
- Revenues increased by \$97,813, or approximately 13%, from the prior year.
- Expenses increased by \$93,424, or approximately 13%, 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, 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 (Note: the 2021 columns are prior to the implementation of GASB Statements No. 87, *Leases*, and No. 96, *Subscription-Based Information Technology Arrangements*, which were implemented during the fiscal year ended September 30, 2022.):

CONDENSED STATEMENT OF NET POSITION

	Sept. 30, 2022	Sept. 30, 2021
<b>ASSETS</b>		
Current assets	\$ 347,413	\$ 284,253
Capital assets, net	24,260	-
<b>TOTAL ASSETS</b>	<b>371,673</b>	<b>284,253</b>
<b>LIABILITIES</b>		
Current liabilities	133,620	51,730
Noncurrent liabilities	14,002	13,809
<b>TOTAL LIABILITIES</b>	<b>147,622</b>	<b>65,539</b>
<b>NET POSITION</b>		
Net investment in capital assets	(31)	-
Unrestricted net position	224,082	218,714
<b>TOTAL NET POSITION</b>	<b>\$ 224,051</b>	<b>\$ 218,714</b>

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

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

	Year Ended	
	Sept. 30, 2022	Sept. 30, 2021
REVENUES		
Grant revenues	\$ 540,522	\$ 512,416
Local contributions (in-kind)	275,598	210,227
Other	13,486	9,150
TOTAL REVENUES	829,606	731,793
EXPENSES	824,269	730,845
Change in net position	\$ 5,337	\$ 948

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 13% over the prior year, this was largely due to the Transportation Asset Management Council's allowance of fiscal year 2021 fund allocation extension of \$11,954 and \$39,807 for the Metropolitan Planning Organization and region, respectively. Expenses increased by approximately 13% over the prior year as staff attended the professional development IMAGIN, ESRI, and MTPA conferences during fiscal year 2022 which were not held or attended during fiscal year 2021.

CAPITAL ASSETS

The following is a summary of capital assets and the associated accumulated depreciation/amortization (Note: the 2021 column is prior to the implementation of GASB Statements No. 87, *Leases*, and No. 96, *Subscription-Based Information Technology Arrangements*, which were implemented during the fiscal year ended September 30, 2022.):

	Sept. 30, 2022	Sept. 30, 2021
Capital assets being depreciated		
Furniture and equipment	\$ 15,556	\$ 15,556
Office space - right to use	56,132	-
Less accumulated depreciation		
Furniture and equipment	(15,556)	(15,556)
Office space - right to use	(31,872)	-
Net capital assets	\$ 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 (Note: the 2021 column is prior to the implementation of GASB No. 87, *Leases*, which was effective for fiscal years beginning after June 15, 2021.):

	<u>Sept. 30, 2022</u>	<u>Sept. 30, 2021</u>
Lease payable	\$ 24,291	\$ -
Compensated absences	<u>40,390</u>	<u>36,088</u>
Net capital assets	<u>\$ 64,681</u>	<u>\$ 36,088</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, 2022**

<b>ASSETS</b>	
Current assets	
Cash	\$ 235,321
Due from other governmental units	25,108
Due from grantors	70,491
Prepaid expenses	<u>16,493</u>
Total current assets	<u>347,413</u>
Noncurrent assets	
Capital assets	71,688
Less accumulated depreciation/amortization	<u>(47,428)</u>
Total noncurrent assets	<u>24,260</u>
TOTAL ASSETS	<u>371,673</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	21,743
Accrued liabilities	27,382
Due to local agencies	33,816
Current portion of compensated absences	26,388
Current portion of long-term debt	<u>24,291</u>
Total current liabilities	<u>133,620</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	<u>14,002</u>
TOTAL LIABILITIES	<u>147,622</u>
<b>NET POSITION</b>	
Net investment in capital assets	(31)
Unrestricted	<u>224,082</u>
	<u><u>\$ 224,051</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, 2022**

<b>REVENUES</b>	
Federal grants	\$ 404,215
State grants	136,307
Local unit contributions	275,598
Other	<u>13,486</u>
<b>TOTAL REVENUES</b>	<u>829,606</u>
 <b>EXPENSES</b>	
Program management	62,074
Short range planning	142,897
Data and performance management measures	332,134
Asset management	33,913
Long range planning	125,546
Special studies	17,161
Other program costs	102,394
Other	<u>7,602</u>
<b>TOTAL EXPENSES</b>	<u>823,721</u>
<b>TOTAL OPERATING INCOME</b>	5,885
 <b>NONOPERATING EXPENSE</b>	
Interest expense	<u>(548)</u>
<b>CHANGE IN NET POSITION</b>	5,337
Net position, beginning of year	<u>218,714</u>
Net position, end of year	<u><u>\$ 224,051</u></u>

See accompanying notes to financial statements.

