



TO: Kalamazoo Area Transportation Study Policy Committee

FROM: Jonathan Start, Executive Director

DATE: January 12, 2012

SUBJECT: **POLICY COMMITTEE MEETING  
WEDNESDAY, JANUARY 18, 2012 - 9:00 A.M.  
KALAMAZOO COUNTY ROAD COMMISSION  
3801 EAST KILGORE ROAD**

The Kalamazoo Area Transportation Study Technical Committee will be meeting on Wednesday, January 18 at 9:00 a.m. at the Kalamazoo County Road Commission, 3801 East Kilgore Road.

The following materials are included in your meeting packet:

1. Agenda for the January 18, 2012 meeting (reverse side)
2. Minutes of the December 14, 2011 meeting
3. KATS FY 2011 Audit Report
4. FY 2011 – 2014 Transportation Improvement Program Amendments
5. KATS Financials for December, 2011

**POLICY COMMITTEE MEETING  
JANUARY 18, 2012  
AGENDA**

1. CALL TO ORDER
2. INTRODUCTIONS
3. ROLL CALL (Sign-in Sheet to be Distributed)
4. MINUTES OF DECEMBER 14, 2011 MEETING (**ACTION**)
5. CHANGES OR ADDITIONS TO THE AGENDA
6. APPROVAL OF THE AGENDA (**ACTION**)
7. TECHNICAL COMMITTEE REPORT (January 12, 2012 meeting)
8. CITIZENS COMMENTS (Non-agenda items only. Comments on agenda items should be made during discussion of those items)
9. FY 2011 KALAMAZOO AREA TRANSPORTATION STUDY AUDIT REPORT (Enclosure) (**ACTION**)
  - a. Presentation by Auditor (Aaron Stevens)
  - b. Acceptance of Audit Report
10. FY 2011 – 2014 TRANSPORTATION IMPROVEMENT PROGRAM (Enclosure) (**ACTION**)
  - a. Amendments
11. PUBLIC TRANSPORTATION UPDATE
12. KATS FINANCIALS (Enclosures)
13. OTHER NEW BUSINESS
14. ADJOURNMENT

*Next Meeting: Wednesday, February 29, 2012 - 9:00 a.m.*



TO: Kalamazoo Area Transportation Study Policy Committee  
FROM: Jonathan R. Start, Executive Director  
DATE: January 12, 2012  
SUBJECT: Information for January 18, 2012 Policy Committee Meeting

Here is information for your use on Policy Committee meeting agenda items.

### ***7. Technical Committee Meeting Report***

The Technical Committee met on January 12, 2012. The items on their agenda included the following:

- **Amendments to the FY 2011 – 2014 Transportation Improvement Program** – Two amendments from the Michigan Department of Transportation were discussed and recommended for Policy Committee approval. One amendment moved the resurfacing of the D Avenue at US-131 carpool lot from 2011 to 2012. The second amendment moved local match costs from the local agencies to the Michigan Department of Transportation for the Congestion Mitigation Air Quality (CMAQ) project adding turn lanes at the Drake and Stadium intersection. There were more Congestion Mitigation Air Quality funds available to the Michigan Department of Transportation than to the local agencies which allowed the Michigan Department of Transportation to reduce cost impacts to the local agencies.

Staff discussed with the Technical Committee FY 2012 local Congestion Mitigation Air Quality projects which had been recommended and approved for submission for funding earlier. Staff was informed Monday (January 9) that these projects have been approved for funding. Staff told the Technical Committee that these projects would also be included on the Policy Committee list of amendments for the Transportation Improvement Program.

**Local Contributed Services Reports** – Staff discussed with the Technical Committee the need to regularly report their time. Only two agencies have reported time for the first quarter of the year. A list of activities and work elements that staff knows people have been working on was disseminated to help encourage reports.

**Review of Attendance** – The attendance summary of members for last year's Technical Committee meetings was circulated. By Technical Committee Bylaws, five members have temporarily lost their voting privileges: Kalamazoo Metro Transit, Kalamazoo County Planning, Kalamazoo County Transportation Authority, the City of Parchment, and the Village of Schoolcraft. The Technical Committee Bylaws are automatic in this action. Members get their voting privileges restored following attendance of three consecutive Technical Committee meetings. The January meeting is the first one available. With the exception of the Kalamazoo County Transportation Authority and Kalamazoo County Planning, each other agency was in attendance.

**Public Transportation Update** – The members heard an update on public transportation which included the news that the Kalamazoo County Transportation Authority is negotiating with their choice for their executive director. Metro Transit has received the first hybrid buses and has some of them on the street in operation. The City is working on a transition plan for the transfer of the Metro Transit system to the Kalamazoo County Transportation Authority. Work is being done to define the boundaries of the new line haul Transportation Authority boundary. The new boundaries need to be in place for upcoming millage requests. KATS is conducting a ridership survey for Metro Transit during 2012.

