

Kalamazoo Area Transportation Study

INVITATION TO BID REQUEST FOR PROPOSALS (RFP)

The Kalamazoo Area Transportation Study (KATS) is soliciting proposals for:
Project Name: FY 2017-2019 Auditing Services

The Kalamazoo Area Transportation Study (KATS) will be accepting sealed bids for auditing services until 12:00 noon on Monday, July 14, 2017. Bids should be clearly marked "FY 2017-2019 Auditing Services" and submitted to the office of the Kalamazoo Area Transportation Study, 5220 Lovers Lane, Suite 110, Portage, MI 49002. Facsimile Proposals Will Not Be Accepted

RFP ISSUE DATE: June 2, 2017 Number of Copies Required: 5 (1 unbound)

MAILING ADDRESS & INSTRUCTIONS

Mail to:

Kalamazoo Area Transportation Study
Monica Zehner, Office Manager
5220 Lovers Lane, Suite 110
Portage, MI 49002

Deadline for submittal of questions and/or requests for clarification: June 19, 2017
Response to questions and/or requests for clarification: June 26, 2017
Closing date for proposal submission: Noon on July 14, 2017

Include on the envelope the Project Name (above). All envelopes must be sealed.

You are invited to submit a proposal for this project. Specifications, terms, conditions, and instructions for submitting proposals are contained herein. This Request for Proposal with all pages, documents, and attachments contained herein, or subsequently added to and made a part hereof, submitted as a fully and properly executed proposal shall constitute the contract between the Kalamazoo Area Transportation Study (KATS) and the successful proposer when approved and accepted on behalf of KATS by an authorized official or employee. Please review the proposal document as soon as possible and note the deadline for questions.

PROPOSALS MUST BE RECEIVED BY THE DUE DATE - LATE PROPOSALS WILL NOT BE CONSIDERED. The Kalamazoo Area Transportation Study reserves the right to postpone the proposal opening for its own convenience.

For further information, contact Monica Zehner, Office Manager at 269-343-0766.

KATS reserves the right to reject any or all bids, to waive any irregularities, and further reserves the right to accept any bid which it deems to serve the best interest of KATS.



KATS

KALAMAZOO AREA TRANSPORTATION STUDY

Kalamazoo Area Transportation Study Request for Proposals For

FY 2017-2019 Auditing Services

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INSTRUCTIONS TO PROPOSERS

EXAMINATION OF PROPOSAL DOCUMENT-Before submitting a proposal, proposers shall carefully examine the specifications and shall fully inform themselves as to all existing conditions and limitations. The proposer shall indicate in the proposal the sum to cover the cost of all items included on the proposal form.

PREPARATION OF PROPOSAL- Send one original (unbound) and 4 copies (bound) of the proposal to the issuing office by proposal due date and time, as indicated on page 1 of this RFP. The pages must be numbered consecutively, e.g., 1, 2, 3, etc. No other distribution of the proposals will be made by the consultant or his agent.

Send one original and one copy (both unbound) of the price proposal (Attachment A), separate from the technical proposal, in a sealed envelope clearly marked, Price Proposal, with the consultant's name identified on the front of the envelope. Continue the consecutive page numbering from the last page of the technical proposal, e.g., 3, 4, 5.

Proposals must be signed by an authorized agent to bind the consultant to its provisions. The proposal must remain valid for a period of at least 120 days from the due date of submission.

EXPLANATION TO PROPOSERS- Any binding explanation desired by a proposer regarding the meaning or interpretation of the Request for Proposal (RFP) and attachments must be requested in writing to the Project Manager, Monica Zehner.

Deadline for submittal of questions and/or requests for clarification: June 19, 2017

Response to questions and/or requests for clarification: June 26, 2017

Closing date for proposal submission: July 14, 2017

WITHDRAWAL OF PROPOSALS-Proposals may be withdrawn in person by a proposer or authorized representative, provided their identity is made known and a receipt is signed for the proposal, but only if the withdrawal is made prior to the exact time set for receipt of proposal. No proposal may be withdrawn for at least ninety (90) days after proposal opening.

COST LIABILITY AND DISCLOSURE-The Kalamazoo Area Transportation Study assumes no responsibility or liability for costs incurred by any prospective consultant prior to the signing of a contract by all parties. No work shall be started on this study until a notice to proceed is issued in writing by the Kalamazoo Area Transportation Study. All information in a consultant's proposal and any contract resulting from this RFP is subject to disclosure under the provisions of the Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq.

LATE PROPOSALS-Any proposal received at the office designated herein after the exact time specified for receipt will not be considered. (Note: KATS reserves the right to consider bids that have been determined by KATS to be received late due to mishandling by KATS after receipt of the proposal and no award has been made.)

RIGHT TO REJECT PROPOSALS-Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Kalamazoo Area Transportation Study and the firm selected. The Kalamazoo Area Transportation Study reserves the right without prejudices to reject any or all proposals.

INTRODUCTION

General Information

The Kalamazoo Area Transportation Study is requesting proposals from qualified Certified Public Accounting firms to audit KATS' financial statements for the fiscal years ending September 30, 2017, September 30, 2018, and September 30, 2019.

There is no expressed or implied obligation for the Kalamazoo Area Transportation Study to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

During the evaluation process, the Kalamazoo Area Transportation Study reserves the right to retain all proposals submitted and to use any ideas in the proposals regardless of whether the proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal, unless clearly and specifically noted in the proposal of the firm selected.