**KALAMAZOO AREA TRANSPORTATION STUDY  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 788,691
Cash paid to suppliers	(357,513)
Cash paid to/for employees	<u>(377,606)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>53,572</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on lease payable	(31,841)
Interest paid on lease payable	<u>(548)</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(32,389)</u>
<b>NET INCREASE IN CASH</b>	21,183
Cash, beginning of year	<u>214,138</u>
Cash, end of year	<u><u>\$ 235,321</u></u>
Operating income	\$ 5,885
Adjustments to reconcile change in net position to net cash provided by operating activities	
Depreciation	31,872
(Increase) in:	
Due from other governmental units	(16,469)
Due from grantors	(24,446)
Prepaid expenses	(1,062)
Increase (decrease) in:	
Accounts payable	20,905
Accrued liabilities	19,098
Due to grantors	(4,226)
Due to local agencies	17,713
Compensated absences	<u>4,302</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 53,572</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. Depreciation/amortization is computed using the straight-line method over the following useful lives:

Furniture and equipment	5 years
Office Space	1.75 years

Lease

The Study (lessee) entered into an escalation lease amendment with Hinman-Trestlebridge (Lessor) for its office space located at 5220 Lovers Lane, Portage, Michigan 49002, effective December 1, 2017, expiring June 30, 2023. With the Study's adoption of GASB Statement No. 87, *Leases*, this lease previously properly recorded as an operating lease with rent expense, is now shown as a lease with recognition of an intangible right-to-use asset, corresponding liability, and depreciation/amortization.

Lease assets are recorded net of amortization and valued at the present value of future payments expected to be made over the lease term. Lease payments are indexed at a discount rate of 3.1%. Amortization is computed over the lease term using the straight-line method between each annual escalation clause. The Study will continue to pay down the current lease liability in the amount of \$24,606 through June 2023. As of September 30, 2022, principal and interest requirements for the lease liability are \$24,291 and \$315, respectively. The entire lease liability and right-to-use asset do not have a noncurrent portion.



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

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

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 allocate 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.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE 2 - DEPOSITS**

As of September 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 September 30, 2022, the Study's bank balance of \$236,439 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 \$235,321 as of September 30, 2022.

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

**NOTE 2 - DEPOSITS (continued)**

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, 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 September 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 September 30, 2022, the Study did not have any investments that would be subject to concentration of credit risk.

Foreign Currency Risk

As of September 30, 2022, the Study did not hold any investments that have this type of risk.

**NOTE 3 - DUE FROM GRANTORS**

Due from grantors at September 30, 2022, by grant type, are as follows:

Federal		
FHWA Section 112	\$	26,398
FTA Section 8		18,825
State		
SMPC Region 3		
Asset Management		21,484
Regional Transportation		
Planning Work Program		2,937
Rural Task Force Program		847
		<hr/>
	\$	<u>70,491</u>

**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, 2022.

	<u>Grant Costs Submitted</u>	<u>Additional Project Effort</u>	<u>Total</u>
Kalamazoo Area Transportation Study	\$ 540,521	\$ -	\$ 540,521
Local Match			
Road Commission of Kalamazoo County	11,196	23,228	34,424
City of Kalamazoo	7,997	16,591	24,588
City of Portage	6,568	13,627	20,195
Van Buren County Road Commission	3,075	6,380	9,455
Public Transportation Agencies	29,250	60,685	89,935
Other agencies	31,548	65,453	97,001
	<u>630,155</u>	<u>185,964</u>	<u>816,119</u>
Total grant expenses	630,155	185,964	816,119
Other expenses	<u>8,150</u>	<u>-</u>	<u>8,150</u>
	<u>\$ 638,305</u>	<u>\$ 185,964</u>	<u>\$ 824,269</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Restated Balance Oct. 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Sept. 30, 2022</u>
Capital assets being depreciated/amortized				
Furniture and equipment	\$ 15,556	\$ -	\$ -	\$ 15,556
Office space - right to use	56,132	-	-	56,132
	<u>71,688</u>	<u>-</u>	<u>-</u>	<u>71,688</u>
Subtotal	71,688	-	-	71,688
Less accumulated depreciation/amortization for:				
Furniture and equipment	(15,556)	-	-	(15,556)
Office space - right to use	-	(31,872)	-	(31,872)
	<u>(15,556)</u>	<u>(31,872)</u>	<u>-</u>	<u>(47,428)</u>
Subtotal	(15,556)	(31,872)	-	(47,428)
Net capital assets	<u>\$ 56,132</u>	<u>\$ (31,872)</u>	<u>\$ -</u>	<u>\$ 24,260</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, 2022:

