

BATTLE CREEK TRANSIT SYSTEM

Year Ended
June 30, 2023

Financial
Statements and
Supplementary
Information

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BATTLE CREEK TRANSIT SYSTEM

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INDEPENDENT AUDITORS' REPORT

December 22, 2023

To the Honorable Mayor and
Members of the City Commission
City of Battle Creek, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Battle Creek Transit System** (the "System"), an enterprise fund of the City of Battle Creek, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Reporting Entity

As discussed in Note 1, the financial statements present only the ***Battle Creek Transit System*** and do not purport to, and do not, present fairly the financial position of the City of Battle Creek, Michigan, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplementary schedules required for the Michigan Bureau of Passenger Transportation (excluding the nonfinancial data schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Schedule 4N - Urban (Less than 100,000) Regular Service Nonfinancial Report and Schedule 4N - New Freedom Regular Service Nonfinancial Report, 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

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BASIC FINANCIAL STATEMENTS

BATTLE CREEK TRANSIT SYSTEM

Statement of Net Position

June 30, 2023

Assets

Current assets:

Due from other governments	\$ 2,013,428
Accounts receivable	9,014
Inventory	121,133
Total current assets	<u>2,143,575</u>

Noncurrent assets:

Capital assets not being depreciated	160,463
Capital assets being depreciated, net	1,533,001
Total noncurrent assets	<u>1,693,464</u>

Total assets	<u>3,837,039</u>
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Deferred outflows of resources

Deferred pension amounts	1,266,658
Deferred other postemployment benefit amounts	<u>272,609</u>

Total deferred outflows of resources	<u>1,539,267</u>
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Liabilities

Current liabilities:

Accounts payable	113,170
Compensated absences, current portion	76,725
Interfund payable to other funds of the City	1,070,223
Unearned revenue	6,553
Total current liabilities	<u>1,266,671</u>

Noncurrent liabilities:

Compensated absences	8,526
Net pension liability	7,624,553
Net other postemployment benefit liability	1,375,342
Total noncurrent liabilities	<u>9,008,421</u>

Total liabilities	<u>10,275,092</u>
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Deferred inflows of resources

Deferred pension amounts	52,095
Deferred other postemployment benefit amounts	<u>1,580,183</u>

Total deferred inflows of resources	<u>1,632,278</u>
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Net position

Investment in capital assets	1,693,464
Unrestricted (deficit)	<u>(8,224,528)</u>

Total net position	<u>\$ (6,531,064)</u>
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The accompanying notes are an integral part of these financial statements.

BATTLE CREEK TRANSIT SYSTEM

Statement of Revenues, Expenses and Change in Fund Net Position

For the Year Ended June 30, 2023

Operating revenues	
Line-haul (farebox)	\$ 252,991
Advertising	20,936
Other operating revenue	<u>161,693</u>
Total operating revenues	<u>435,620</u>
Operating expenses	
Operations	3,447,236
Maintenance	545,130
General administration	586,775
Depreciation	<u>279,163</u>
Total operating expenses	<u>4,858,304</u>
Operating loss	<u>(4,422,684)</u>
Nonoperating revenues	
Federal grants:	
Operating grant - Section 5307	1,935,293
Planning grants	311,575
State grants:	
Formula operating assistance	1,516,749
Planning grants	447,981
Local grants	<u>25,306</u>
Total nonoperating revenues	<u>4,236,904</u>
Net loss before transfers	(185,780)
Transfers in from other City funds	<u>288,946</u>
Change in net position	103,166
Net position, beginning of year	<u>(6,634,230)</u>
Net position, end of year	<u><u>\$ (6,531,064)</u></u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK TRANSIT SYSTEM

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating activities

Receipts from customers and users	\$ 286,443
Payments to suppliers	(1,122,452)
Payments to employees	(3,438,197)
Payments for interfund services	(12,526)

Net cash used in operating activities (4,286,732)

Cash flows from noncapital financing activities

Transfers in from other City funds	288,946
Local grants	25,306
Federal and state grants	4,423,506

Net cash provided by noncapital financing activities 4,737,758

Cash flows from capital and related financing activities

Purchase of capital assets	(451,026)
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Net change in pooled cash and investments -