Term of Engagement

The Kalamazoo Area Transportation Study is seeking a three-year contract for auditing services.

In the event of a merger of the audit firm with another firm of certified public accountants or the change of partners to the audit firm, this contract may be transferable to the successor firm with the approval of the Kalamazoo Area Transportation Study Policy Committee.

This retainer agreement shall not be assigned or transferred without the written approval of the Kalamazoo Area Transportation Study Policy Committee.

DESCRIPTION OF THE ORGANIZATION

Principal Contact

The auditor's principal contact with the Kalamazoo Area Transportation Study will be: Monica Zehner, (269) 343-0766, mzehner@katsmpo.org.

Background Information

In 1966, the Kalamazoo Area Transportation Study Policy Committee was created through agreements by and between local units of government in the Kalamazoo urban area and the Michigan Department of Transportation (MDOT). This organizational effort was led by MDOT. The Kalamazoo Area Transportation Study Policy Committee was incorporated as an "Intermunicipality Committee" under Act 200 of the Public Acts of Michigan of 1957. The Intermunicipality Committee Act provides for the cooperative establishment of a forum (the KATS Policy Committee) by local units of government for the purposes of conducting specifically designated intergovernmental activities in a coordinated manner. The Policy Committee was formally designated as the Metropolitan Planning Organization (MPO) in 1978.

The Kalamazoo Area Transportation Study is the Metropolitan Planning Organization (MPO) for the Kalamazoo Urbanized Area and is required by federal legislation to provide coordinated transportation planning for urban populations greater than 50,000. KATS considers the entire area of Kalamazoo County and the four townships of Almena, Antwerp, Waverly, and Paw Paw within Van Buren County as the Metropolitan Planning Boundary, including all local governmental jurisdictions in transportation. planning.

KATS is funded by transportation planning fund grants from the Federal Highway Administration, the Federal Transit Administration, the Michigan Department of Transportation, and membership dues from local agencies. It also provides transportation planning and grant reporting services to the Southcentral Michigan Planning Council (SMPC) under contract.

KATS has 4 full-time permanent employees, 1 part-time employee, and 1 intern.

KATS offers a defined contribution retirement plan administered by ICMA Retirement Corporation. The 401K is available to all KATS full-time employees. KATS contributes 6% of full-time employees' base earnings.

KATS offers a deferred compensation plan administered by ICMA Retirement Corporation created in accordance with IRC Section 457. The study matches up to 4% of employee contributions to the deferred compensation plan.

QuickBooks Pro Software is utilized for all accounting functions; applications used include general ledger, payroll, payables, utility billing, miscellaneous invoicing, cash receipting, and taxes.

Microsoft Excel is utilized for cost allocation functions across grant and contract project authorizations.

The Kalamazoo Area Transportation Study 2016-2015 audit is included as part of this RFP to familiarize you with its finances (Attachment B).

SCOPE OF WORK TO BE PERFORMED

General

To meet the requirements of this request for proposal, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in *Government Auditing Standards* and other applicable standards. The Kalamazoo Area Transportation Study desires the auditor to express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles.

These audits will need to address the requirements of and be in compliance with all conditions of the State of Michigan and Federal regulations including GAAP and GASB.

The proposal should include a separate cost for preparation of a Single Audit when one is required due to Federal Grant receipts. Federal funding for major projects has been committed for 2017.

The auditors shall also be responsible for preparing the supplementary information required by the Government Accounting Standards Board.

The auditors shall provide to the Kalamazoo Area Transportation Study all audit adjustments including appropriate backup documents and will meet with staff, if requested, to discuss these final adjustments.

The auditor will be available to answer reasonable questions that may arise on financial matters without additional cost to KATS during the course of the year.

Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of any irregularities and

illegal acts or indications of illegal acts, to the Kalamazoo Area Transportation Study Policy Committee Chairperson.

Reports

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue a report on the fair presentation of the general-purpose financial statements in conformity with generally accepted accounting principles.

The auditor shall prepare the following reports upon completion of the audit:

1. The auditor will prepare all financial statements and notes to the financial statements.
2. A report on the financial statements, internal control and compliance in accordance with the audit guide and standards for compliance with Single Audit Act, as may be required.
3. Any supplemental reports, schedules as required by the State of Michigan, Federal Government, GASB or GAAP.
4. A management report containing comments and recommendations regarding a municipality's system of internal controls: that is, its methods of safeguarding its assets, insuring the accuracy of its financial information, promoting efficiency and adhering to municipal policies. This letter should contain comments and recommendations for controlling any internal weaknesses discovered and shall be reviewed by the City Manager before finalizing.

Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of seven (7) calendar years after completion of the audit, unless the firm is notified in writing by the Kalamazoo Area Transportation Study of the need to extend the retention period. The auditor will be required to make any and all working papers available, upon request, to the Kalamazoo Area Transportation Study.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

AUDIT SCHEDULE AND REPORT REQUIREMENTS

Audit Calendar

The auditors must be able to substantially adhere to the following timeline for the audit:

- Preliminary and fieldwork completed by mid-November
- Draft reports completed by mid-December
- Final printed and bound reports by mid-January
- Presentation and discussion of the Audit to the Kalamazoo Area Transportation Study Policy Committee on the last Wednesday of January

If the proposing firm sees any problem with meeting this schedule, it should be noted in the proposal with an alternate schedule.

