

**KALAMAZOO AREA TRANSPORTATION STUDY  
KALAMAZOO, MICHIGAN**

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

**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Policy Committee  
Kalamazoo Area Transportation Study  
Kalamazoo, Michigan

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

We have audited the accompanying financial statements of the Kalamazoo Area Transportation Study (the Study), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Study's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kalamazoo Area Transportation Study, as of September 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Study's basic financial statements. The schedules of expenses by funding source and budgeted and actual costs, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of expenses by funding source and budgeted and actual costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenses by funding source and budgeted and actual costs are 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 18, 2022, on our consideration of the Study's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Study's internal control over financial reporting and compliance.

*Maney Costeiran PC*

January 18, 2022

## **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, 2021 and 2020. 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 \$218,714, or approximately 30% of total expenses. This increased from the prior year, which was approximately 28% of last year's total expenses.
- Revenues decreased by \$98,396, or approximately 12%, from the prior year.
- Expenses decreased by \$56,197, or approximately 7%, 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 Kalamazoo County. 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 years ended September 30, 2021 and 2020. 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

	<u>Sept. 30, 2021</u>	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>
<b>ASSETS</b>			
Current assets	\$ 284,253	\$ 272,892	\$ 334,312
<b>LIABILITIES</b>			
Current liabilities	51,730	55,126	152,759
Noncurrent liabilities	13,809	-	6,934
Total liabilities	<u>65,539</u>	<u>55,126</u>	<u>159,693</u>
Unrestricted net position	<u>\$ 218,714</u>	<u>\$ 217,766</u>	<u>\$ 174,619</u>

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

	Year Ended		
	<u>Sept. 30, 2021</u>	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>
<b>REVENUES</b>			
Grant revenues	\$ 512,416	\$ 556,801	\$ 597,124
Local contributions (in-kind)	210,227	219,469	170,882
Other	9,150	53,919	10,291
TOTAL REVENUES	<u>731,793</u>	<u>830,189</u>	<u>778,297</u>
<b>EXPENSES</b>	<u>730,845</u>	<u>787,042</u>	<u>775,304</u>
Change in net position	<u>\$ 948</u>	<u>\$ 43,147</u>	<u>\$ 2,993</u>

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.

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

Program revenues and expenses vary annually depending on KATS activities. The Study's operating revenues decreased by approximately 12% over the prior year, this was largely due to the 2013 project being closed out in the prior year resulting in \$44,489 of additional revenue from the state. Expenses decreased by approximately 7% over the prior year as the contracted compensated absence payout was made to the previous retiring Executive Director during the prior fiscal year which decreased salaries by \$24,225 and decreased related fringe benefits.

**CAPITAL ASSETS**

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

	<u>Sept. 30, 2021</u>	<u>Sept. 30, 2020</u>	<u>Sept. 30, 2019</u>
Furniture and equipment	\$ 15,556	\$ 15,556	\$ 15,556
Less accumulated depreciation	<u>(15,556)</u>	<u>(15,556)</u>	<u>(15,556)</u>
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The capital assets of the Study consist exclusively of office furniture and equipment. 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 Study currently carries no long-term debt as all expenses 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 compensated absences.

**ECONOMIC FACTORS**

The Study has the ability to be reimbursed through Federal programs for all allowable costs incurred with administering its grants and programs. Management does not believe going forward, that total program costs will exceed the threshold that would allow for audit fees to be a Federal program reimbursable item. 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  
STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 214,138	\$ 187,858
Due from other governmental units	8,639	13,158
Due from grantors	46,045	56,591
Prepaid expenses	<u>15,431</u>	<u>15,285</u>
Total current assets	<u>284,253</u>	<u>272,892</u>
Noncurrent assets		
Capital assets	15,556	15,556
Less accumulated depreciation	<u>(15,556)</u>	<u>(15,556)</u>
Total noncurrent assets	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>284,253</u>	<u>272,892</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	838	17,051
Accrued liabilities	8,284	7,345
Due to grantors	4,226	4,226
Due to local agencies	16,103	2,500
Current portion of compensated absences	<u>22,279</u>	<u>24,004</u>
Total current liabilities	<u>51,730</u>	<u>55,126</u>
Noncurrent liabilities		
Noncurrent portion of compensated absences	<u>13,809</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>65,539</u>	<u>55,126</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 218,714</u>	<u>\$ 217,766</u>

See accompanying notes to financial statements.