Pooled cash and investments, beginning of year -

Pooled cash and investments, end of year \$ -

Reconciliation of operating loss

to net cash used in operating activities

Operating loss	\$ (4,422,684)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	279,163
Changes in assets and liabilities:	
Accounts receivable	(5,730)
Inventory	14,768
Accounts payable	67,486
Compensated absences	5,222
Interfund payable to other funds of the City	(40,060)
Unearned revenue	(143,447)
Net pension liability	1,444,258
Deferred outflows related to the net pension liability	(375,200)
Deferred inflows related to the net pension liability	(643,059)
Net other postemployment benefit liability	(108,419)
Deferred outflows related to the net other postemployment benefit liability	156,941
Deferred inflows related to the net other postemployment benefit liability	(515,971)

Net cash used in operating activities \$ (4,286,732)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Battle Creek Transit System (the “System”) is an enterprise fund of the City of Battle Creek, Michigan (the “City”). The System provides public transportation services to users in the City and portions of the surrounding area. The accounting policies of the System conform with generally accepted accounting principles as applicable to proprietary funds. A summary of significant accounting policies follows.

Reporting Entity

These financial statements present the financial condition, results of operations and cash flows of an enterprise fund of the City and are an integral part of that reporting entity. The System is not a component unit of the City or any other reporting entity.

Basis of Accounting

The System uses a fund (i.e., a separate accounting entity with a self balancing set of accounts) to report its financial position, the results of its operations and its cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

The System is operated as an enterprise fund, which is used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Enterprise funds are accounted for on the flow of *economic resources measurement focus* and use the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Pooled Cash and Investments

The System’s pooled cash and investments, if any, represents amounts deposited entirely in the City’s internal cash management pool.

Inventory

Inventory is valued at cost using the first-in/first-out method.

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

Capital Assets

Capital assets, which include property and equipment, are reported at cost or, if donated, at their estimated acquisition cost as of the date of donation. The System defines capital assets as assets with an initial, individual cost of \$10,000 or more and estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The System's capital assets are depreciated using the straight line method over the following estimated useful lives:

	Years
Land improvements	5-50
Buildings	50
Equipment	3-10
Vehicles	7-10

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. Sick pay benefits are not provided pursuant to the City's short-term disability program.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then. The System reports deferred outflows of resources related to the net pension and other postemployment benefit liabilities. A portion of these costs represent contributions to the pension plan subsequent to the plan measurement date.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources until that time. The System reports deferred inflows of resources related to its pension and other postemployment benefit plans.

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefit liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefit expense, information about the fiduciary net position and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Complete information regarding the System's pension and other postemployment benefit plans can be found in the City's annual comprehensive financial report.

2. POOLED CASH AND INVESTMENTS

The System, along with the various other funds of the City, participates in the City's pooled cash management accounts. At June 30, 2023 the System had a negative cash balance in the City's cash pool of \$1,070,223, which is reported in the accompanying statement of net position as an interfund payable. Information regarding this internal cash management pool is presented in the City's annual comprehensive financial report.

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

3. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 66,499	\$ -	\$ -	\$ 66,499
Construction in progress	-	93,964	-	93,964
Total capital assets not being depreciated	66,499	93,964	-	160,463
Capital assets being depreciated:				
Land improvements	104,108	-	(64,440)	39,668
Buildings	2,907,148	-	-	2,907,148
Equipment	525,589	-	(25,870)	499,719
Vehicles	3,641,121	357,062	(559,029)	3,439,154
	7,177,966	357,062	(649,339)	6,885,689
Less accumulated depreciation for:				
Land improvements	(104,108)	-	64,440	(39,668)
Buildings	(2,302,797)	(102,038)	-	(2,404,835)
Equipment	(449,974)	(20,563)	25,870	(444,667)
Vehicles	(2,865,985)	(156,562)	559,029	(2,463,518)
	(5,722,864)	(279,163)	649,339	(5,352,688)
Total capital assets being depreciated, net	1,455,102	77,899	-	1,533,001
System capital assets, net	\$ 1,521,601	\$ 171,863	\$ -	\$ 1,693,464

4. RISK MANAGEMENT

The System participates in the City's self-insurance program for liability and worker's compensation insurance coverage. Property insurance coverage is provided by commercial carriers through the City's self-insurance fund.

5. MICHIGAN DEPARTMENT OF TRANSPORTATION (MDOT) ASSURANCES

The methodology used for compiling miles for Regular Service and New Freedom Service have been reviewed and the recording method has been found to be adequate and reliable.

Depreciation expense included as eligible only includes assets purchased with local funds where the useful life of the asset was determined pursuant to Appendix A of the Local Public Transit Revenue and Expense Manual or approved by the Office of Passenger Transportation (OPT).