Deliverables

The independent auditor shall type, reproduce and assemble the following reports and

submit as noted:

1. 40 hard copies of the Financial Statements
2. 40 hard copies of the Single Audit Report (if applicable)
3. Electronic PDF copy of the Financial Statements
4. Management letter
5. Submission to the State of Michigan as required
6. Other State or Federal required reports

ASSISTANCE TO BE PROVIDED TO THE AUDITOR

The responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the Auditor. Documents and records must not be removed from the Kalamazoo Area Transportation Study offices.

The Kalamazoo Area Transportation Study will provide the Auditor with reasonable workspace, desks, and chairs. The firm will also be provided with reasonable access to telephone lines, photocopiers and internet access.

Report preparation, editing, and printing will be the sole responsibility of the selected Auditor.

PROPOSAL REQUIREMENTS

Deadlines to Submit Proposal

Completed proposals must be received by Monday, July 14, 2017 by noon.
Policy Committee action to award bids is expected on Wednesday, July 26, 2017.

Submittal Requirements

The proposal shall be labeled clearly with: **Request for FY 2017-2019 Auditing Services Proposals** and addressed to:

Kalamazoo Area Transportation Study
ATTN: Monica Zehner
5220 Lovers Lane, Ste. 110
Portage, MI 49002

Independence

The firm should provide an affirmative statement that it is independent of the Kalamazoo Area Transportation Study as defined by generally accepted auditing standards.

Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time and a part-time basis.

The firm should identify the principal supervisory and management staff including engagement partners, managers, other supervisors and staff, who would be assigned to the audit, to the extent possible. The firm should also provide information on the government auditing experience of each person and their experience with auditing Metropolitan Planning Organizations, Regional Planning Organizations, and other sub-grantees of federal funding

through the Michigan Department of Transportation.

Similar Engagements with Other Government Entities

For the firm's office and personnel that will be assigned responsibility for the audit, list the most significant engagements performed in the past three years that are similar to the engagement described in this request for proposal. Indicate the scope of work and the name and telephone number of the principal client contact.

Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from KATS.

Total All-Inclusive Maximum Price

Attachment A must be completed and signed. Attachment A's price should specify all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum not to exceed price is to include all direct and indirect costs including all out-of-pocket expenses.

Any additional expenses that will be anticipated for implementing any new State or Federal requirements must be included in the all-inclusive maximum price, unless specifically noted herein.

Other

Please include any other information that would be helpful in assisting the Kalamazoo Area Transportation Study to make an informed decision in the selection process. Focus on the evaluation criteria.

EVALUATION CRITERIA AND FINAL SELECTION

The Kalamazoo Area Transportation Study will select a firm based upon its review of the proposals submitted. The Kalamazoo Area Transportation Study may request clarification of any items in the proposal.

Factors to be used in evaluating the proposals include:

Mandatory Elements

1. The audit firm is independent and licensed to practice in the State of Michigan.
2. The audit firm's professional personnel have received adequate continuing professional education within the preceding three years.
3. The firm has no conflicts of interest with regard to any other work performed by the firm for the Kalamazoo Area Transportation Study.
4. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
5. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
6. The firm has an understanding of the specific needs of the Kalamazoo Area Transportation Study as it relates to the audit engagement.

Technical Qualifications

- 1. The firm exhibits expertise based on past experience and performance on comparable government engagements.
- 2. The education and experience of the firm’s professional personnel to be assigned to the engagement.

Other Factors That May Be Considered

- 1. Past performance on related projects for the Kalamazoo Area Transportation Study.
- 2. Other items the consultant may include deemed pertinent to this project.

Price Consideration

Cost will be an important, but not primary factor in the selection of an audit firm.

INDEMNITY AND INSURANCE

HOLD HARMLESS-If the acts or omissions of the Contractor/Vendor or its employees, agents or officers, cause injury to person or property, the Contractor/Vendor shall defend, indemnify and save harmless the Kalamazoo Area Transportation Study, its agents, officials, and employees against all claims, judgments, losses, damages, demands, and payments of any kind to persons or property to the extent occasioned from any claim or demand arising therefrom.

INSURANCE-The Contractor shall furnish within (10) days of Notice of Award, certificate(s) of insurance providing insurance coverage as follows:

Workers' Compensation Insurance - Covering all persons engaged in work under this contract to the full statutory limits stipulated in the Michigan Workers' Compensation Act, including Employer's liability of \$500,000.

Commercial Liability Insurance - Including premises and operations, including XCU coverage, if the nature of the contract requires XC or U work. Product and completed operations, contractual and independent contractor's protection with limits as follows:

Bodily Injury \$1,000,000 occurrence/ \$1,000,000 aggregate

Property Damage \$ 500,000 occurrence/ \$ 500,000 aggregate
or

Bodily Injury/
Property Damage \$1,000,000 CSL

(C) Automobile Liability Insurance - Including owned, non-owned and hired motor vehicles as well as Michigan Property Protection Insurance as required by statute. Limits as follows:

Bodily Injury \$ 1,000,000 occurrence/ \$ 1,000,000 aggregate

Property Damage \$ 300,000 occurrence/ \$ 300,000 aggregate
or

Bodily Injury/
Property Damage \$ 1,000,000 CSL

The above requirements should not be interpreted to limit the liability of the Contractor under this contract. All Insurers shall be either licensed or authorized to do business in the State of

Michigan.

