

BATTLE CREEK TRANSIT SYSTEM

Year Ended
June 30, 2024

Financial
Statements and
Supplementary
Information

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BATTLE CREEK TRANSIT SYSTEM

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INDEPENDENT AUDITORS' REPORT

December 23, 2024

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, 2024, and the related notes to the 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, 2024, 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.

Emphasis of Matter - 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, as of June 30, 2024, and the changes in its financial position or 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.



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.

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.

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.

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 23, 2024, 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 Johnson 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, 2024

Assets

Current assets:

Due from other governments	\$ 2,060,728
Accounts receivable	55,830
Inventory	105,936
Prepaid expenses	4,275
Total current assets	<u>2,226,769</u>

Noncurrent assets:

Capital assets not being depreciated	66,499
Capital assets being depreciated, net	<u>1,337,662</u>
Total noncurrent assets	<u>1,404,161</u>

Total assets	<u>3,630,930</u>
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Deferred outflows of resources

Deferred pension amounts	946,359
Deferred other postemployment benefit amounts	<u>138,087</u>

Total deferred outflows of resources	<u>1,084,446</u>
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Liabilities

Current liabilities:

Accounts payable and accrued liabilities	60,591
Compensated absences	76,214
Interfund payable to other funds of the City	808,014
Unearned revenue	6,553
Total current liabilities	<u>951,372</u>

Noncurrent liabilities:

Compensated absences, net of current portion	8,469
Net pension liability	7,004,070
Net other postemployment benefit liability	<u>1,214,131</u>
Total noncurrent liabilities	<u>8,226,670</u>

Total liabilities	<u>9,178,042</u>
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Deferred inflows of resources

Deferred pension amounts	13,112
Deferred other postemployment benefit amounts	<u>1,136,218</u>

Total deferred inflows of resources	<u>1,149,330</u>
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Net position

Investment in capital assets	1,404,161
Unrestricted (deficit)	<u>(7,016,157)</u>

Total net position	<u>\$ (5,611,996)</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, 2024

Operating revenues	
Line-haul (farebox)	\$ 273,580
Advertising	35,833
Other operating revenue	<u>127,682</u>
Total operating revenues	<u>437,095</u>
Operating expenses	
Operations	3,615,651
Maintenance	597,165
General administration	(102,657)
Depreciation	<u>312,885</u>
Total operating expenses	<u>4,423,044</u>
Operating loss	<u>(3,985,949)</u>
Nonoperating revenues	
Federal grants:	
Operating grant - Section 5307	1,884,372
Planning grants	118,835
State grants:	
Formula operating assistance	1,525,196
Planning grants	347,061
Local grants	<u>385,071</u>
Total nonoperating revenues	<u>4,260,535</u>
Net income before transfers	274,586
Transfers in from other City funds	<u>644,482</u>
Change in net position	919,068
Net position, beginning of year	<u>(6,531,064)</u>
Net position, end of year	<u><u>\$ (5,611,996)</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, 2024

Cash flows from operating activities

Receipts from customers and users	\$ 390,279
Payments to suppliers	(1,189,734)
Payments to employees	(4,021,550)
Payments for interfund services	(13,130)

Net cash used in operating activities	(4,834,135)
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Cash flows from noncapital financing activities

Transfers in from other City funds	644,482
Local grants	385,071
Federal and state grants	3,828,164

Net cash provided by noncapital financing activities	4,857,717
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Cash flows from capital and related financing activities

Purchase of capital assets	(23,582)
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Net change in pooled cash and investments	-
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Pooled cash and investments, beginning of year	-
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Pooled cash and investments, end of year	\$ -
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Reconciliation of operating loss

to net cash used in operating activities

Operating loss	\$ (3,985,949)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	312,885
Changes in assets and liabilities:	
Accounts receivable	(46,816)
Inventory	15,197
Prepaid expenses	(4,275)
Accounts payable and accrued liabilities	(52,579)
Compensated absences	(568)
Interfund payable to other funds of the City	(262,209)
Net pension liability	(620,483)
Deferred outflows of resources related to the net pension liability	320,299
Deferred inflows of resources related to the net pension liability	(38,983)
Net other postemployment benefit liability	(161,211)
Deferred outflows of resources related to the net other postemployment benefit liability	134,522
Deferred inflows of resources related to the net other postemployment benefit liability	(443,965)