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

Ineligible expenses are classified appropriately according to the definition in the MDOT Local Public Transit Revenue and Expense Manual (referred to as the R&E Manual). With regards thereto, the System did not incur any expenses in order to earn the advertising revenue reported in Schedule 4R (code 40615) as a result of the vendors being responsible for advertising and the related expenses; accordingly, no expenses are subtracted out as ineligible on Schedule 4E or on Schedule 5. All expenses associated with code 40799 non-transportation are subtracted out as ineligible. The System has a cost allocation plan for data processing costs where the methodology has been approved by the Office of Passenger Transportation. This cost allocation plan was adhered to in the preparation of the financial statements. The cost allocation plan resulted in \$60,438 in allowable expenses associated with code 55008, and the remaining balance of \$16,881 was subtracted out as ineligible as they are related to the System's data processing charges and not approved within the cost allocation plan.

Expenses for retirement benefits (i.e., pension and other postemployment benefit (OPEB) contributions) are based on actual amounts paid. Therefore, such costs are eligible in accordance with the R&E Manual.

During the fiscal year, the System paid \$500,203 in defined benefit pension contributions. This amount is based on the actuarial determined contribution (ADC) and does not include any excess contributions or expense based on GASB 68. This amount is charged to code 50220 DB (defined benefit) was calculated pursuant to the methodology in the MERS Implementation Guide. Additionally, the System expensed \$425,999 during the fiscal year based on GASB 68. For the plan year October 1, 2021 through September 30, 2022, the System paid \$400,055 in defined benefit pension contributions based on ADC which was included in charge code 50220, and the amount expensed based on GASB 68 was \$(1,391,135) which is included as an ineligible expense for reimbursement and charged to code 58020. For further information on the pension plan in which the System participates, see footnote 18 of the City of Battle Creek's financial statements.

During the fiscal year, the System decreased expenses by \$467,449 for defined benefit other postemployment benefits during the fiscal year based on GASB 75. For further information on the other postemployment benefit plan in which the System participates, see footnote 19 of the City of Battle Creek's financial statements.

6. CONTINGENCIES

Amounts received or receivable under grant programs are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed or ineligible claims, including amounts already collected, may constitute a liability of the System. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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**SUPPLEMENTARY SCHEDULES
MICHIGAN BUREAU OF PASSENGER
TRANSPORTATION SCHEDULES**

BATTLE CREEK TRANSIT SYSTEM

Schedule of Local Revenues

Schedule 1

For the Year Ended June 30, 2023

	7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total
Line-haul (farebox)	\$ 69,005	\$ 183,986	\$ 252,991
Advertising	5,347	15,589	20,936
Other operating revenue	2,137	159,556	161,693
Transfers in from other City funds	234,557	54,389	288,946
Total local revenues	\$ 311,046	\$ 413,520	\$ 724,566

BATTLE CREEK TRANSIT SYSTEM

Schedule of Local Revenues

Schedule 1A

For the Year Ended September 30, 2022

	10/01/2021 through 6/30/2022	7/01/2022 through 9/30/2022	Total
Line-haul (farebox)	\$ 151,156	\$ 69,005	\$ 220,161
Advertising	37,404	5,347	42,751
Other operating revenue	12,415	2,137	14,552
Transfers in from other City funds	172,496	234,557	407,053
Total local revenues	\$ 373,471	\$ 311,046	\$ 684,517