These coverages shall protect the Contractor, its employees, agents, representatives and subcontractors against claims arising out of the work performed.

The Kalamazoo Area Transportation Study and the Michigan Department of Transportation, their officials, agents and employees shall be included as additional insured with respect to all liability policies herein.

It shall be the Contractor's responsibility to provide similar insurance for each subcontractor or to provide evidence that each subcontractor carries such insurance in like amount prior to the time such subcontractor proceeds to perform under the contract.

TERMS AND CONDITIONS

PAYMENTS- Payment in full will be made after the engagement is completed and all reports have been issued and presented. Unless otherwise specified by KATS in this proposal, the consultant will be paid not more than forty-five (45) days after receipt of a properly executed invoice, the sum stipulated herein for service rendered and accepted. It is the firm's responsibility to bill for these payments. Payments are processed by KATS after receipt of an original invoice from the consultant and approval by the department.

CHANGES AND/OR CONTRACT MODIFICATIONS-KATS reserves the right to increase or decrease services or requirements, or make any changes necessary at any time during the term of this contract, or any negotiated extension thereof. Price adjustments due to any of the foregoing changes shall be negotiated and mutually agreed upon by the Consultant and KATS.

LAWS, ORDINANCES AND REGULATIONS-The consultant shall keep fully informed of all local, state and federal laws, ordinances, and regulations in any manner affecting those engaged or employed in the work and the equipment used. The consultant and/or employees shall, at all times, serve and comply with such laws, ordinances and regulations. Any permits, licenses, certificates or fees required for the performance of the work shall be obtained and paid for by the consultant. This contract shall be governed by the laws of the State of Michigan.

DEFAULT-KATS may at any time, by written notice to the consultant, terminate this contract and the consultant's right to proceed with the work, for just cause, which shall include, but is not limited to the following:

- Failure to provide insurance and bonds (when called for), in the exact amounts and within the time specified or any extension thereof.
- Failure to perform the services within the time specified herein, or any extension thereof.
- Failure to make progress if such failure endangers performance of the contract in accordance with its terms.
- Failure to perform in compliance with any provision of the contract.
- Standard of Performance - Consultant guarantees to perform the services rendered herein in accordance with the accepted standards of the industry or industries concerned herein, except that if the specifications calls for higher standards, then such higher standards shall be provided.

Upon notice by KATS of the Consultant's failure to comply with such standards or to otherwise be in default of this contract in any manner following the Notice to Proceed, the consultant shall immediately remedy said defective performance in a manner acceptable to KATS. Should the consultant fail to immediately correct said defective performance, said

failure shall be considered a breach of this contract and grounds for termination of the same by KATS.

In the event of any breach of this contract by the consultant, the consultant shall pay any cost to KATS caused by said breach including but not limited to the replacement cost of such services with another consultant.

KATS reserves the right to withhold any or all payments until any defects in performance have been satisfactorily corrected.

In the event the consultant is in breach of this contract in any manner, and such breach has not been satisfactorily corrected, KATS may bar the consultant from being awarded any future KATS contracts.

All remedies available to KATS herein are cumulative and the election of one remedy by KATS shall not be a waiver of any other remedy available to KATS, either listed in this contract or available by operation of law.

TERMINATION-This Agreement may be terminated by either KATS or the Consultant by giving written notice at least thirty (30) days prior to the date of termination.

In the event of such termination by the consultant, KATS, together with any other remedies which are legally available, may withhold any subsequent payment due under this agreement until such time as the services required to be performed under this Agreement have been completed by another consultant. In the event that KATS incurs additional expenses caused directly or indirectly by the termination of this Agreement, together with such other remedies as are legally available, KATS shall be entitled to deduct such expenses from any unpaid amount due to the consultant under this agreement.

In the event of such termination by KATS, KATS shall pay the consultant for services and reimbursable expenses performed or incurred prior to the termination date plus all costs and expenses directly attributable to such termination for which the consultant is not otherwise compensated.

INDEPENDENT CONTRACTOR-At all times the consultant, any of its employees, or its sub-contractors, and their subsequent employees shall be considered independent contractors and not as KATS employees. The Contractor shall exercise all supervisory control and general control over all workers' duties, payment of wages to Contractor's employees and the right to hire, fire, and discipline their employees and workers. As an independent contractor, payment under this contract shall not be subject to any withholding for tax, social security or other purposes, nor shall the Contractor or its employees be entitled to KATS paid sick leave, pension benefit, vacation, medical benefits, life insurance or workers' unemployment compensation or the like.

CONFLICT OF INTEREST-The consultant shall not be allowed to work as a contractor or sub-contractor on any project within the scope of this contract which constitutes a conflict of interest.