Net cash used in operating activities	\$ (4,834,135)
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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 land, construction in progress, land improvements, buildings, equipment, and vehicles, 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The System utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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, 2024 the System had a negative cash balance in the City's cash pool of \$808,014, 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, 2024, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	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	160,463	-	-	(93,964)	66,499
Capital assets being depreciated:					
Land improvements	39,668	-	-	-	39,668
Buildings	2,907,148	17,832	-	93,964	3,018,944
Equipment	499,719	-	(45,887)	-	453,832
Vehicles	3,439,154	5,750	(714,240)	-	2,730,664
	6,885,689	23,582	(760,127)	93,964	6,243,108
Less accumulated depreciation for:					
Land improvements	(39,668)	-	-	-	(39,668)
Buildings	(2,404,835)	(96,706)	-	-	(2,501,541)
Equipment	(444,667)	(20,564)	45,887	-	(419,344)
Vehicles	(2,463,518)	(195,615)	714,240	-	(1,944,893)
	(5,352,688)	(312,885)	760,127	-	(4,905,446)
Total capital assets being depreciated, net	1,533,001	(289,303)	-	93,964	1,337,662
System capital assets, net	\$ 1,693,464	\$ (289,303)	\$ -	\$ -	\$ 1,404,161

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.

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

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).

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 \$65,706 in allowable expenses associated with code 55008, and the remaining balance of \$11,679 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 \$846,998 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 \$(339,167) during the fiscal year based on GASB 68. For the plan year October 1, 2022 through September 30, 2023, the System paid \$414,772 in defined benefit pension contributions based on ADC which was included in charge code 50220, and the amount expensed based on GASB 68 was \$(41,450), which is included as an ineligible expense for reimbursement and charged to code 58020. The System was allocated \$347,882 as part of the Protect MI Pension grant. This amount was included in charge code 50220 as a contribution then was included as ineligible expense 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 \$470,654 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 20 of the City of Battle Creek's financial statements.

BATTLE CREEK TRANSIT SYSTEM

Notes to 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, 2024

	7/01/2023 through 9/30/2023	10/01/2023 through 6/30/2024	Total
Line-haul (farebox)	\$ 57,779	\$ 215,801	\$ 273,580
Advertising	8,750	27,083	35,833
Other operating revenue	125,751	1,931	127,682
Local grants	354,279	30,792	385,071
Transfers in (out) from other City funds	1,039,553	(395,071)	644,482
Total local revenues	\$ 1,586,112	\$ (119,464)	\$ 1,466,648

BATTLE CREEK TRANSIT SYSTEM

Schedule of Local Revenues

Schedule 1A

For the Year Ended September 30, 2023

	10/01/2022 through 6/30/2023	7/01/2023 through 9/30/2023	Total
Line-haul (farebox)	\$ 183,986	\$ 57,779	\$ 241,765
Advertising	15,589	8,750	24,339
Other operating revenue	159,556	125,751	285,307
Local grants	19,051	354,279	373,330
Transfers in from other City funds	54,389	1,039,553	1,093,942
Total local revenues	<u>\$ 432,571</u>	<u>\$ 1,586,112</u>	<u>\$ 2,018,683</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Expenditures of Federal and State Awards