BATTLE CREEK TRANSIT SYSTEM

Schedule of Expenditures of Federal and State Awards

Schedule 2

For the Year Ended June 30, 2023

Federal and State Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grant No./ Authorization Number	Program Award Amount
U.S. Department of Transportation			
Federal Direct Assistance:			
FY21 Section 5307 American Rescue Plan Act (ARPA)	20.507	MI-2021-014-00	\$ 1,995,184
FY21 Section 5307 Operating Assistance & 5339 Capital Projects	20.507	MI-2021-015-00	6,002,999
FY22 Section 5310 - New Freedom Program	20.513	MI-2021-055-00	207,524
FY22 Section 5310 - New Freedom Program	20.513	MI-2021-055-00	66,000
FY23 Section 5310 - New Freedom Program	20.513	MI-2021-055-01	229,995
FY23 Section 5310 - New Freedom Program	20.513	MI-2021-055-01	66,000
FY16 Section 5339 Bus & Bus Facilities Formula	20.526	MI-2016-020-04	91,660
FY21 Section 5339 Bus & Bus Facilities Formula	20.526	MI-2021-008-00	5,340,000
Michigan Department of Transportation			
Operating Assistance - Act 51 - Urban less than 100,000	N/A	N/A	1,516,749
Specialized Services 22	N/A	2022-0014/P1	108,434
Specialized Services 23	N/A	2022-0014/P5	108,434
FY16 Section 5339 Bus & Bus Facilities Formula	N/A	2012-0040/P15	22,915
FY21 Section 5339 Bus & Bus Facilities Formula	N/A	2017-0015/P14	1,335,000
FY22 Section 5310 New Freedom Program	N/A	2022-0014/P2	16,500
FY23 Section 5310 New Freedom Program	N/A	2022-0014/P3	16,500
FY19 Section 5310 100% State Services Initiatives	N/A	2017-0015/P9/R1	1,195,505

Total

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Current Year Expenditures			Prior Year Expenditures	Award Amount Remaining
Total	Federal	State		
\$ 350,603	\$ 350,603	\$ -	\$ 1,644,581	\$ -
1,530,222	1,530,222	-	-	4,472,777
32,668	32,668	-	93,113	81,743
18,817	18,817	-	42,101	5,082
21,800	21,800	-	-	208,195
41,282	41,282	-	-	24,718
75,171	75,171	-	13,108	3,381
176,305	176,305	-	-	5,163,695
1,516,749	-	1,516,749	-	-
43,802	-	43,802	64,632	-
67,185	-	67,185	-	41,249
18,793	-	18,793	3,277	845
44,076	-	44,076	-	1,290,924
4,704	-	4,704	10,524	1,272
10,321	-	10,321	-	6,179
259,100	-	259,100	419,120	517,285
<u>\$ 4,211,598</u>	<u>\$ 2,246,868</u>	<u>\$ 1,964,730</u>	<u>\$ 2,290,456</u>	<u>\$ 11,817,345</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2A

For the Year Ended June 30, 2023

	7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total
Federal grants			
Federal operating assistance - Section 5307	\$ 219,424	\$ 1,310,798	\$ 1,530,222
American Rescue Plan Act - Section 5307	350,603	-	350,603
New Freedom grant - Section 5310	32,668	21,800	54,468
	<u>602,695</u>	<u>1,332,598</u>	<u>1,935,293</u>
State of Michigan grant			
Formula operating assistance	<u>354,851</u>	<u>1,161,898</u>	<u>1,516,749</u>
Total	<u>\$ 957,546</u>	<u>\$ 2,494,496</u>	<u>\$ 3,452,042</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2B

For the Year Ended September 30, 2022

	10/01/2021 through 6/30/2022	7/01/2022 through 9/30/2022	Total
Federal grants			
CARES Act grant - Section 5307	\$ 6,920	\$ -	\$ 6,920
Federal operating assistance - Section 5307	-	219,424	219,424
American Rescue Plan Act - Section 5307	1,644,581	350,603	1,995,184
New Freedom grant - Section 5310	97,295	32,668	129,963
	<u>1,748,796</u>	<u>602,695</u>	<u>2,351,491</u>
State of Michigan grant			
Formula operating assistance	<u>1,417,683</u>	<u>354,851</u>	<u>1,772,534</u>
Total	<u>\$ 3,166,479</u>	<u>\$ 957,546</u>	<u>\$ 4,124,025</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating and Contract Expenses

Schedule 3

For the Year Ended June 30, 2023

	Urban less than 100,000	2022-0014/P2 FY22 New Freedom	2022-0014/P3 FY23 New Freedom
Expenses			
Labor:			
Operators' salaries and wages	\$ 1,179,318	\$ 13,425	\$ 15,039
Other salaries and wages	685,760	4,816	6,642
Fringe benefits	1,130,030	10,684	13,330
Pension	(41,450)	-	-
Services:			
Advertising	1,237	-	19
Other services	180,611	3,159	2,638
Materials and supplies:			
Fuel and lubricants	275,741	2,753	3,214
Other materials and supplies	455,775	3,268	4,129
Utilities	44,072	327	732
Insurance expense	76,429	704	907
Miscellaneous expenses:			
Travel, meetings and training	12,344	288	74
Association dues and subscriptions	10,966	218	82
Taxes and fees	209	3	3
Leases and rentals	11,074	29	23
Pass through	-	-	-
Depreciation	279,163	-	-
Net operating expenses	\$ 4,301,279	\$ 39,674	\$ 46,832