NO WAIVER-Either party's failure to insist on strict performance of any term or condition of the contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

NON-DISCRIMINATION CLAUSE FOR ALL KALAMAZOO AREA TRANSPORTATION STUDY (KATS) CONTRACTS

The Contractor agrees to comply with the Federal Civil Rights Act of 1964 as amended; the Federal Civil Rights Act of 1991 as amended; the Americans With Disabilities Act of 1990 as

amended; the Elliott-Larson Civil Rights Act, Act. No. 453, Public Act of 1976 as amended; the Michigan Handicappers Civil Rights Act, Act No. 220, Public Act of 1976 as amended, and all other applicable Federal and State laws. The Contractor agrees as follows:

1. The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, sex, age, height, weight, marital status, physical or mental disability, family status, sexual orientation or gender identity that is unrelated to the individual's ability to perform the duties of the particular job or position. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment advertising, layoff or termination; rates of pay or other forms of compensations; and selection for training, including apprenticeship.
2. The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, sex, age, height, weight, marital status, physical or mental disability family status, sexual orientation or gender identity that is unrelated to the individual's ability to perform the duties of the particular job or position.
3. If requested by KATS, the Contractor shall furnish information regarding practices, policies and programs and employment statistics for the Contractor and subcontractors. The Contractor and subcontractors shall permit access to all books, records and accounts regarding employment practices by agents and representatives of KATS duly charged with investigative duties to assure compliance with this clause.
4. Breach of the covenants herein may be regarded as a material breach of the contract or purchasing agreement as provided in the Elliott-Larsen Civil Rights Act and City Ordinance 1856.
5. The Contractor will include or incorporate by reference the provisions of the foregoing paragraphs 1 through 4 in every subcontract or purchase order unless exempted by the rules, regulations or orders of the Michigan Civil Rights Commission* and will provide in every subcontract or purchase order that said provision will be binding upon each subcontractor or seller.
6. The Contractor will not preclude a person with a criminal conviction from being considered for employment unless otherwise precluded by federal or state law (for contracts over \$25,000).

The Elliott-Larson Civil Rights Act, Sec. 202 of Act. No. 453 of 1976 reads in part as follows:

Sec. 202. (1) An employer shall not:

- (a) Fail or refuse to hire, or recruit, or discharge or otherwise discriminate against an individual with respect to employment, compensation, or a term condition or privilege of employment because of religion, race, color, national origin, age, sex, height, weight or marital status.
- (b) Limit, segregate or classify an employee or applicant for employment in a way which deprives or tends to deprive the employee or applicant of an employment opportunity or otherwise adversely affects the status of an employee or applicant because of religion, race, color, national origin, age, sex, height, weight or marital status.
- (c) Segregate, classify or otherwise discriminate against a person on the basis of sex with respect to a term, condition or privilege of employment, including a benefit plan or system.

* Except for contracts entered into with parties employing less than three employees.

ATTACHMENT A: PRICE PROPOSAL

Firm Submitting Proposal: _____

Proposed Fee:

Year	Financial Statements	Single Audit	Total
2017	\$	\$	\$
2018	\$	\$	\$
2019	\$	\$	\$

I hereby state that all of the information I have provided is true, accurate and complete. I hereby state that I have the authority to submit this proposal which will become a binding contract if accepted by the KATS. I hereby state that I have not communicated with nor otherwise colluded with any other bidder, nor have I made any agreement with nor offered/accepted anything of value to/from an official or employee of the City of Kalamazoo that would tend to destroy or hinder free competition.

The consultant's identification information provided will be used by KATS for purchase orders, payment and other contractual purposes. If the contractual relationship is with, or the payment made to, another consultant please provide a complete explanation on your letterhead and attach to your proposal. Please provide for accounts payable purposes:

Tax Identification Number (Federal ID): _____

Remittance Address: _____

I hereby state that I have read, understand and agree to be bound by all terms and conditions of this proposal document.

SIGNED: _____ NAME: _____
(Type or Print)

TITLE: _____ DATE: _____

FIRM NAME: _____

ADDRESS:

(Street address) (City) (State) (Zip)

PHONE: _____ FAX NUMBER: _____

FOR KATS USE ONLY

SIGNED: _____ NAME: _____
(Type or Print)

TITLE: _____ DATE: _____

ATTACHMENT B: FY 2015-2016 FINANCIAL STATEMENTS

**Kalamazoo Area Transportation Study
Kalamazoo, Michigan**

FINANCIAL STATEMENTS

September 30, 2016 and 2015

Kalamazoo Area Transportation Study

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Principals

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



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

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, 2016 and 2015, 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, 2016 and 2015, 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 opinions 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 19, 2017, 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 19, 2017

Kalamazoo Area Transportation Study

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016 and 2015

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, 2016 and 2015. 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 \$173,411, or approximately 23% of total expenses. This increased from the prior year, which was approximately 17% of last year's total expenses.
- Revenues decreased by \$100,580, or approximately 11 percent, from the prior year. In fiscal year 2016, the Study received less local unit contributions compared to the prior year.
- Expenses decreased by \$126,447, or approximately 14 percent, from the prior year. In fiscal year 2016, the Study had reduced costs for long range planning.

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 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, 2016 and 2015

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, 2016 and 2015. 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, 2016</u>	<u>Sept. 30, 2015</u>	<u>Sept. 30, 2014</u>
Current Assets	\$ 312,199	\$ 353,186	\$ 428,469
Capital Assets, net	<u>-</u>	<u>724</u>	<u>2,462</u>
Total Assets	312,199	353,910	430,931
Current Liabilities	115,098	197,792	234,780
Noncurrent Liabilities	<u>23,690</u>	<u>8,574</u>	<u>48,607</u>
Total Liabilities	138,788	206,366	283,387
Investment in Capital Assets	-	724	2,462
Unrestricted	<u>173,411</u>	<u>146,820</u>	<u>145,082</u>
Total Net Position	<u>\$ 173,411</u>	<u>\$ 147,544</u>	<u>\$ 147,544</u>

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

	<u>Year Ended</u>		
	<u>Sept. 30, 2016</u>	<u>Sept. 30, 2015</u>	<u>Sept. 30, 2014</u>
Revenues			
Grant Revenues	\$ 499,910	\$ 517,690	\$ 720,520
Local Contributions (in-kind)	241,355	314,439	315,808
Other	<u>42,154</u>	<u>51,870</u>	<u>47,643</u>
Total Revenues	783,419	883,999	1,083,971
Expenses	<u>757,552</u>	<u>883,999</u>	<u>1,083,971</u>
Change in Net Position	<u>\$ 25,867</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Kalamazoo Area Transportation Study

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016 and 2015

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.