**Status Reports, Roads** – All local road agencies are in the process of getting their 2012 projects out for bid. The Kalamazoo County Road Commission has already received bids on one project (11<sup>th</sup> Street and ON Avenue). The Kalamazoo County Road Commission has received word that they are approved for Local Bridge funding for three bridge maintenance/repair projects for 2014. Two of the bridges are deck maintenance on the Sprinkle Road bridges over the Kalamazoo River and the Norfolk Southern Railroad. The road commission is talking to the Michigan Department of Transportation to see if deck maintenance of the MDOT bridge on Sprinkle over M-96 should be included with this work. The work associated with the River Reach project in the City of Parchment is progressing. G Avenue from Riverview to the west will be going out for bids. Responses to questions raised with the environmental assessment have been sent to MDOT for review. The developer will be signing an agreement for the new road project that is in the 2012 element of the Transportation Improvement Program.

**Status Reports, Planning** – Planning activities include the update of the City of Portage's Major Throughfare Plan. The City of Portage is also working on their capital improvement program. In the City of Kalamazoo, the state hospital has been torn down along Blakeslee. The Kalamazoo Creamery building demolition is almost complete, the Western Michigan University Medical School will be located in a former Pfizer building on Portage Road, the bicycle lockers funded by Congestion Mitigation Air Quality money have been installed, the residential development at the Arboretum site will be started soon, and an open house will be held on January 24<sup>th</sup> in the early evening to get input on connections to the non-motorized system downtown and from downtown Kalamazoo to the Portage trail at Kilgore Road.

The Michigan Department of Transportation is holding a meeting on January 24<sup>th</sup> to go over the three remaining project alternatives for the Sprinkle Road, Cork Street at I-94 interchange.

## ***9. FY 2011 Kalamazoo Area Transportation Study Audit Report***

Our auditor will make a presentation on the completed audit for the Kalamazoo Area Transportation Study for FY 2011. The auditor will also answer questions that the Policy Committee may have. Staff does not have a problem with the audit report and recommends that the Policy Committee accept the report. The document is included in your packet.

## ***10. FY 2011 – 2014 Transportation Improvement Program***

### ***a. Amendments***

There are amendments to the FY 2011 – 2014 Transportation Improvement Program included in your packet. Two amendments for Michigan Department of Transportation projects. One amendment moves the resurfacing of the carpool lot at D Avenue and US-131 from 2011 to 2012.

The second amendment changes the split of local match funding for the Congestion Mitigation Air Quality funded project that will add turning lanes at the Stadium and Drake intersection in 2014. The local agency share is decreased and the Michigan Department of Transportation share is increased. The total project cost is not changed. The Michigan Department of Transportation is willing to do this because they have more congestion mitigation air quality funds available than the locals do.

There are also amendments to add FY 2012 local Congestion Mitigation Air Quality projects to the FY 2012 element of the Transportation Improvement Program. These projects have been recommended by the Technical and Policy Committees in order to apply for funding. Staff was informed Monday, January 9 that funding was approved. The projects are:

- City of Portage traffic signal corridor optimization project on Portage Road from Fairfield to Bacon: \$274,349 CMAQ; \$65,651 City of Portage; Total: \$340,000
- City of Portage traffic signal optimization and coordination project on Centre Avenue from Angling Road to Lovers Lane: \$440,000 CMAQ; \$0 Local; Total: \$440,000
- Kalamazoo Metro Transit ridesharing funding along with specialized software for ridesharing program: \$115,582 CMAQ; \$0 Local Funds; Total: \$115,582

Staff recommends that the Policy Committee approve all five amendments to the FY 2011 – 2014 Transportation Improvement Program.

### ***11. Public Transportation Update***

Members of the Transit Authority Board and the Kalamazoo County Transportation Authority and/or staff will discuss news with the public transportation system.

### ***12. KATS Financials***

Copies on December financial activities for KATS are included for your information. The costs included in Accounting Services are for the 2011 last quarter activities. No 2012 accounting services bills have been paid up to this point.

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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To the Policy Committee  
Kalamazoo Area Transportation Study  
Kalamazoo, Michigan

We have audited the financial statements of the Kalamazoo Area Transportation Study for the years ended September 30, 2011 and 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 26, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Kalamazoo Area Transportation Study are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the percentages for current versus noncurrent compensated absence payments is based on an estimate of the percentage of employees' use of compensated absences.

Management's estimate of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.

Management distributes operating costs to various work elements using a cost allocation plan based on actual time reporting. The cost allocation plan has been approved by the U.S. Department of Transportation as part of the Unified Planning Work Program (UPWP) and associated administrative requirements for the Kalamazoo urbanized area.