2022-0014/P1 FY22 Specialized Services	2022-0014/P5 FY23 Specialized Services	2022-0014/P2 FY22 Mobility Management	2022-0014/P3 FY23 Mobility Management	2017-0015/P9 FY23 State Services Initiatives	Total
\$ 2,530	\$ 7,722	\$ -	\$ -	\$ 135,554	\$ 1,353,588
-	-	13,465	35,442	-	746,125
1,479	4,768	5,228	13,994	124,133	1,303,646
-	-	-	-	-	(41,450)
-	-	-	-	-	1,256
305	463	-	-	24,569	211,745
382	1,124	-	-	-	283,214
455	1,416	-	-	150	465,193
31	213	-	-	-	45,375
-	-	-	-	-	78,040
40	28	4,829	2,166	-	19,769
30	26	-	-	-	11,322
-	-	-	-	-	215
4	8	-	-	-	11,138
38,547	51,418	-	-	-	89,965
-	-	-	-	-	279,163
<u>\$ 43,803</u>	<u>\$ 67,186</u>	<u>\$ 23,522</u>	<u>\$ 51,602</u>	<u>\$ 284,406</u>	<u>\$ 4,858,304</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3A

For the Year Ended June 30, 2023

	Urban less than 100,000			2022-0014/P2 FY22 New Freedom		
	7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total	7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total
Expenses						
Labor	\$ 487,427	\$ 1,377,651	\$ 1,865,078	\$ 18,241	\$ -	\$ 18,241
Fringe benefits	279,948	850,082	1,130,030	10,684	-	10,684
Pension	-	(41,450)	(41,450)	-	-	-
Services	84,348	97,500	181,848	3,159	-	3,159
Materials and supplies	161,680	569,836	731,516	6,021	-	6,021
Utilities	8,728	35,344	44,072	327	-	327
Insurance expense	18,805	57,624	76,429	704	-	704
Miscellaneous expenses	13,582	9,937	23,519	509	-	509
Leases and rentals	776	10,298	11,074	29	-	29
Pass through	-	-	-	-	-	-
Depreciation	69,791	209,372	279,163	-	-	-
Total operating expenses	1,125,085	3,176,194	4,301,279	39,674	-	39,674
Ineligible depreciation	(69,791)	(209,372)	(279,163)	-	-	-
Other ineligible expenses	(4,049)	(12,466)	(16,515)	-	-	-
Ineligible percent of association dues	(636)	(607)	(1,243)	-	-	-
Other ineligible expense associated with auxiliary and nontransportation revenue	(2,054)	(6,985)	(9,039)	(77)	-	(77)
Ineligible JARC & NF Fares	-	-	-	(2,491)	-	(2,491)
Ineligible fringe benefits	-	41,450	41,450	-	-	-
Total eligible expenses	\$ 1,048,555	\$ 2,988,214	\$ 4,036,769	\$ 37,106	\$ -	\$ 37,106

2022-0014/P3 FY23 New Freedom			2022-0014/P1 FY22 Specialized Services		
7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total	7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total
\$ -	\$ 21,681	\$ 21,681	\$ 2,530	\$ -	\$ 2,530
-	13,330	13,330	1,479	-	1,479
-	-	-	-	-	-
-	2,657	2,657	305	-	305
-	7,343	7,343	837	-	837
-	732	732	31	-	31
-	907	907	-	-	-
-	159	159	70	-	70
-	23	23	4	-	4
-	-	-	38,547	-	38,547
-	-	-	-	-	-
-	46,832	46,832	<u>\$ 43,803</u>	<u>\$ -</u>	<u>\$ 43,803</u>
-	-	-			
-	(196)	(196)			
-	(10)	(10)			
-	(110)	(110)			
-	(2,852)	(2,852)			
-	-	-			
<u>\$ -</u>	<u>\$ 43,664</u>	<u>\$ 43,664</u>			

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3A

For the Year Ended June 30, 2023

	2022-0014/P5 FY23 Specialized Services			2022-0014/P2 FY22 Mobility Management		
	7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total	7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total
Expenses						
Labor	\$ -	\$ 7,722	\$ 7,722	\$ 13,465	\$ -	\$ 13,465
Fringe benefits	-	4,768	4,768	5,228	-	5,228
Pension	-	-	-	-	-	-
Services	-	463	463	-	-	-
Materials and supplies	-	2,540	2,540	-	-	-
Utilities	-	213	213	-	-	-
Insurance expense	-	-	-	-	-	-
Miscellaneous expenses	-	54	54	4,829	-	4,829
Leases and rentals	-	8	8	-	-	-
Pass through	-	51,418	51,418	-	-	-
Depreciation	-	-	-	-	-	-
Total operating expenses	<u>\$ -</u>	<u>\$ 67,186</u>	<u>\$ 67,186</u>	<u>\$ 23,522</u>	<u>\$ -</u>	<u>\$ 23,522</u>