Schedule 2

For the Year Ended June 30, 2024

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:			
FY 2021 Section 5307 - Operating Assistance & 5339 Capital Projects	20.507	MI-2021-015-00	\$ 6,002,999
FY 2023 Section 5307 - Local Federal Transit Formula Grants & Surface Transportation Program	20.507	MI-2023-024-00	388,400
FY 2023 Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Program and New Freedom Program	20.513	MI-2021-055-01	229,995
FY 2023 Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Program and New Freedom Program	20.513	MI-2021-055-01	66,000
FY 2024 Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Program and New Freedom Program	20.513	MI-2023-037-00	229,995
FY 2024 Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Program and New Freedom Program	20.513	MI-2023-037-00	66,000
FY 2016 Section 5339 - Local Bus & Bus Facilities Formula Program	20.526	MI-2016-020-04	91,660
FY 2021 Section 5339 - Local Bus & Bus Facilities Formula Program	20.526	MI-2021-008-00	5,340,000
FY 2021, 2022, & 2023 Section 5339 - Local Bus & Bus Facilities Formula Program	20.526	MI-2021-015-02	123,823
Michigan Department of Transportation			
Operating Assistance - Act 51 - Urban less than 100,000	N/A	N/A	1,525,196
FY 2016 Section 5339 - Local Bus & Bus Facilities Formula Program	N/A	2012-0040/P15	22,915
FY 2019 100% State Services Initiatives	N/A	2017-0015/P9/R2	1,195,505
FY 2021 Section 5339 - Local Bus & Bus Facilities Formula Program	N/A	2017-0015/P14	1,335,000
FY 2021, 2022, & 2023 Section 5339 - Local Bus & Bus Facilities Formula Program	N/A	2017-0015/P15/R1	30,956
FY 2023 Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Program and New Freedom Program	N/A	2022-0014/P3	16,500
FY 2023 Specialized Services Operating Assistance Program	N/A	2022-0014/P5	108,434
FY 2023 Section 5307 - Local Federal Transit Formula Grants & Surface Transportation Program	N/A	2022-0014/P6	97,100
FY 2024 Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Program and New Freedom Program	N/A	2022-0014/P7	16,500
FY 2024 Specialized Services Operating Assistance Program	N/A	2022-0014/P8	135,341
Total			

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Current Year Expenditures			Prior Year Expenditures	Award Amount Remaining
Total	Federal	State		
\$ 1,889,727	\$ 1,889,727	\$ -	\$ 1,530,222	\$ 2,583,050
45,733	45,733	-	-	342,667
(5,355)	(5,355)	-	21,800	213,550
14,444	14,444	-	41,282	10,274
-	-	-	-	229,995
48,594	48,594	-	-	17,406
3,381	3,381	-	88,279	-
-	-	-	176,305	5,163,695
6,683	6,683	-	-	117,140
1,525,196	-	1,525,196	-	-
845	-	845	22,070	-
168,648	-	168,648	678,220	348,637
-	-	-	44,076	1,290,924
1,671	-	1,671	-	29,285
3,611	-	3,611	10,321	2,568
41,249	-	41,249	67,185	-
11,433	-	11,433	-	85,667
12,148	-	12,148	-	4,352
107,456	-	107,456	-	27,885
<u>\$ 3,875,464</u>	<u>\$ 2,003,207</u>	<u>\$ 1,872,257</u>	<u>\$ 2,881,687</u>	<u>\$ 10,555,192</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2A

For the Year Ended June 30, 2024

	7/01/2023 through 9/30/2023	10/01/2023 through 6/30/2024	Total
Federal grants			
Federal operating assistance - Section 5307	\$ 517,157	\$ 1,372,570	\$ 1,889,727
New Freedom grant - Section 5310	(5,355)	-	(5,355)
	<u>511,802</u>	<u>1,372,570</u>	<u>1,884,372</u>
State of Michigan grant			
Formula operating assistance	<u>362,613</u>	<u>1,162,583</u>	<u>1,525,196</u>
Total	<u><u>\$ 874,415</u></u>	<u><u>\$ 2,535,153</u></u>	<u><u>\$ 3,409,568</u></u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2B