We have evaluated key factors and assumptions used to develop these estimations in determining that they are reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Misstatements were not detected as a result of our auditing procedures.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 29, 2011.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Kalamazoo Area Transportation Study's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the Policy Committee of the Kalamazoo Area Transportation Study and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 29, 2011

**Kalamazoo Area Transportation Study  
Kalamazoo, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2011 and 2010**

Kalamazoo Area Transportation Study

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Policy Committee  
Kalamazoo Area Transportation Study  
Kalamazoo, Michigan

We have audited the accompanying financial statements of the Kalamazoo Area Transportation Study as of and for the years ended September 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Kalamazoo Area Transportation Study's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and 2010, and the respective changes in financial position, and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the Kalamazoo Area Transportation 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 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kalamazoo Area Transportation 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 29, 2011

## Kalamazoo Area Transportation Study

### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2011 and 2010

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, 2011 and 2010. Readers are encouraged to read this section in conjunction with the basic financial statements.

#### FINANCIAL HIGHLIGHTS

- The net assets of the Study exceeded its liabilities at the close of the most recent fiscal year by \$147,192, or approximately 26% of total expenses. This is an increase from \$146,559, which was approximately 22% of last year's total expenses.
- Revenues decreased by \$101,812, or approximately 15 percent, from the prior year. This was due a significant project (Comprehensive Operations Analysis) in the prior year that the Study operated as a pass through agency.
- Expenses decrease by \$100,531, or approximately 15 percent, from the prior year. This was also due to the significant project (Comprehensive Operations Analysis in the prior year that the Study operated as a pass through agency.

#### 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 Assets 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 Fund Net Assets. 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 did cash come 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

September 30, 2011 and 2010

FINANCIAL ANALYSIS OF KALAMAZOO AREA TRANSPORTATION STUDY

The Statement of Net Assets and the Statement of Activities provide the information to determine how the Study did financially during the fiscal years ended September 30, 2011 and 2010. The net assets, 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 ASSETS

The Study's Comparative Condensed Statements of Net Assets and Revenue, Expenses and Changes in Fund Net Assets are presented in the following Tables.

CONDENSED STATEMENT OF NET ASSETS

	Fiscal Year 2010-2011	Fiscal Year 2009-2010	Fiscal Year 2008-2009
Current Assets	\$ 233,294	\$ 367,462	\$ 232,803
Capital Assets, net	<u>7,675</u>	<u>-</u>	<u>-</u>
Total Assets	240,969	367,462	232,803
Current Liabilities	66,345	200,602	70,247
Noncurrent Liabilities	<u>27,432</u>	<u>20,301</u>	<u>17,911</u>
Total Liabilities	<u>93,777</u>	<u>220,903</u>	<u>88,158</u>
Invested in Capital Assets	7,675	-	-
Unrestricted	<u>139,517</u>	<u>146,559</u>	<u>144,645</u>
Total Net Assets	<u>\$ 147,192</u>	<u>\$ 146,559</u>	<u>\$ 144,645</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS

	Fiscal Year 2010-2011	Fiscal Year 2009-2010	Fiscal Year 2008-2009
Revenues			
Grant Revenues	\$ 323,345	\$ 468,736	\$ 318,634
In-kind Revenues	236,002	191,343	182,310
Interest Earnings	632	1,912	1,240
Other	<u>6,800</u>	<u>6,600</u>	<u>8,556</u>
Total Revenues	566,779	668,591	510,740
Expenses	<u>566,146</u>	<u>666,677</u>	<u>509,781</u>
Change in Net Assets	<u>\$ 633</u>	<u>\$ 1,914</u>	<u>\$ 959</u>

Kalamazoo Area Transportation Study

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2011 and 2010

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Fund Net Assets shows the total revenues and expenses that factor in the Change in Net Assets. Due to the nature of the Study, expenses are largely based on the grants available through the Local, State, and Federal funding.

The Study's operating revenues decreased by approximately 15% over the prior year. Expenses decreased by approximately 15% over the prior year, mainly due the comprehensive operations analysis project in the prior year that the Study acted as a pass through agency.

CAPITAL ASSETS

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

	CAPITAL ASSETS		
	Fiscal Year 2010-2011	Fiscal Year 2009-2010	Fiscal Year 2008-2009
Furniture and equipment	\$ 17,775	\$ 9,086	\$ 18,790
Less: Accumulated depreciation	<u>(10,100)</u>	<u>(9,086)</u>	<u>(18,790)</u>
Net capital assets	<u>\$ 7,675</u>	<u>\$ -0-</u>	<u>\$ -0-</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. During the current year the Study purchased a Smart Board which was included in the capital asset additions as of September 30, 2011. Note D 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 accrued compensated absences which have been divided into a current and noncurrent portion on the Statement of Net Assets.