	Restated Balance Oct. 1, 2021	Additions	Deletions	Balance Sept. 30, 2022	Amount Due Within One Year
Direct borrowing and direct placement					
Lease payable	\$ 56,132	\$ -	\$ (31,841)	\$ 24,291	\$ 24,291
Compensated absences	36,088	27,879	(23,577)	40,390	26,388
Total long-term obligations	<u>\$ 92,220</u>	<u>\$ 27,879</u>	<u>\$ (55,418)</u>	<u>\$ 64,681</u>	<u>\$ 50,679</u>

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

\$56,162 Lease payable, recorded in accordance with GASB Statement No. 87, was originally dated June 10, 2013, and initially for a period of five years, extended for an additional period of five years expiring on June 30, 2023. Future monthly payments are \$2,734, including imputed interest of 3.10%. The lease agreement was 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.

\$ 24,291

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.

Year Ending September 30,	Lease Payable	
	Principal	Interest
2023	<u>\$ 24,291</u>	<u>\$ 315</u>

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

**NOTE 7 - DEFINED CONTRIBUTION PLAN**

The Study offers a defined contribution retirement plan administered by ICMA 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 \$15,050, during the year ended September 30, 2022.

**NOTE 8 - DEFERRED COMPENSATION**

The Study offers a deferred compensation plan administered by ICMA 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. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Study's financial statements.

The Study matches up to 4% of each employee's contributions to the deferred compensation plan. For the year ended September 30, 2022, the Study contributed \$10,033 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, boiler, machinery, 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 - CONTRACTUAL COMMITMENTS**

Future Lease Commitments

On June 16, 2022, the Study committed to a five-year escalation right-to-use future lease commencing July 1, 2023, for the same office space with the same lessor. Although the lease term has not yet begun, utilizing a discount rate of 6.0%, the following is the maturity analysis of future lease payments:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,627	\$ 269	\$ 7,896
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	24,002	604	24,606
	<u>\$ 158,597</u>	<u>\$ 4,387</u>	<u>\$ 162,984</u>

**NOTE 12 - CHANGES IN ACCOUNTING PRINCIPLES**

For the year ended September 30, 2022, the Study implemented the following new pronouncements:

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 change to capital assets and long-term obligations is as follows:

	<u>Capital Assets</u>	<u>Long-term Obligations</u>
Balances as of October 1, 2021, as previously stated	\$ -	\$ -
Adoption of GASB Statement No. 87	<u>56,132</u>	<u>56,132</u>
Balances as of October 1, 2021, as restated	<u>\$ 56,132</u>	<u>\$ 56,132</u>

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

**NOTE 12 - CHANGES IN ACCOUNTING PRINCIPLES (continued)**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued by the GASB in May 2020. 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.

It was determined that the Study participates in only short-term SBITAs with a maximum possible term of 12 months or less. Therefore, subscription payments continue to be recognized as an expense and no further disclosure is required.

**NOTE 13 - 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, 2022**

**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	\$ 62,074	\$ -	\$ 62,074	\$ -	\$ 62,074	\$ 72,084
Short range planning	114,083	9,371	123,454	19,443	142,897	146,201
Data and performance management measures	121,302	68,570	189,872	142,262	332,134	191,329
Asset management	33,913	-	33,913	-	33,913	33,954
Long range planning	92,709	10,680	103,389	22,157	125,546	158,431
Special studies	<u>14,046</u>	<u>1,013</u>	<u>15,059</u>	<u>2,102</u>	<u>17,161</u>	<u>14,045</u>
Subtotals	<u>438,127</u>	<u>89,634</u>	<u>527,761</u>	<u>185,964</u>	<u>713,725</u>	<u>616,044</u>
Other program costs						
Region 3	101,290	-	101,290	-	101,290	143,605
TAMC Support	<u>1,104</u>	<u>-</u>	<u>1,104</u>	<u>-</u>	<u>1,104</u>	<u>-</u>
Total grant expenses	540,521	89,634	630,155	185,964	816,119	759,649
Other expenses	<u>8,150</u>	<u>-</u>	<u>8,150</u>	<u>-</u>	<u>8,150</u>	<u>9,000</u>
TOTAL EXPENSES	<u>\$ 548,671</u>	<u>\$ 89,634</u>	<u>\$ 638,305</u>	<u>\$ 185,964</u>	<u>\$ 824,269</u>	<u>\$ 768,649</u>