For the Year Ended September 30, 2023

	10/01/2022 through 6/30/2023	7/01/2023 through 9/30/2023	Total
Federal grants			
Federal operating assistance - Section 5307	\$ 1,310,798	\$ 517,157	\$ 1,827,955
New Freedom grant - Section 5310	21,800	(5,355)	16,445
	<u>1,332,598</u>	<u>511,802</u>	<u>1,844,400</u>
State of Michigan grant			
Formula operating assistance	<u>1,161,898</u>	<u>362,613</u>	<u>1,524,511</u>
Total	<u><u>\$ 2,494,496</u></u>	<u><u>\$ 874,415</u></u>	<u><u>\$ 3,368,911</u></u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating and Contract Expenses

Schedule 3

For the Year Ended June 30, 2024

	Urban less than 100,000	2022-0014/P5 FY23 Specialized Services	2022-0014/P8 FY24 Specialized Services
Expenses			
Labor:			
Operators' salaries and wages	\$ 1,135,246	\$ 1,804	\$ 9,855
Other salaries and wages	772,331	-	-
Fringe benefits	1,585,406	2,457	6,496
Pension	(809,821)	-	-
Services:			
Advertising	324	-	-
Other services	276,732	208	463
Materials and supplies:			
Fuel and lubricants	216,523	291	1,051
Other materials and supplies	323,191	395	1,396
Utilities	48,222	40	276
Insurance expense	83,152	-	-
Miscellaneous expenses:			
Travel, meetings and training	22,790	28	96
Association dues and subscriptions	11,446	27	35
Taxes and fees	230	-	-
Leases and rentals	11,047	4	11
Pass through	-	35,994	87,777
Depreciation	312,885	-	-
Total expenses	3,989,704	41,248	107,456
Specialized services, planning, and capital expenses:			
FY23 Section 5307 Formula Grants and STP			
2022-0014/P6	(57,166)	-	-
FY2021-2023 Section 5339 Local Bus & Bus Facilities			
2017-0015/P15/R1	(8,354)	-	-
Administrative Contract - City of Marshall	(69,821)	-	-
Net operating expenses	\$ 3,854,363	\$ 41,248	\$ 107,456



2022-0014/P3 FY23 Mobility Management	2022-0014/P7 FY24 Mobility Management	2017-0015/P9 FY19 State Services Initiatives	Total
\$ -	\$ -	\$ 112,703	\$ 1,259,608
11,439	39,179	-	822,949
4,435	14,601	62,821	1,676,216
-	-	-	(809,821)
-	-	-	324
281	191	29,849	307,724
-	-	-	217,865
-	-	465	325,447
-	-	-	48,538
-	-	-	83,152
1,901	6,771	-	31,586
-	-	-	11,508
-	-	-	230
-	-	-	11,062
-	-	-	123,771
-	-	-	312,885
18,056	60,742	205,838	4,423,044
-	-	-	(57,166)
-	-	-	(8,354)
-	-	-	(69,821)
\$ 18,056	\$ 60,742	\$ 205,838	\$ 4,287,703