The Study's operating revenues decreased by approximately 11% over the prior year. Expenses decreased by approximately 14% over the prior year, as the Study did not contract for consultant work over the usual activities for the ADA Bus Stop Study and reduced costs associated with the Travel Demand Model contract.

CAPITAL ASSETS

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

	<u>Sept. 30, 2016</u>	<u>Sept. 30, 2015</u>	<u>Sept. 30, 2014</u>
Furniture and equipment	\$ 17,775	\$ 17,775	\$ 17,775
Less: Accumulated depreciation	<u>(17,775)</u>	<u>(17,051)</u>	<u>(15,313)</u>
Net capital assets	<u>\$ -0-</u>	<u>\$ 724</u>	<u>\$ 2,462</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 E 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 F 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. With the exception of fiscal year 2014, 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 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 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 172,100	\$ 152,058
Due from other governmental units	4,776	22,278
Due from grantors	120,149	167,192
Prepaid expenses	<u>15,174</u>	<u>11,658</u>
Total current assets	312,199	353,186
Noncurrent assets		
Capital assets	17,775	17,775
Less: accumulated depreciation	<u>(17,775)</u>	<u>(17,051)</u>
Total noncurrent assets	<u>-0-</u>	<u>724</u>
TOTAL ASSETS	312,199	353,910
LIABILITIES		
Current liabilities		
Accounts payable	8,454	21,009
Accrued liabilities	3,425	11,625
Due to grantors	72,939	94,351
Due to local agencies	7,554	37,329
Unearned revenue	200	100
Current portion of compensated absences	<u>22,526</u>	<u>33,378</u>
Total current liabilities	115,098	197,792
Noncurrent liabilities		
Noncurrent portion of compensated absences	<u>23,690</u>	<u>8,574</u>
TOTAL LIABILITIES	138,788	206,366
NET POSITION		
Investment in capital assets	-	724
Unrestricted	<u>173,411</u>	<u>146,820</u>
TOTAL NET POSITION	<u>\$ 173,411</u>	<u>\$ 147,544</u>

See accompanying notes to financial statements.

Kalamazoo Area Transportation Study

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
REVENUES		
Federal grants	\$ 413,038	\$ 433,677
State grants	86,872	84,013
Local unit contributions	241,355	314,439
Other	<u>42,154</u>	<u>51,870</u>
TOTAL REVENUES	783,419	883,999
EXPENSES		
Program management	40,484	49,044
Short range planning	159,002	103,561
System surveillance and monitoring	201,870	236,786
Transportation system management and operations	22,874	62,242
Long range planning	242,186	353,427
Other	<u>91,136</u>	<u>78,939</u>
TOTAL EXPENSES	<u>757,552</u>	<u>883,999</u>
CHANGE IN NET POSITION	25,867	-0-
Net position, beginning of year	<u>147,544</u>	<u>147,544</u>
Net position, end of year	<u>\$ 173,411</u>	<u>\$ 147,544</u>

See accompanying notes to financial statements.

Kalamazoo Area Transportation Study

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 25,867	\$ -
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation	724	1,738
(Increase) decrease in:		
Due from other governmental units	17,502	(8,096)
Due from grantors	47,043	93,387
Prepaid expenses	(3,516)	(1,535)
Increase (decrease) in:		
Accounts payable	(12,555)	(160,176)
Accrued liabilities	(8,200)	11,625
Due to grantors	(21,412)	67,244
Due to local agencies	(29,775)	36,473
Unearned revenue	100	(2,800)
Compensated absences	4,264	(29,387)
	<u>20,042</u>	<u>8,473</u>
NET INCREASE IN CASH		
Cash, beginning of year	<u>152,058</u>	<u>143,585</u>
Cash, end of year	<u>\$ 172,100</u>	<u>\$ 152,058</u>

See accompanying notes to financial statements.

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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 over 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 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:

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 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.

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, 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

September 30, 2016 and 2015

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, 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 total 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.

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. Cash

Cash consists of the Study's checking account.

6. Due From Other Governmental Units

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

7. Due From Grantors

Receivables consist of amounts due from grantors for contractual agreements.

8. Prepaid Expenses

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

9. 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 materially 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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NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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 Position.

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/or 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: CASH

In accordance with Michigan Compiled Laws, the Study is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. 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.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE B: CASH - CONTINUED

Deposits

There is a custodial risk as it relates to 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, the carrying amounts and bank balances for the accounts were as follows:

<u>Account Type</u>	<u>2016</u>		<u>2015</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	<u>\$ 172,100</u>	<u>\$ 176,086</u>	<u>\$ 152,058</u>	<u>\$ 152,421</u>

Deposits of the Study are at a federally insured bank located in the State of Michigan with an account maintained in the name of the Study. The bank balances as of September 30, 2016 and 2015, were fully insured by the FDIC.