**KALAMAZOO AREA TRANSPORTATION STUDY  
SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2022**

**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	\$ 62,074	\$ -	\$ 62,074	\$ -	\$ 62,074	\$ 72,084
Short range planning	114,083	9,371	123,454	19,443	142,897	146,201
Data and performance management measures	121,302	68,570	189,872	142,262	332,134	191,329
Long range planning	92,709	10,680	103,389	22,157	125,546	158,431
Special studies	<u>14,046</u>	<u>1,013</u>	<u>15,059</u>	<u>2,102</u>	<u>17,161</u>	<u>14,045</u>
TOTAL EXPENSES	<u>\$ 404,214</u>	<u>\$ 89,634</u>	<u>\$ 493,848</u>	<u>\$ 185,964</u>	<u>\$ 679,812</u>	<u>\$ 582,090</u>

**KALAMAZOO AREA TRANSPORTATION STUDY  
SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL (continued)  
YEAR ENDED SEPTEMBER 30, 2022**

	<u>KATS</u>	<u>Budget</u>
Grant - MTF Asset Management FY21 Extension	<u>\$ 11,951</u>	<u>\$ 11,954</u>
Grant - MTF Asset Management FY22	<u>\$ 21,962</u>	<u>\$ 22,000</u>
Grant - Region 3 Regional Transportation Planning Work Program	<u>\$ 19,867</u>	<u>\$ 26,000</u>
Grant - Region 3 Rural Task Force and Small Urban Program	<u>\$ 22,211</u>	<u>\$ 22,798</u>
Grant - Region 3 Asset Management FY22	<u>\$ 20,095</u>	<u>\$ 55,000</u>
Grant - Region 3 Asset Management FY21 Extension	<u>\$ 39,117</u>	<u>\$ 39,807</u>
Grant - TAMC Support, SEMCOG	<u>\$ 1,104</u>	<u>\$ -</u>

**KALAMAZOO AREA TRANSPORTATION STUDY  
SCHEDULE OF BUDGETED AND ACTUAL COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

Costs	Budget	Percent	Actual	Percent
Direct salaries	\$ 296,679	100.00%	\$ 251,583	100.00%
Fringe benefits				
Wages allocated to fringe	42,376		37,749	
Health insurance	57,915		49,103	
Vision and Dental	4,000		3,402	
Healthcare reimbursement account	3,700		4,800	
Life, short term, & long term insurance	5,500		4,932	
Workers' compensation	1,000		579	
Social Security/Medicare	27,302		22,775	
Retirement	30,330		26,083	
State unemployment insurance	1,500		-	
Subtotals	173,623	58.52%	149,423	59.39%
Fringe cost allocation base	296,679		251,583	
Indirect costs				
Equipment	8,000		4,827	
Office Space Utilities	4,460		3,309	
Lease Asset Depreciation Expense	31,900		31,871	
Lease Interest Expense	875		548	
Legal Services	1,500		-	
Legal Notices	1,500		-	
Payroll Services	1,900		1,758	
ADA Accommodation Services	500		-	
Computer Software	5,000		4,239	
Copy/Printing	2,000		1,939	
Equipment Maintenance/Repair	1,500		368	
Memberships	2,500		1,426	
Postage	400		233	
Professional Development/Travel	18,225		15,914	
Space Insurance	3,300		3,053	
Subscriptions/Publications	900		192	
Supplies	7,000		4,802	
Telephone/Internet	3,800		3,168	
Website	1,500		215	
Excise Tax	-		-	
Subtotals	96,760	20.57%	77,862	19.42%
Indirect cost allocation base	470,302		401,006	
Direct costs	76,854		61,653	
Total allowable and allocable costs	643,916		540,521	
Less expenses paid by local match	-		-	
Total charged to grants	643,916		540,521	
Other				
Local match	115,733		275,598	
Other	9,000		8,150	
Subtotals	124,733		283,748	
TOTAL COSTS	\$ 768,649		\$ 824,269	

Note: This schedule presents only those costs incurred by the Study and does not include the costs of any other local agency.



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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  
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, 2022, and the related notes to the financial statements, which collectively comprise the Study's basic financial statements, and have issued our report thereon dated January 23, 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.

*Maney Costeiran PC*

January 23, 2023