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3A

For the Year Ended June 30, 2024

	Urban less than 100,000			2022-0014/P5 FY23 Specialized Services		
	7/01/2023 through 9/30/2023	10/01/2023 through 6/30/2024	Total	7/01/2023 through 9/30/2023	10/01/2023 through 6/30/2024	Total
Expenses						
Labor	\$ 408,405	\$ 1,499,172	\$ 1,907,577	\$ 1,804	\$ -	\$ 1,804
Fringe benefits	597,440	987,966	1,585,406	2,457	-	2,457
Pension	-	(809,821)	(809,821)	-	-	-
Services	127,765	149,291	277,056	208	-	208
Materials and supplies	173,130	366,584	539,714	686	-	686
Utilities	9,181	39,041	48,222	40	-	40
Insurance expense	20,790	62,362	83,152	-	-	-
Miscellaneous expenses	12,379	22,087	34,466	55	-	55
Leases and rentals	943	10,104	11,047	4	-	4
Pass through	-	-	-	35,994	-	35,994
Depreciation	78,221	234,664	312,885	-	-	-
Total expenses	1,428,254	2,561,450	3,989,704	41,248	-	41,248
FY16 Section 5339 Bus & Bus Facilities 2012-0040/P15	(17,832)	17,832	-	-	-	-
FY23 Sect 5307 Formula Grants & STP 2022-0014/P6	(48,152)	(9,014)	(57,166)	-	-	-
FY2021-2023 Sect 5339 Bus & Bus Facilities 2017-0015/P15/R1	-	(8,354)	(8,354)	-	-	-
Administrative Contract - City of Marshall	-	(69,821)	(69,821)	-	-	-
Total operating expenses	1,362,270	2,492,093	3,854,363	\$ 41,248	\$ -	\$ 41,248
Ineligible depreciation	(78,221)	(234,664)	(312,885)			
Other ineligible expenses	(5,411)	(6,268)	(11,679)			
Ineligible percent of association dues	(660)	(629)	(1,289)			
Other ineligible expense associated with auxiliary and nontransportation revenue	(125,751)	(1,940)	(127,691)			
Ineligible fringe benefits	(347,882)	809,821	461,939			
Total eligible expenses	\$ 804,345	\$ 3,058,413	\$ 3,862,758			

2022-0014/P8 FY24 Specialized Services			2022-0014/P3 FY23 Mobility Management		
7/01/2023 through 9/30/2023	10/01/2023 through 6/30/2024	Total	7/01/2023 through 9/30/2023	10/01/2023 through 6/30/2024	Total
\$ -	\$ 9,855	\$ 9,855	\$ 11,439	\$ -	\$ 11,439
-	6,496	6,496	4,435	-	4,435
-	-	-	-	-	-
-	463	463	281	-	281
-	2,447	2,447	-	-	-
-	276	276	-	-	-
-	-	-	-	-	-
-	131	131	1,901	-	1,901
-	11	11	-	-	-
-	87,777	87,777	-	-	-
-	-	-	-	-	-
-	107,456	107,456	18,056	-	18,056
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ 107,456	\$ 107,456	\$ 18,056	\$ -	\$ 18,056

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3A

For the Year Ended June 30, 2024

	2022-0014/P7 FY24 Mobility Management			2017-0015/P9 FY19 State Services Initiatives			Total
	7/01/2023 through 9/30/2023	10/01/2023 through 6/30/2024	Total	7/01/2023 through 9/30/2023	10/01/2023 through 6/30/2024	Total	
Expenses							
Labor	\$ -	\$ 39,179	\$ 39,179	\$ 27,235	\$ 85,468	\$ 112,703	\$ 2,082,557
Fringe benefits	-	14,601	14,601	20,277	42,544	62,821	1,676,216
Pension	-	-	-	-	-	-	(809,821)
Services	-	191	191	7,917	21,932	29,849	308,048
Materials and supplies	-	-	-	126	339	465	543,312
Utilities	-	-	-	-	-	-	48,538
Insurance expense	-	-	-	-	-	-	83,152
Miscellaneous expenses	-	6,771	6,771	-	-	-	43,324
Leases and rentals	-	-	-	-	-	-	11,062
Pass through	-	-	-	-	-	-	123,771
Depreciation	-	-	-	-	-	-	312,885
Total expenses	-	60,742	60,742	55,555	150,283	205,838	4,423,044
FY16 Section 5339 Bus & Bus Facilities 2012-0040/P15	-	-	-	-	-	-	-
FY23 Sect 5307 Formula Grants & STP 2022-0014/P6	-	-	-	-	-	-	(57,166)
FY2021-2023 Sect 5339 Bus & Bus Facilities 2017-0015/P15/R1	-	-	-	-	-	-	(8,354)
Administrative Contract - City of Marshall	-	-	-	-	-	-	(69,821)
Total operating expenses	<u>\$ -</u>	<u>\$ 60,742</u>	<u>\$ 60,742</u>	<u>\$ 55,555</u>	<u>\$ 150,283</u>	<u>\$ 205,838</u>	<u>\$ 4,287,703</u>