ECONOMIC FACTORS

In the past, the Study had the ability to be reimbursed through Federal programs for all allowable costs incurred with administering its grants and programs. In the current year and going forward, management does not believe 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 nonreimbursable 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 3801 East Kilgore Road, Kalamazoo, MI 49001 or by phone at (269) 343-0766.

## **BASIC FINANCIAL STATEMENTS**

Kalamazoo Area Transportation Study

STATEMENT OF NET ASSETS

September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets		
Due from Kalamazoo County Road Commission	\$ 68,907	\$ 106,241
Receivables		
Accounts	1,700	2,132
Interest	156	254
Due from grantors	153,249	258,051
Prepaid expenses	<u>9,282</u>	<u>784</u>
Total current assets	233,294	367,462
Noncurrent assets		
Capital assets	17,775	9,086
Less: accumulated depreciation	<u>(10,100)</u>	<u>(9,086)</u>
Total noncurrent assets	<u>7,675</u>	<u>-0-</u>
TOTAL ASSETS	240,969	367,462
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	2,167	139,109
Other accrued liabilities	4,023	3,983
Due to grantors	26,839	26,839
Due to local agencies - MTF	3,229	2,164
Current portion of compensated absences	<u>30,087</u>	<u>28,507</u>
Total current liabilities	66,345	200,602
Noncurrent liabilities		
Noncurrent portion of compensated absences	<u>27,432</u>	<u>20,301</u>
TOTAL LIABILITIES	<u>93,777</u>	<u>220,903</u>
<b>NET ASSETS</b>		
Invested in capital assets	7,675	-
Unrestricted	<u>139,517</u>	<u>146,559</u>
	<u>\$ 147,192</u>	<u>\$ 146,559</u>

See accompanying notes to financial statements.

Kalamazoo Area Transportation Study

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Federal grants	\$ 307,328	\$ 451,573
State grants	16,017	17,163
Local unit contributions (in-kind)	236,002	191,343
Interest earnings	632	1,912
Other	<u>6,800</u>	<u>6,600</u>
 TOTAL REVENUES	 566,779	 668,591
EXPENSES		
Program development, management, and coordination	106,349	106,140
System surveillance and monitoring	204,321	175,486
Transportation system management and operations	37,109	20,590
Long range planning	211,567	357,861
Other	<u>6,800</u>	<u>6,600</u>
 TOTAL EXPENSES	 <u>566,146</u>	 <u>666,677</u>
 CHANGE IN NET ASSETS	 633	 1,914
Net assets, beginning of year	<u>146,559</u>	<u>144,645</u>
Net assets, end of year	<u>\$ 147,192</u>	<u>\$ 146,559</u>

See accompanying notes to financial statements.

Kalamazoo Area Transportation Study

STATEMENT OF CASH FLOWS

Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 633	\$ 1,914
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	1,014	-
(Increase) or decrease in:		
Accounts receivable	432	5,142
Interest receivable	98	(161)
Due from grantors	104,802	(97,989)
Prepaid expenses	(8,498)	3,292
Increase or (decrease) in:		
Accounts payable	(136,942)	137,436
Other accrued liabilities	40	(437)
Due to local agencies - MTF	1,065	(10,421)
Compensated absences	8,711	6,167
	<u>8,711</u>	<u>6,167</u>
 NET CASH (DUE FROM KALAMAZOO COUNTY ROAD COMMISSION) PROVIDED (USED) BY OPERATING ACTIVITIES	 (28,645)	 44,943
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(8,689)</u>	<u>-</u>
 NET INCREASE (DECREASE) IN CASH (DUE FROM KALAMAZOO COUNTY ROAD COMMISSION)	 (37,334)	 44,943
 Cash (due from Kalamazoo County Road Commission), beginning of year	 <u>106,241</u>	 <u>61,298</u>
 Cash (due from Kalamazoo County Road Commission), end of year	 <u>\$ 68,907</u>	 <u>\$ 106,241</u>

See accompanying notes to financial statements.

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

**NOTE A: 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 between 50,000 and 200,000. The MPO designation is made through Federal legislation, 23 CFR Section 450. This legislation outlines the definition of a 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 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. In accordance with GASB Statement No. 20, the Study has elected not to apply the Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its financial statements. The following is a summary of the significant policies:

1. 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 completely separate from Kalamazoo County or any of the other member units, and is not financially accountable to any other unit.

The criteria established by GASB Statement No. 14 (as amended by GASB Statement No. 39) 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 governmental activities and account for those activities in a single governmental fund.

2. 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, 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

September 30, 2011 and 2010

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**- CONTINUED**

3. 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 and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) 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 total assets.

4. 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.

5. Due from Kalamazoo County Road Commission

The balance shown as due from Kalamazoo County Road Commission (the KCRC) consists of deposits held with the KCRC. The balances held with the KCRC are available to meet current operating requirements. The KCRC is responsible for investing deposits in excess of current requirements in various interest bearing accounts. For the purposes of the presentation of the Statement of Cash Flows the balance due from the KCRC is considered to be equivalent to cash.