**KALAMAZOO AREA TRANSPORTATION STUDY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
REVENUES		
Federal grants	\$ 409,444	\$ 482,741
State grants	102,972	74,060
Local unit contributions	210,227	219,469
Other	9,150	53,919
TOTAL REVENUES	731,793	830,189
EXPENSES		
Program management	50,178	55,790
Short range planning	143,446	156,826
Data and performance management measures	253,873	287,587
Asset management	20,649	11,387
Long range planning	155,576	185,309
Special studies	16,500	16,500
Other program costs	82,323	62,673
Other	8,300	10,970
TOTAL EXPENSES	730,845	787,042
CHANGE IN NET POSITION	948	43,147
Net position, beginning of year	217,766	174,619
Net position, end of year	\$ 218,714	\$ 217,766

See accompanying notes to financial statements.

**KALAMAZOO AREA TRANSPORTATION STUDY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 746,858	\$ 872,243
Cash paid to suppliers	(331,263)	(429,054)
Cash paid to/for employees	(389,315)	(458,733)
NET INCREASE (DECREASE) IN CASH	26,280	(15,544)
Cash, beginning of year	187,858	203,402
Cash, end of year	\$ 214,138	\$ 187,858
Change in net position	\$ 948	\$ 43,147
Adjustments to reconcile change in net position to net cash provided (used) by operating activities		
(Increase) decrease in:		
Due from other governmental units	4,519	(2,826)
Due from grantors	10,546	44,880
Prepaid expenses	(146)	3,822
Increase (decrease) in:		
Accounts payable	(16,213)	(20,540)
Accrued liabilities	939	2,468
Due to grantors	-	(44,489)
Due to local agencies	13,603	(19,525)
Compensated absences	12,084	(22,481)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 26,280	\$ (15,544)

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 Kalamazoo County and is governed by a board of directors primarily designated by each of the member units.

As the MPO for Kalamazoo County, 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 single checking 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.
- e. Bankers' acceptances of United States banks.

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

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

Cash (continued)

- 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, 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 is computed using the straight-line method over the following useful lives:

Furniture and equipment	5 years
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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.

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

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

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 been presented in the accompanying financial statements in order to provide an understanding of changes in the financial position and operations of the Study. Certain prior period amounts have been reclassified to conform with the current period presentation.

**NOTE 2 - DEPOSITS**

As of September 30, 2021 and 2020, 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, 2021, the Study's bank balance of \$222,139 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 \$214,138 as of September 30, 2021.

As of September 30, 2020, the Study's bank balance of \$190,594 was not exposed to custodial credit risk because it was fully insured by the FDIC. The Study's deposits had a carrying amount of \$187,858 as of September 30, 2020.

Interest Rate Risk

The Study has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. As of September 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, the Study did not have any investments that would be subject to concentration of credit risk.

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

**NOTE 2 - DEPOSITS (continued)**

Foreign Currency Risk

As of September 30, 2021 and 2020, the Study did not hold any investments that have this type of risk.

**NOTE 3 - DUE FROM/TO GRANTORS**

Due from/to grantors at September 30, by grant type and year, are as follows:

	2021		2020	
	Due From	Due To	Due From	Due To
Federal				
FHWA Section 112	\$ 12,176	\$ -	\$ 39,219	\$ -
FTA Section 8	10,787	4,226	2,156	4,226
State				
SMPC Region 3				
Asset Management	15,208	-	1,483	-
Regional Transportation				
Planning Work Program	4,198	-	6,452	-
Rural Task Force Program	3,676	-	7,281	-
	<u>\$ 46,045</u>	<u>\$ 4,226</u>	<u>\$ 56,591</u>	<u>\$ 4,226</u>