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BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3B

For the Year Ended September 30, 2023

	Urban less than 100,000			2022-0014/P3 FY23 New Freedom		
	10/01/2022 through 6/30/2023	7/01/2023 through 9/30/2023	Total	10/01/2022 through 6/30/2023	7/01/2023 through 9/30/2023	Total
Expenses						
Labor	\$ 1,383,040	\$ 408,405	\$ 1,791,445	\$ 16,292	\$ -	\$ 16,292
Fringe benefits	853,426	597,440	1,450,866	9,986	-	9,986
Pension	(41,450)	-	(41,450)	-	-	-
Services	97,950	127,765	225,715	2,207	-	2,207
Materials and supplies	571,383	173,130	744,513	5,796	-	5,796
Utilities	35,538	9,181	44,719	538	-	538
Insurance expense	57,817	20,790	78,607	714	-	714
Miscellaneous expenses	9,892	12,379	22,271	204	-	204
Leases and rentals	10,220	943	11,163	101	-	101
Pass through	-	-	-	-	-	-
Depreciation	206,860	78,221	285,081	2,512	-	2,512
Total expenses	3,184,676	1,428,254	4,612,930	38,350	-	38,350
FY16 Section 5339 Bus & Bus Facilities 2012-0040/P15	-	(17,832)	(17,832)	-	-	-
FY21 Section 5339 Bus & Bus Facilities 2017-0015/P14	(4,419)	-	(4,419)	-	-	-
FY23 Section Formula Grants & STP 2022-0014/P6	-	(48,152)	(48,152)	-	-	-
Other Auxiliary Transportation Expense - Kellogg Company Grant	(2,348)	-	(2,348)	-	-	-
Capital Asset Acquisition	(5,750)	-	(5,750)	-	-	-
	(12,517)	(65,984)	(78,501)	-	-	-
Net operating expenses	3,172,159	1,362,270	4,534,429	38,350	-	38,350
Ineligible depreciation	(206,860)	(78,221)	(285,081)	(2,512)	-	(2,512)
Other ineligible expenses	(12,499)	(5,411)	(17,910)	(163)	-	(163)
Ineligible percent of association dues	(606)	(660)	(1,266)	(11)	-	(11)
Other ineligible expense associated with auxiliary and nontransportation revenue	(7,095)	(125,751)	(132,846)	-	-	-
Ineligible JARC & NF Fares	(676)	-	(676)	(2,176)	-	(2,176)
Ineligible fringe benefits	41,450	(347,882)	(306,432)	-	-	-
Total eligible expenses	\$ 2,985,873	\$ 804,345	\$ 3,790,218	\$ 33,488	\$ -	\$ 33,488

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2022-0014/P5 FY23 Specialized Services			2022-0014/P3 FY23 Mobility Management		
10/01/2022 through 6/30/2023	7/01/2023 through 9/30/2023	Total	10/01/2022 through 6/30/2023	7/01/2023 through 9/30/2023	Total
\$ 7,722	\$ 1,804	\$ 9,526	\$ 35,442	\$ 11,439	\$ 46,881
4,768	2,457	7,225	13,994	4,435	18,429
-	-	-	-	-	-
463	208	671	-	281	281
2,540	686	3,226	-	-	-
213	40	253	-	-	-
-	-	-	-	-	-
54	55	109	2,166	1,901	4,067
8	4	12	-	-	-
51,418	35,994	87,412	-	-	-
-	-	-	-	-	-
67,186	41,248	108,434	51,602	18,056	69,658
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 67,186	\$ 41,248	\$ 108,434	\$ 51,602	\$ 18,056	\$ 69,658