6. Receivables

Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services from clients and other organizations.

7. Prepaid Expenses

Certain payments to vendors for services that will benefit future periods are record as prepaid expenses.

8. 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 valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or material extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and equipment	5-7 years
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Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. 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 thirty (30) days and fifty (50) percent of sick leave. This amount includes related payroll taxes and has been divided between a current and noncurrent portion in the Statement of Net Assets.

10. 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.

11. 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 direct costs to the Study. Only the Study is allowed to charge fringe benefits and indirect costs.

12. 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.

**NOTE B: DUE FROM/TO GRANTORS**

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

	2011		2010	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
Federal				
FHWA Section 112	\$ 106,892	\$ 14,266	\$ 47,010	\$ 14,266
FTA Section 8	27,082	10,186	191,714	10,186
State				
MTF	19,275	2,387	19,327	2,387
	<u>\$ 153,249</u>	<u>\$ 26,839</u>	<u>\$ 258,051</u>	<u>\$ 26,839</u>

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

**NOTE C: 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.

	2011			2010		
	Grant Costs Submitted	Additional Project Effort	Total	Grant Costs Submitted	Additional Project Effort	Total
Kalamazoo Area Transportation Study	\$ 330,146	\$ -	\$ 330,146	\$ 475,336	\$ -	\$ 475,336
Kalamazoo County Road Commission	24,298	19,452	43,750	18,880	5,363	24,243
City of Kalamazoo	31,946	126,907	158,853	37,421	107,100	144,521
City of Portage	10,209	8,699	18,908	11,818	3,259	15,077
County of Kalamazoo and other agencies	6,797	7,692	14,489	6,391	1,109	7,500
	<u>\$ 403,396</u>	<u>\$ 162,750</u>	<u>\$ 566,146</u>	<u>\$ 549,846</u>	<u>\$ 116,831</u>	<u>\$ 666,677</u>

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance Oct. 1, 2010	Additions	Disposals	Balance Sept. 30, 2011
Capital assets being depreciated				
Furniture and equipment	\$ 9,086	\$ 8,689	\$ -	\$ 17,775
Less accumulated depreciation for:				
Furniture and equipment	(9,086)	(1,014)	-	(10,100)
Net capital assets	<u>\$ -0-</u>	<u>\$ 7,675</u>	<u>\$ -0-</u>	<u>\$ 7,675</u>

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance Oct. 1, 2009	Additions	Disposals	Balance Sept. 30, 2010
Capital assets being depreciated				
Furniture and equipment	\$ 18,790	\$ -	\$ (9,704)	\$ 9,086
Less accumulated depreciation for:				
Furniture and equipment	(18,790)	-	9,704	(9,086)
Net capital assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

**NOTE E: 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, 2011:

	Balance Oct. 1, 2010	Earned	Used	Balance Sept. 30, 2011	Amount Due Within One Year
Compensated absences	\$ 48,808	\$ 28,545	\$ (19,834)	\$ 57,519	\$ 30,087

The following is a summary of changes in long-term obligations (including current portion) of the Study for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Earned	Used	Balance Sept. 30, 2010	Amount Due Within One Year
Compensated absences	\$ 42,641	\$ 23,456	\$ (17,289)	\$ 48,808	\$ 28,507

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 thirty (30) days of unused vacation leave and fifty (50) percent of sick leave, which was credited to an employee each pay period. Therefore, compensated absences at September 30, 2011, is divided been a current and noncurrent portion, and the total amount recorded as a liability in the Statement of Net Assets is \$57,519.

**NOTE F: RETIREMENT PLAN**

Plan Description

The Study participates in the Kalamazoo County Employees Retirement System, a Public Employee Retirement System which is an agent multiple-employer plan administered by the Kalamazoo County Employees Retirement System. The Kalamazoo County Board of Commissioners establishes and amends the benefit provisions of the participants in the plan. The defined benefit pension plan covers all eligible (i.e., salary) employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Kalamazoo County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Kalamazoo County Employees Retirement System at 201 West Kalamazoo Avenue, Kalamazoo, Michigan 49007.

Funding Policy

The Study is required to contribute an actuarially determined rate of the annual salaries of covered employees to fund the plan. The current rate of contribution is zero (0) percent. Covered employees are currently not required to contribute to the plan. The contribution requirements are established by the Kalamazoo County Employees Retirement System. The contribution requirements of plan members, if any, are established and may be amended by the Study depending on the plan's contribution program.