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). As of September 30, 2016 and 2015, the Study did not have any investments that would be subject to rating.

Interest rate risk

The Study has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fail due to changes in market interest rates.

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.

Custodial credit risk

The Study has not adopted a policy that indicates how the Study will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE C: DUE FROM/TO GRANTORS

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

	2016		2015	
	Due From	Due To	Due From	Due To
Federal				
FHWA Section 112	\$ 92,608	\$ 67,512	\$ 59,343	\$ 81,778
FTA Section 8	5,567	3,040	51,993	10,186
Region 3 Rural Task Force Program	-	-	2,429	-
State				
Asset Management	5,657	2,387	5,500	2,387
Region 3 Asset Management	10,645	-	31,584	-
Region 3 - CTF	-	-	5,000	-
Region 3 Regional Transportation Planning Work Program	3,880	-	10,736	-
Region 3 Rural Task Force Program	952	-	607	-
Local				
Regional Prosperity Initiative	840	-	-	-
	<u>\$ 120,149</u>	<u>\$ 72,939</u>	<u>\$ 167,192</u>	<u>\$ 94,351</u>

NOTE D: 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.

	2016			2015		
	Grant Costs Submitted	Additional Project Effort	Total	Grant Costs Submitted	Additional Project Effort	Total
Kalamazoo Area						
Transportation Study	\$ 499,910	\$ -	\$ 499,910	\$ 517,691	\$ -	\$ 517,691
Local Match						
Road Commission of						
Kalamazoo County	9,290	15,191	24,481	9,803	14,692	24,495
City of Kalamazoo	8,070	13,195	21,265	32,849	128,658	161,507
City of Portage	7,411	12,119	19,530	6,779	17,411	24,190
Van Buren County						
Road Commission	1,976	3,232	5,208	2,948	6,584	9,532
Other agencies	64,841	106,028	170,869	45,924	96,309	142,233
Total grant expenses	591,498	149,765	741,263	615,994	263,654	879,648
Other expenses	16,289	-	16,289	4,351	-	4,351
	<u>\$ 607,787</u>	<u>\$ 149,765</u>	<u>\$ 757,552</u>	<u>\$ 620,345</u>	<u>\$ 263,654</u>	<u>\$ 883,999</u>

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance Oct. 1, 2015	Additions	Disposals	Balance Sept. 30, 2016
Capital assets being depreciated				
Furniture and equipment	\$ 17,775	\$ -	\$ -	\$ 17,775
Less accumulated depreciation for:				
Furniture and equipment	(17,051)	(724)	-	(17,775)
Net capital assets	<u>\$ 724</u>	<u>\$ (724)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance Oct. 1, 2014	Additions	Disposals	Balance Sept. 30, 2015
Capital assets being depreciated				
Furniture and equipment	\$ 17,775	\$ -	\$ -	\$ 17,775
Less accumulated depreciation for:				
Furniture and equipment	(15,313)	(1,738)	-	(17,051)
Net capital assets	<u>\$ 2,462</u>	<u>\$ (1,738)</u>	<u>\$ -0-</u>	<u>\$ 724</u>

NOTE F: 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, 2016:

	Balance Oct. 1, 2015	Earned	Used	Balance Sept. 30, 2016	Amount Due Within One Year
Compensated absences	<u>\$ 41,952</u>	<u>\$ 24,712</u>	<u>\$ (20,448)</u>	<u>\$ 46,216</u>	<u>\$ 22,526</u>

The following is a summary of changes in long-term obligations (including current portion) of the Study for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Earned	Used	Balance Sept. 30, 2015	Amount Due Within One Year
Compensated absences	<u>\$ 71,339</u>	<u>\$ 27,372</u>	<u>\$ (56,759)</u>	<u>\$ 41,952</u>	<u>\$ 33,378</u>

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 are divided between a current and noncurrent portion, and the total amount is recorded as a liability in the Statement of Net Position.

Kalamazoo Area Transportation Study

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE G: 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 of 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 percent of full-time employees' base earnings. In accordance with these requirements, the Study contributed \$14,849, during the year ended September 30, 2016. For the year ended September 30, 2015, the Study contributed \$11,116 to the plan.

NOTE H: 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 percent of each employee's contributions to the deferred compensation plan. For the year ended September 30, 2016, the Study contributed \$9,362 to the plan. For the year ended September 30, 2015, the Study contributed \$9,218 to the plan.

NOTE I: 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 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, electronic data processing systems, and inland marine losses. The pool is organized under Public Act 138 of 1982, as amended. Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

NOTE J: 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.

OTHER SUPPLEMENTARY INFORMATION

Kalamazoo Area Transportation Study

SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL

Year Ended September 30, 2016

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						
Program management	\$ 39,184	\$ 493	\$ 39,677	\$ 807	\$ 40,484	\$ 51,746
Short range planning						
Short range planning	145,338	5,185	150,523	8,479	159,002	156,764
System surveillance and monitoring						
System surveillance and monitoring	43,051	32,176	75,227	52,613	127,840	55,803
Transit data collection	5,818	21,322	27,140	34,865	62,005	13,790
Asset management	12,025	-	12,025	-	12,025	20,000
Transportation system management and operations	18,193	1,776	19,969	2,905	22,874	22,604
Long range planning						
Long range planning	135,198	9,342	144,540	15,276	159,816	151,080
Transit planning	26,256	21,294	47,550	34,820	82,370	26,758
Pedestrian, transit and greenway project	-	-	-0-	-	-0-	135,000
Subtotals	425,063	91,588	516,651	149,765	666,416	633,545
Other program costs						
Region 3	72,467	-	72,467	-	72,467	106,000
Regional Prosperity Initiative	2,380	-	2,380	-	2,380	-
Total grant expenses	499,910	91,588	591,498	149,765	741,263	739,545
Other expenses	16,289	-	16,289	-	16,289	-
TOTAL EXPENSES	<u>\$ 516,199</u>	<u>\$ 91,588</u>	<u>\$ 607,787</u>	<u>\$ 149,765</u>	<u>\$ 757,552</u>	<u>\$ 739,545</u>