**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.

	2021			2020		
	Grant Costs Submitted	Additional Project Effort	Total	Grant Costs Submitted	Additional Project Effort	Total
Kalamazoo Area						
Transportation Study	\$ 512,318	\$ -	\$ 512,318	\$ 556,803	\$ -	\$ 556,803
Local Match						
Road Commission of						
Kalamazoo County	15,806	20,792	36,598	16,314	17,134	33,448
City of Kalamazoo	10,582	13,920	24,502	14,181	14,893	29,074
City of Portage	12,513	16,450	28,963	20,831	21,877	42,708
Van Buren County						
Road Commission	4,141	5,447	9,588	1,993	2,094	4,087
Public Transportation Agencies	30,635	40,299	70,934	36,118	37,931	74,049
Other agencies	17,115	22,527	39,642	17,609	18,294	35,903
Total grant expenses	603,110	119,435	722,545	663,849	112,223	776,072
Other expenses	8,300	-	8,300	10,970	-	10,970
	<u>\$ 611,410</u>	<u>\$ 119,435</u>	<u>\$ 730,845</u>	<u>\$ 674,819</u>	<u>\$ 112,223</u>	<u>\$ 787,042</u>



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

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2021, was as follows:

	<u>Balance Oct. 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Sept. 30, 2021</u>
Capital assets being depreciated				
Furniture and equipment	\$ 15,556	\$ -	\$ -	\$ 15,556
Less accumulated depreciation for:				
Furniture and equipment	<u>(15,556)</u>	<u>-</u>	<u>-</u>	<u>(15,556)</u>
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital asset activity for the year ended September 30, 2020, was as follows:

	<u>Balance Oct. 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Sept. 30, 2020</u>
Capital assets being depreciated				
Furniture and equipment	\$ 15,556	\$ -	\$ -	\$ 15,556
Less accumulated depreciation for:				
Furniture and equipment	<u>(15,556)</u>	<u>-</u>	<u>-</u>	<u>(15,556)</u>
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2021:

	<u>Balance Oct. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2021</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 24,004</u>	<u>\$ 26,903</u>	<u>\$ (14,819)</u>	<u>\$ 36,088</u>	<u>\$ 22,279</u>

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

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

The following is a summary of changes in long-term obligations (including current portion) of the Study for the year ended September 30, 2020:

	<u>Balance Oct. 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2020</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 46,485	\$ 24,180	\$ (46,661)	\$ 24,004	\$ 24,004

Vacation and sick leave are earned in varying amounts depending on the number of years of service of an employee and is made available on 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.

**NOTE 7 - DEFINED CONTRIBUTION PENSION 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 \$15,412, during the year ended September 30, 2021. For the year ended September 30, 2020, the Study contributed \$17,350 to the plan.

**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, 2021, the Study contributed \$9,682 to the plan. For the year ended September 30, 2020, the Study contributed \$11,835 to the plan.

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

**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 (USSIC) 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.

**NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases 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. The Study is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Study is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

**NOTE 12 - UNCERTAINTIES**

The extent of the impact of COVID-19 on the Study's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

## **OTHER SUPPLEMENTARY INFORMATION**

**KALAMAZOO AREA TRANSPORTATION STUDY  
SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2021**

**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	\$ 50,078	\$ 43	\$ 50,121	\$ 57	\$ 50,178	\$ 62,084
Short range planning	106,741	15,852	122,593	20,853	143,446	134,129
Data and performance management measures	110,756	61,809	172,565	81,308	253,873	148,511
Asset management	20,649	-	20,649	-	20,649	22,000
Long range planning	128,266	11,795	140,061	15,515	155,576	171,160
Special studies	<u>13,505</u>	<u>1,293</u>	<u>14,798</u>	<u>1,702</u>	<u>16,500</u>	<u>13,505</u>
Subtotals	<u>429,995</u>	<u>90,792</u>	<u>520,787</u>	<u>119,435</u>	<u>640,222</u>	<u>551,389</u>
Other program costs						
Region 3	<u>82,323</u>	<u>-</u>	<u>82,323</u>	<u>-</u>	<u>82,323</u>	<u>129,564</u>
Total grant expenses	512,318	90,792	603,110	119,435	722,545	680,953
Other expenses	<u>8,300</u>	<u>-</u>	<u>8,300</u>	<u>-</u>	<u>8,300</u>	<u>9,000</u>
TOTAL EXPENSES	<u>\$ 520,618</u>	<u>\$ 90,792</u>	<u>\$ 611,410</u>	<u>\$ 119,435</u>	<u>\$ 730,845</u>	<u>\$ 689,953</u>

**KALAMAZOO AREA TRANSPORTATION STUDY**  
**SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL (continued)**  
**YEAR ENDED SEPTEMBER 30, 2021**