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

**NOTE F: RETIREMENT PLAN - CONTINUED**

Annual Pension Cost

For the years ended September 30, 2011 and 2010, the Study's annual pension cost of \$0 for the plan approximated the Study's required and actual contributions. The annual required contributions were determined as part of actuarial valuations at December 31, 2010, 2009, and 2008, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.75 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll, on a closed basis over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	2008	2009	2010
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Actuarial value of assets	\$ 18,388,721	\$ 18,277,106	\$ 18,347,379
Actuarial accrued liability (AAL) (entry age)	13,052,992	13,398,414	13,253,098
(Overfunded) AAL (OAAL)	(5,335,729)	(4,878,692)	(5,094,281)
Funded ratio	141%	136%	138%
Covered payroll	3,114,099	2,842,241	2,747,330
(OAAL) as a percentage of covered payroll	-171%	-172%	-185%

  

	Year Ended September 30,		
	2009	2010	2011
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial report.

**NOTE G: RISK MANAGEMENT**

The Study participates in the County Road Commission Self-Insurance Fund (CRCSIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Study has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

The Study also participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, general liability, public officials liability, boiler and machinery, crime, and inland marine losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premium for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Study has not been informed of any special assessments being required.

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

**NOTE H: CONTINGENT LIABILITIES**

Under the terms of various Federal and State grants, periodic compliance audits are required and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

## **OTHER SUPPLEMENTARY INFORMATION**

Kalamazoo Area Transportation Study

SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL

Year Ended September 30, 2011

**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 development, management, and coordination						
Program management	\$ 28,187	\$ -	\$ 28,187	\$ -	\$ 28,187	\$ 43,000
Short range planning	43,367	16,297	59,664	18,498	78,162	66,164
System surveillance and monitoring						
System surveillance and monitoring	66,494	12,653	79,147	7,231	86,378	111,001
Transit data collection	-	10,994	10,994	87,703	98,697	24,000
Asset management	16,017	3,229	19,246	-	19,246	20,000
Transportation system management and operations	26,752	6,591	33,343	3,766	37,109	96,915
Long range planning						
Long range planning	139,576	20,725	160,301	23,526	183,827	92,924
Transit planning	2,953	2,761	5,714	22,026	27,740	21,932
Consultant	-	-	-	-	-0-	20,000
Subtotals	<u>323,346</u>	<u>73,250</u>	<u>396,596</u>	<u>162,750</u>	<u>559,346</u>	<u>495,936</u>
Cash match						
Audit cost	<u>6,800</u>	<u>-</u>	<u>6,800</u>	<u>-</u>	<u>6,800</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 330,146</u></u>	<u><u>\$ 73,250</u></u>	<u><u>\$ 403,396</u></u>	<u><u>\$ 162,750</u></u>	<u><u>\$ 566,146</u></u>	<u><u>\$ 495,936</u></u>

Kalamazoo Area Transportation Study

SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL

Year Ended September 30, 2011

**Grant - FHWA Section 112  
(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 development, management, and coordination						
Program management	\$ 19,731	\$ -	\$ 19,731	\$ -	\$ 19,731	\$ 30,100
Short range planning	30,357	15,057	45,414	8,604	54,018	55,364
System surveillance and monitoring						
System surveillance and monitoring	66,494	12,653	79,147	7,231	86,378	111,001
Transportation system management and operations	26,752	6,591	33,343	3,766	37,109	96,915
Long range planning						
Long range planning	97,703	19,148	116,851	10,943	127,794	77,724
Consultant	-	-	-	-	-0-	20,000
<b>TOTAL EXPENSES</b>	<u>\$ 241,037</u>	<u>\$ 53,449</u>	<u>\$ 294,486</u>	<u>\$ 30,544</u>	<u>\$ 325,030</u>	<u>\$ 391,104</u>

Kalamazoo Area Transportation Study

SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL

Year Ended September 30, 2011

**Grant - FTA Section 8  
(80% / 20%)**

	<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 development, management, and coordination						
Program management	\$ 8,456	\$ -	\$ 8,456	\$ -	\$ 8,456	\$ 12,900
Short range planning	13,010	1,240	14,250	9,894	24,144	10,800
System surveillance and monitoring						
Transit data collection	-	10,994	10,994	87,703	98,697	24,000
Long range planning						
Long range planning	41,873	1,577	43,450	12,583	56,033	15,200
Transit planning	2,953	2,761	5,714	22,026	27,740	21,932
<b>TOTAL EXPENSES</b>	<b><u>\$ 66,292</u></b>	<b><u>\$ 16,572</u></b>	<b><u>\$ 82,864</u></b>	<b><u>\$ 132,206</u></b>	<b><u>\$ 215,070</u></b>	<b><u>\$ 84,832</u></b>

Kalamazoo Area Transportation Study

SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL

Year Ended September 30, 2011

**Grant - MTF FY09 Asset Management**

	<u>KATS</u>	<u>Local Reimbursable Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
System surveillance and monitoring Asset management	<u>\$ 16,017</u>	<u>\$ 3,229</u>	<u>\$ 19,246</u>	<u>\$ -</u>	<u>\$ 19,246</u>	<u>\$ 20,000</u>