2022-0014/P3 FY23 Mobility Management			2017-0015/P9 FY23 State Services Initiatives			Total
7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total	7/01/2022 through 9/30/2022	10/01/2022 through 6/30/2023	Total	
\$ -	\$ 35,442	\$ 35,442	\$ 34,585	\$ 100,970	\$ 135,555	\$ 2,099,714
-	13,994	13,994	27,937	96,196	124,133	1,303,646
-	-	-	-	-	-	(41,450)
-	-	-	9,042	15,527	24,569	213,001
-	-	-	116	33	149	748,406
-	-	-	-	-	-	45,375
-	-	-	-	-	-	78,040
-	2,166	2,166	-	-	-	31,306
-	-	-	-	-	-	11,138
-	-	-	-	-	-	89,965
-	-	-	-	-	-	279,163
<u>\$ -</u>	<u>\$ 51,602</u>	<u>\$ 51,602</u>	<u>\$ 71,680</u>	<u>\$ 212,726</u>	<u>\$ 284,406</u>	<u>\$ 4,858,304</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3B

For the Year Ended September 30, 2022

	Urban less than 100,000			2022-0014/P2 FY22 New Freedom		
	10/01/2021 through 6/30/2022	7/01/2022 through 9/30/2022	Total	10/01/2021 through 6/30/2022	7/01/2022 through 9/30/2022	Total
Expenses						
Labor	\$ 1,392,920	\$ 487,427	\$ 1,880,347	\$ 46,344	\$ 18,241	\$ 64,585
Fringe benefits	816,797	279,948	1,096,745	27,176	10,684	37,860
Pension	(1,391,135)	-	(1,391,135)	-	-	-
Services	158,589	84,348	242,937	5,276	3,159	8,435
Materials and supplies	466,745	161,680	628,425	15,529	6,021	21,550
Utilities	57,478	8,728	66,206	1,912	327	2,239
Insurance expense	56,646	18,805	75,451	1,885	704	2,589
Miscellaneous expenses	108,275	13,582	121,857	268	509	777
Leases and rentals	11,189	776	11,965	372	29	401
Pass through	-	-	-	-	-	-
Depreciation	223,146	69,791	292,937	10,010	-	10,010
Net operating expenses	1,900,650	1,125,085	3,025,735	108,772	39,674	148,446
Ineligible depreciation	(223,146)	(69,791)	(292,937)	(10,010)	-	(10,010)
Other ineligible expenses	(10,760)	(4,049)	(14,809)	(358)	-	(358)
Ineligible percent of association dues	(653)	(636)	(1,289)	(25)	-	(25)
Other ineligible expense associated with auxiliary and nontransportation revenue	(12,015)	(2,054)	(14,069)	(400)	(77)	(477)
Ineligible JARC & NF Fares	-	-	-	(4,867)	(2,491)	(7,358)
Ineligible loss on disposal of assets	(100,230)	-	(100,230)	-	-	-
Ineligible fringe benefits	1,391,135	-	1,391,135	-	-	-
Total eligible expenses	<u>\$ 2,944,981</u>	<u>\$ 1,048,555</u>	<u>\$ 3,993,536</u>	<u>\$ 93,112</u>	<u>\$ 37,106</u>	<u>\$ 130,218</u>

2022-0014/P1 FY22 Specialized Services			2022-0014/P2 FY22 Mobility Management		
10/01/2021 through 6/30/2022	7/01/2022 through 9/30/2022	Total	10/01/2021 through 6/30/2022	7/01/2022 through 9/30/2022	Total
\$ 8,211	\$ 2,530	\$ 10,741	\$ 36,426	\$ 13,465	\$ 49,891
4,750	1,479	6,229	14,347	5,228	19,575
-	-	-	-	-	-
418	305	723	-	-	-
2,057	837	2,894	-	-	-
288	31	319	-	-	-
-	-	-	-	-	-
34	70	104	1,853	4,829	6,682
9	4	13	-	-	-
48,865	38,547	87,412	-	-	-
-	-	-	-	-	-
<u>\$ 64,632</u>	<u>\$ 43,803</u>	<u>\$ 108,435</u>	<u>\$ 52,626</u>	<u>\$ 23,522</u>	<u>\$ 76,148</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3B