Kalamazoo Area Transportation Study

SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL

Year Ended September 30, 2016

**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 management						
Program management	\$ 39,184	\$ 493	\$ 39,677	\$ 807	\$ 40,484	\$ 51,746
Short range planning						
Short range planning	145,338	5,185	150,523	8,479	159,002	156,764
System surveillance and monitoring						
System surveillance and monitoring	43,051	32,176	75,227	52,613	127,840	55,803
Transit data collection	5,818	21,322	27,140	34,865	62,005	13,790
Transportation system management and operations	18,193	1,776	19,969	2,905	22,874	22,604
Long range planning						
Long range planning	135,198	9,342	144,540	15,276	159,816	151,080
Transit planning	26,256	21,294	47,550	34,820	82,370	26,758
Pedestrian, transit and greenway project	-	-	-0-	-	-0-	135,000
TOTAL EXPENSES	<u>\$ 413,038</u>	<u>\$ 91,588</u>	<u>\$ 504,626</u>	<u>\$ 149,765</u>	<u>\$ 654,391</u>	<u>\$ 613,545</u>

Kalamazoo Area Transportation Study

SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL

Year Ended September 30, 2016

Grant - MTF FY16 Asset Management

	<u>KATS</u>	<u>Budget</u>
System surveillance and monitoring		
Asset management	<u>\$ 12,025</u>	<u>\$ 20,000</u>

Kalamazoo Area Transportation Study

SCHEDULE OF EXPENSES BY FUNDING SOURCE - BUDGET AND ACTUAL

Year Ended September 30, 2016

Grant - Region 3 Regional Transportation Planning Work Program

MTF	<u>KATS</u>	<u>Budget</u>
Program management	\$ 10,877	\$ 10,847
Technical assistance to MDOT	3,207	6,000
Technical assistance to member agencies	4,213	11,560
Access management	-	506
Byway program	-	1,954
Non-motorized mapping and investment plan	600	1,586
Rural safety planning	3,665	1,547
	<u>\$ 22,562</u>	<u>\$ 34,000</u>

Grant - Region 3 Rural Task Force and Small Urban Program

	<u>KATS</u>	<u>Budget</u>
Management of rural task force process	\$ 15,138	\$ 16,043
Public involvement and consultation process for non-metropolitan areas	3,154	2,494
Public involvement for air quality conformity	243	463
	<u>\$ 18,535</u>	<u>\$ 19,000</u>

Grant - Region 3 Asset Management

MTF	<u>KATS</u>	<u>Budget</u>
Asset management	\$ 31,370	\$ 53,000
Grant - Regional Prosperity Initiative (as submitted to Southwest Michigan Planning Commission)	2,380	-
	<u>\$ 33,750</u>	<u>\$ 53,000</u>

Kalamazoo Area Transportation Study
SCHEDULE OF BUDGETED AND ACTUAL COSTS
Year Ended September 30, 2016

Costs	Budget	Percent	Actual	Percent
Direct salaries	\$ 300,353	100.00%	\$ 256,318	100.00%
Fringe benefits				
Wages allocated to fringe	22,227		33,858	
Social security/Medicare	26,665		22,363	
Health insurance	48,050		46,378	
Dental and vision insurance	4,000		3,799	
Unemployment insurance	2,500		-	
Healthcare reimbursement account	3,160		3,559	
Life, short term, & long term insurance	5,200		4,776	
Retirement	25,990		25,211	
Workers' compensation	1,500		995	
Subtotals	139,292	46.38%	140,939	54.99%
Fringe cost allocation base	300,353		256,318	
Indirect costs				
Office space	25,000		20,604	
Equipment	19,000		18,485	
Accounting services	8,000		6,460	
Legal services	1,000		-	
Legal notices	3,500		-	
Payroll services	2,100		1,655	
ADA accommodations	500		-	
Telephone/internet services/website	3,950		2,858	
Postage	1,000		542	
Copy and printing	1,500		-	
Supplies	12,000		6,147	
Equipment maintenance and repair	1,000		-	
Insurances	2,800		2,555	
Computer software	5,000		1,381	
Memberships	1,000		734	
Subscriptions	500		-	
Conferences	20,000		17,715	
Depreciation	725		724	
Subtotals	108,575	24.70%	79,860	20.10%
Indirect cost allocation base	439,645		397,257	
Direct costs	191,325		22,793	
Total allowable and allocable costs	739,545		499,910	
Other costs				
Other	-		16,289	
TOTAL COSTS	\$ 739,545		\$ 516,199	

Principals

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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, 2016 and 2015, 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 19, 2017.

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) to determine 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 determination of financial statement amounts. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

January 19, 2017