Kalamazoo Area Transportation Study  
SCHEDULE OF BUDGET TO ACTUAL COSTS  
Year Ended September 30, 2011

Costs	Budget	Percent	Actual	Percent
Direct salaries	\$ 214,984	100.00%	\$ 172,115	100.00%
Fringe benefits				
Annual leave	15,636		15,182	
Sick leave	12,871		12,942	
Emergency leave	777		-	
Holiday leave	7,773		7,401	
Social security/Medicare	16,446		15,882	
Health insurance	63,614		52,904	
Dental insurance	3,603		3,603	
Life insurance	2,691		2,691	
Retirement	16,413		-	
Workers' compensation	2,150		1,103	
Subtotals	<u>141,974</u>	66.04%	<u>111,708</u>	64.90%
Indirect cost allocation base	356,958	100.00%	283,823	100.00%
Indirect costs				
Office space	3,550		3,515	
Equipment	10,000		509	
Accounting services	5,600		5,540	
Legal services	2,000		1,350	
Legal notices	1,000		571	
Internet services/website	1,300		1,478	
Postage	2,000		785	
Copy cost	1,600		735	
Printing	1,200		605	
Supplies	4,000		3,219	
Telephone	1,000		929	
Equipment maintenance and repair	500		469	
Insurances (equipment)	2,500		1,621	
Computer software	5,000		4,387	
Memberships	200		105	
Subscriptions	500		508	
Travel	6,000		5,662	
Interest	-		65	
Conferences	4,000		3,686	
Depreciation	-		1,014	
Subtotals	<u>51,950</u>	14.55%	<u>36,753</u>	12.95%
Direct costs	<u>80,028</u>		<u>2,770</u>	
Total allowable and allocable costs	488,936		323,346	
Cash match				
Audit cost	<u>7,000</u>		<u>6,800</u>	
TOTAL COSTS	<u>\$ 495,936</u>		<u>\$ 330,146</u>	

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

Principals

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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 the financial statements of the Kalamazoo Area Transportation Study as of and for the years ended September 30, 2011 and 2010, and have issued our report thereon dated December 29, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kalamazoo Area Transportation Study's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kalamazoo Area Transportation Study's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kalamazoo Area Transportation Study's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kalamazoo Area Transportation Study's financial statements are free of 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 determination of financial statement amounts. 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 the following other matter that is required to be reported under *Government Auditing Standards*.

2011-1 COST DISTRIBUTIONS

Condition: During our testing of the cost distribution process, we noted two (2) minor differences between the original time keeping records and the hours and/or dollars keyed into the cost distribution spreadsheet for the month of March 2011.

Criteria: The Study must accurately submit reimbursement for in-kind contributions according to the agreements with grantors.

Cause: Per review of the original time keeping records it appears that these were keying errors into the spreadsheet maintained by the Study.

Effect: We evaluated each instance individually and in the aggregate, noting that the effect was not material to grant compliance or to the financial statements taken as a whole. A similar issue was noted and reported in our prior audit comments.

Recommendation: We recommend that the cost distribution spreadsheet be reviewed for accuracy on a periodic basis and prior to submitting requests for reimbursement to the Kalamazoo Area Transportation Study's funding sources.

Response: Management has reviewed the differences identified during the audit process and will implement the recommendation as listed.

The Kalamazoo Area Transportation Study's response to the finding identified in our audit is described above. We did not audit the Study's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Policy Committee of the Kalamazoo Area Transportation Study, others within the entity, and the pass-through grantors and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 29, 2011

FY 2011 - 2014 Transportation Improvement Program - Kalamazoo Area Transportation Study

6/30/2010 (1/18/12)