For the Year Ended September 30, 2022

	2017-0015/P9 FY21 State Services Initiatives			
	10/01/2021 through 6/30/2022	7/01/2022 through 9/30/2022	Total	Total
Expenses				
Labor	\$ 102,802	\$ 34,585	\$ 137,387	\$ 2,142,951
Fringe benefits	76,781	27,937	104,718	1,265,127
Pension	-	-	-	(1,391,135)
Services	16,998	9,042	26,040	278,135
Materials and supplies	9	116	125	652,994
Utilities	-	-	-	68,764
Insurance expense	-	-	-	78,040
Miscellaneous expenses	-	-	-	129,420
Leases and rentals	-	-	-	12,379
Pass through	-	-	-	87,412
Depreciation	-	-	-	302,947
Net operating expenses	<u>\$ 196,590</u>	<u>\$ 71,680</u>	<u>\$ 268,270</u>	<u>\$ 3,627,034</u>

BATTLE CREEK TRANSIT SYSTEM

Urban (Less than 100,000) Regular Service Revenue Report

Schedule 4R

For the Year Ended September 30, 2022

Code	Description	Amount
401	Farebox Revenue	
40100	Passenger Fares	\$ 212,874
406	Auxiliary Trans Revenues	
40615	Advertising	42,751
407	Non Trans Revenues	
40799	Other Non Trans Revenue	14,552
409	Local Revenue	
40910	Local Operating Assistance	407,053
411	State Formula and Contracts	
41101	State Operating Assistance	1,419,398
413	Federal Contracts	
41302	Federal Section 5307 Operating	219,424
41361	Federal CARES Act	6,921
41363	Federal ARP Act	1,995,184
Total revenues		<u>\$ 4,318,157</u>

BATTLE CREEK TRANSIT SYSTEM

Urban (Less than 100,000) Regular Service Expense Report

Schedule 4E

For the Year Ended September 30, 2022

Code	Description	Line-Haul	Demand-Response	Total
501	Labor			
50101	Operators' salaries & wages	\$ 1,341,204	\$ -	\$ 1,341,204
50102	Other salaries & wages	539,143	-	539,143
502	Fringe benefits			
50200	Other fringe benefits	660,204	-	660,204
50210	Defined Contribution (DC) Pensions	49,728	-	49,728
50220	Defined Benefit (DB) Pensions	(1,004,322)	-	(1,004,322)
503	Services			
50305	Audit cost	21,592	-	21,592
50399	Other services	221,345	-	221,345
504	Materials and supplies			
50401	Fuel & lubricants	359,293	-	359,293
50402	Tires & tubes	43,187	-	43,187
50404	Major supplies	5,231	-	5,231
50499	Other materials & supplies	220,714	-	220,714
505	Utilities			
50500	Utilities	66,206	-	66,206
506	Insurance			
50603	Liability insurance	65,072	-	65,072
50699	Other insurance	10,379	-	10,379
507	Taxes & fees			
50700	Taxes and fees	224	-	224
509	Misc expenses			
50902	Travel, meetings & training	10,617	-	10,617
50903	Association dues & subscriptions	10,786	-	10,786
50909	Loss on disposal of assets	100,230	-	100,230
512	Operating leases & rentals			
51200	Operating leases & rentals	11,965	-	11,965
513	Depreciation			
51300	Depreciation	292,937	-	292,937
Total expenses				<u>3,025,735</u>
550	Ineligible expenses			
55007	Ineligible depreciation	292,937	-	292,937
55008	Other ineligible expenses	14,809	-	14,809
55009	Ineligible percent of association dues	1,289	-	1,289
55010	Other ineligible expense associated with auxiliary and nontransportation revenue	14,069	-	14,069
58009	Ineligible loss on disposal of assets	100,230	-	100,230
58020	Ineligible fringe benefits	(1,391,135)	-	<u>(1,391,135)</u>
Total ineligible expenses				<u>(967,801)</u>
Total eligible expenses				<u><u>\$ 3,993,536</u></u>

BATTLE CREEK TRANSIT SYSTEM

Unaudited

Urban (Less than 100,000) Regular Service Nonfinancial Report

Schedule 4N

For the Year Ended September 30, 2022

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	28,674	2,924	-	31,598
611	Vehicle Miles	411,442	40,846	-	452,288

The methodology used for compiling vehicle hours and mileage has been reviewed and found to be adequate and reliable.