**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	\$ 50,078	\$ 43	\$ 50,121	\$ 57	\$ 50,178	\$ 62,084
Short range planning	106,741	15,852	122,593	20,853	143,446	134,129
Data and performance management measures	110,756	61,809	172,565	81,308	253,873	148,511
Long range planning	128,266	11,795	140,061	15,515	155,576	171,160
Special studies	<u>13,505</u>	<u>1,293</u>	<u>14,798</u>	<u>1,702</u>	<u>16,500</u>	<u>13,505</u>
<b>TOTAL EXPENSES</b>	<b><u><u>\$ 409,346</u></u></b>	<b><u><u>\$ 90,792</u></u></b>	<b><u><u>\$ 500,138</u></u></b>	<b><u><u>\$ 119,435</u></u></b>	<b><u><u>\$ 619,573</u></u></b>	<b><u><u>\$ 529,389</u></u></b>

**KALAMAZOO AREA TRANSPORTATION STUDY  
 SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL (continued)  
 YEAR ENDED SEPTEMBER 30, 2021**

	<u>KATS</u>	<u>Budget</u>
<b>Grant - MTF Asset Management FY20 Extension</b>	<u>\$ 10,603</u>	<u>\$ 10,613</u>
<b>Grant - MTF Asset Management FY21</b>	<u>\$ 10,046</u>	<u>\$ 22,000</u>
<b>Grant - Region 3 Regional Transportation Planning Work Program</b>	<u>\$ 20,235</u>	<u>\$ 26,000</u>
<b>Grant - Region 3 Rural Task Force and Small Urban Program</b>	<u>\$ 17,337</u>	<u>\$ 19,000</u>
<b>Grant - Region 3 Asset Management FY20 Extension</b>	<u>\$ 29,558</u>	<u>\$ 29,564</u>
<b>Grant - Region 3 Asset Management FY21</b>	<u>\$ 15,193</u>	<u>\$ 55,000</u>

**KALAMAZOO AREA TRANSPORTATION STUDY  
SCHEDULE OF BUDGETED AND ACTUAL COSTS  
YEAR ENDED SEPTEMBER 30, 2021**

Costs	Budget	Percent	Actual	Percent
Direct salaries	\$ 295,843	100.00%	\$ 256,387	100.00%
Fringe benefits				
Wages allocated to fringe	39,096		27,342	
Social security/Medicare	26,350		21,319	
Health insurance	60,544		57,860	
Dental and vision insurance	4,300		3,868	
Healthcare reimbursement account	4,841		3,700	
Life, short term, & long term insurance	5,500		4,932	
Retirement	27,230		26,094	
Workers' compensation	1,100		836	
State unemployment insurance	1,500		-	
Subtotals	<u>170,461</u>	57.62%	<u>145,951</u>	56.93%
Fringe cost allocation base	<u>295,843</u>		<u>256,387</u>	
Indirect costs				
Office space	35,000		34,460	
Equipment	8,000		6,453	
Legal services	1,500		-	
Legal notices	1,500		-	
Payroll services	1,900		1,720	
ADA accommodations	500		-	
Telephone/internet	3,500		3,300	
Postage	500		212	
Copy and printing	1,000		980	
Supplies	7,500		3,508	
Equipment maintenance and repair	1,500		131	
Insurance	3,100		2,911	
Computer software	6,000		3,214	
Memberships	1,500		1,156	
Subscriptions	350		352	
Professional development and travel	18,650		4,345	
Website	500		128	
Subtotals	92,500	19.84%	62,870	15.63%
Indirect cost allocation base	466,304		402,338	
Direct costs	<u>92,586</u>		<u>47,210</u>	
Total allowable and allocable costs	651,390		512,418	
Less expenses paid by local match	<u>-</u>		<u>(100)</u>	
Total charged to grants	<u>651,390</u>		<u>512,318</u>	
Other				
Local match	117,390		210,227	
Other	<u>9,000</u>		<u>8,300</u>	
Subtotals	<u>126,390</u>		<u>218,527</u>	
TOTAL COSTS	<u>\$ 777,780</u>		<u>\$ 730,845</u>	

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 years ended September 30, 2021 and 2020, 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 18, 2022.

**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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 audits, 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 Study'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 18, 2022