Required Fields

Fiscal Year	County	Responsible Agency	Project Name	Limits	Length	Primary Work Type	Project Description	Phase	Advance Construct	Federal Cost (\$1000s)	Federal Fund Source	State Cost (\$1000s)	State Fund Source	Local Cost (\$1000s)	Local Fund Source	Total Phase Cost (\$1000s)	MDOT Job No.	Local ID No.	MPO/Rural Action Date	Amendment Type	Air Quality	Comments	Total Project Cost (\$1000s)
2012	Kalamazoo	Public Transit	Community Ridesharing	01-01-12 through 12-31-12		Transit operations	Operation of Community Ridesharing; Purchase of specialized software for community outreach and marketing of Ridesharing Program	T-Ops		116	CMG					116			01/18/12		E	Addition of Project (approved by FHWA 1/9/12) 1/18/12	116
2012	Kalamazoo	Portage	Centre Ave	Angling Rd to Portage Rd	4.3	Traffic ops/safety	Intersections of Centre Ave @ Angling Rd, Moorsbridge Ave, Oakland Dr, Shaver Rd, Westnedge Ave, and Lovers Ln will be upgraded for traffic signal hardware, fiber optic interconnect and traffic signal timing optimization to coordinate for optimal traffic flow	CON		274	CMG			66	CITY	340			01/18/12	Add	E	City of Portage; Addition of Project (approved by FHWA 1/9/12) 1/18/12	340
2012	Kalamazoo	Portage	Portage Rd	Fairfield St to Bacon Ave	5	Traffic ops/safety	Intersections of Portage Rd @ Winters Dr, Milham Ave, Romence Rd, Centre Ave, Zylman Ave, and Bacon Ave will be upgraded for traffic signal hardware, fiber optic interconnect and traffic signal timing optimization to coordinate for optimal traffic flow	CON		440	CMG					440			01/18/12	Add	E	Addition of Project (approved by FHWA 1/9/12) 1/18/12	440
2012	Kalamazoo	MDOT	US-131	at D Ave in Kalamazoo County		Roadside facility	Resurface Carpool Lot	CON		47	ST	10	M			57	90201	2011-9	01/18/12	Year	E	Increase Federal Cost from \$28,648; State Cost from \$6,352; Total Phase Cost from \$35,000; Total Project Cost from \$35,000 8/31/11; Moved to FY 2012 1/18/2012	57
2014	Kalamazoo	MDOT	I-94 BL	at the Drake Road intersection, City of Kalamazoo and Oshtemo Township, Kalamazoo County	0.35	Widen - minor	Construct dual left turn lanes. The B and C phase CMAQ grant number is 11124	CON		1,400	CM	192	M	158	CITY	1,750	113262		01/18/12	Cost	E	Addition of Project Phase (pending CMAQ funding for FY 2013) 5/25/11; Move to FY 2014; Increased State Cost from \$156,844; Decreased Local Cost from \$193,156 1/18/12	2,100

Kalamazoo Area Transportation Study  
Income Statement  
For the Three Months Ending December 31, 2011

	Year to Date	2012 Budget	Percent YTD
<b>Revenues</b>			
FTA Sec 08 Grant	\$ 14,184.31	\$ 84,912.00	16.70
FHWA Sec 112 Grant	49,834.76	309,466.00	16.10
MTF Grant	0.00	20,000.00	0.00
<b>Total Revenues</b>	<u>64,019.07</u>	<u>414,378.00</u>	15.45
<b>Expenses</b>			
Direct Costs	0.00	8,131.00	0.00
Office Space	885.09	3,620.00	24.45
Direct Salaries	57,324.75	207,027.00	27.69
FICA	383.82	2,070.00	18.54
Health Insurance	9,931.08	56,527.00	17.57
Life Insurance	448.50	2,691.00	16.67
Pension	0.00	16,769.00	0.00
Workers Compensation	2,841.50	12,836.00	22.14
Postage	0.00	1,800.00	0.00
Supplies	604.16	2,000.00	30.21
Copy Machine	0.00	800.00	0.00
Printing	0.00	800.00	0.00
Computer Software and Updates	0.00	2,000.00	0.00
Subscriptions/Publications	0.00	500.00	0.00
Memberships	0.00	200.00	0.00
Legal Services	0.00	1,000.00	0.00
Audit	6,500.00	7,000.00	92.86
Accounting Services	2,340.00	5,775.00	40.52
Telephone	215.27	850.00	25.33
Website	300.87	2,000.00	15.04
Professional Develop & Travel	2,875.90	10,000.00	28.76
Legal Notices/Public Notices	0.00	500.00	0.00
Equipment Maintenance & Repair	0.00	500.00	0.00
Equipment/Space Insurances	0.00	2,000.00	0.00
Equipment	3,098.38	3,500.00	88.53
Interest Expense	52.84	0.00	0.00
<b>Total Expenses</b>	<u>87,802.16</u>	<u>350,896.00</u>	25.02

**Kalamazoo Area Transportation Study**  
**Check Register**  
**For the Period From Dec 1, 2011 to Dec 31, 2011**

Filter Criteria includes: Report order is by Date.

<b>Check #</b>	<b>Date</b>	<b>Payee</b>	<b>Amount</b>
	12/30/11	Kathy J Schultz - 003155	
	12/30/11	Jonathan R. Start - 019780	8,152.32
	12/30/11	Steve Stepek	5,128.38
	12/30/11	First National Bank - 006250	3,151.22
	12/30/11	Abraham & Gaffney PC	6,500.00
	12/30/11	Absopure Water	87.32
	12/30/11	Charter Communications	100.29
	12/30/11	LTAP/ Michigan Tech Univ	20.00
	12/30/11	KATS - Imprest Cash - 011170	97.51
	12/30/11	AT & T - 001030	57.75
	12/30/11	KCRC - Office Space - 011400	885.09
	12/30/11	Catering By Judy	320.00
<b>Total</b>			<b>24,499.88</b>