Note: This Schedule is considered unaudited as there were no procedures performed on nonfinancial data.

BATTLE CREEK TRANSIT SYSTEM

New Freedom Regular Service Revenue Report

Schedule 4R

For the Year Ended September 30, 2022

Code	Description	Amount
401	Farebox Revenue	
40100	Passenger Fares	\$ 7,287
413	Federal Contracts	
41399	Other Federal Transit Contracts and Reimbursements	<u>129,963</u>
Total revenues		<u><u>\$ 137,250</u></u>

BATTLE CREEK TRANSIT SYSTEM

New Freedom Regular Service Expense Report

Schedule 4E

For the Year Ended September 30, 2022

Code	Description	Line-Haul	Demand-Response	Total
501	Labor			
50101	Operators' salaries & wages	\$ -	\$ 46,064	\$ 46,064
50102	Other salaries & wages	-	18,521	18,521
502	Fringe benefits			
50200	Other fringe benefits	-	22,916	22,916
50210	Defined Contribution (DC) Pensions	-	1,702	1,702
50220	Defined Benefit (DB) Pensions	-	13,242	13,242
503	Services			
50305	Audit cost	-	739	739
50399	Other services	-	7,696	7,696
504	Materials and supplies			
50401	Fuel & lubricants	-	12,300	12,300
50402	Tires & tubes	-	1,478	1,478
50404	Major supplies	-	179	179
50499	Other materials & supplies	-	7,593	7,593
505	Utilities			
50500	Utilities	-	2,239	2,239
506	Insurance			
50603	Liability insurance	-	2,227	2,227
50699	Other insurance	-	362	362
509	Misc expenses			
50700	Taxes and fees	-	8	8
50902	Travel, meetings & training	-	363	363
50903	Association dues & subscriptions	-	406	406
512	Operating leases & rentals			
51200	Operating leases & rentals	-	401	401
513	Depreciation			
51300	Depreciation	-	10,010	10,010
Total expenses				<u>148,446</u>
550	Ineligible expenses			
55000	Ineligible JARC and NF Fares	-	7,287	7,287
55007	Ineligible depreciation	-	10,010	10,010
55008	Other ineligible expenses	-	889	889
55009	Ineligible percent of association dues	-	42	42
Total ineligible expenses				<u>18,228</u>
Total eligible expenses				<u>\$ 130,218</u>

BATTLE CREEK TRANSIT SYSTEM

Unaudited

New Freedom Regular Service Nonfinancial Report

Schedule 4N

For the Year Ended September 30, 2022

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	1,121	-	-	1,121
611	Vehicle Miles	8,746	-	-	8,746

The methodology used for compiling vehicle hours and mileage has been reviewed and found to be adequate and reliable.

Note: This Schedule is considered unaudited as there were no procedures performed on nonfinancial data.

BATTLE CREEK TRANSIT SYSTEM

Operating Assistance Calculation

Schedule 5

For the Year Ended September 30, 2022

	Urban less than 100,000
Total expenses	<u>\$ 3,025,735</u>
Less ineligible expenses	
Depreciation on capital assets acquired with federal and state grants	292,937
Other ineligible expenses	14,809
Michigan Public Transit Association dues	651
American Public Transit Association dues	638
Other ineligible expense associated with auxiliary and nontransportation revenue	14,069
Ineligible loss on disposal of assets	100,230
Ineligible fringe benefits	<u>(1,391,135)</u>
Total ineligible expenses per R & E Manual	<u>(967,801)</u>
Total eligible expenses	<u>\$ 3,993,536</u>
Eligible expenses for state reimbursement	\$ 3,993,536
x Reimbursement percentage	<u>34.9854%</u>
State operating assistance - calculated	<u>\$ 1,397,155</u>
State operating assistance - actual	<u>\$ 1,419,398</u>

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**INDEPENDENT AUDITORS' 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***

December 22, 2023

To the Honorable Mayor and
Members of the City Commission
City of Battle Creek, 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 **Battle Creek Transit System** (the "System"), an enterprise fund of the City of Battle Creek, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 22, 2023.

Report on Internal Control Over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System'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.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The script is cursive and fluid, with the letters "L" and "L" at the beginning and end being particularly prominent.