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3B

For the Year Ended September 30, 2023

	2017-0015/P9 FY23 State Services Initiatives			
	10/01/2022 through 6/30/2023	7/01/2023 through 9/30/2023	Total	Total
Expenses				
Labor	\$ 100,970	\$ 27,235	\$ 128,205	\$ 1,992,349
Fringe benefits	96,196	20,277	116,473	1,602,979
Pension	-	-	-	(41,450)
Services	15,527	7,917	23,444	252,318
Materials and supplies	33	126	159	753,694
Utilities	-	-	-	45,510
Insurance expense	-	-	-	79,321
Miscellaneous expenses	-	-	-	26,651
Leases and rentals	-	-	-	11,276
Pass through	-	-	-	87,412
Depreciation	-	-	-	287,593
Total expenses	212,726	55,555	268,281	5,097,653
FY16 Section 5339 Bus & Bus Facilities 2012-0040/P15	-	-	-	(17,832)
FY21 Section 5339 Bus & Bus Facilities 2017-0015/P14	-	-	-	(4,419)
FY23 Section Formula Grants & STP 2022-0014/P6	-	-	-	(48,152)
Other Auxiliary Transportation Expense - Kellogg Company Grant	-	-	-	(2,348)
Capital Asset Acquisition	-	-	-	(5,750)
	-	-	-	(78,501)
Net operating expenses	\$ 212,726	\$ 55,555	\$ 268,281	\$ 5,019,152

BATTLE CREEK TRANSIT SYSTEM

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

Schedule 4R

For the Year Ended September 30, 2023

Code	Description	Amount
401	Farebox Revenue	
40100	Passenger Fares	\$ 239,589
406	Auxiliary Trans Revenues	
40615	Advertising	24,339
407	Non Trans Revenues	
40799	Other Non Trans Revenue	285,307
409	Local Revenue	
40910	Local Operating Assistance	1,077,497
40999	Other Local Contracts & Reimbursements	373,330
411	State Formula and Contracts	
41101	State Operating Assistance	1,450,452
413	Federal Contracts	
41302	Federal Section 5307 Operating	<u>1,827,965</u>
Total revenues		<u><u>\$ 5,278,479</u></u>

BATTLE CREEK TRANSIT SYSTEM

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

Schedule 4E

For the Year Ended September 30, 2023

Code	Description	Line-Haul	Demand-Response	Total
501	Labor			
50101	Operators' salaries & wages	\$ 860,534	\$ 185,357	\$ 1,045,891
50102	Other salaries & wages	460,222	98,843	559,065
50103	Dispatchers' salaries & wages	153,518	32,971	186,489
502	Fringe benefits			
50200	Other fringe benefits	530,594	113,218	643,812
50210	Defined Contribution (DC) Pensions	39,623	8,510	48,133
50220	Defined Benefit (DB) Pensions	590,622	126,849	717,471
503	Services			
50302	Advertising fees	1,025	220	1,245
50305	Audit cost	23,629	5,075	28,704
50399	Other services	158,096	37,670	195,766
504	Materials and supplies			
50401	Fuel & lubricants	222,938	47,881	270,819
50402	Tires & tubes	45,830	9,843	55,673
50404	Major supplies	(944)	(203)	(1,147)
50499	Other materials & supplies	286,386	54,281	340,667
505	Utilities			
50500	Utilities	34,242	10,477	44,719
506	Insurance			
50603	Liability insurance	55,727	11,969	67,696
50699	Other insurance	8,982	1,929	10,911
507	Taxes & fees			
50700	Taxes and fees	169	36	205
509	Misc expenses			
50902	Travel, meetings & training	9,102	1,955	11,057
50903	Association dues & subscriptions	9,024	1,985	11,009
512	Operating leases & rentals			
51200	Operating leases & rentals	9,189	1,974	11,163
513	Depreciation			
51300	Depreciation	234,679	50,402	285,081
Total expenses				<u>4,534,429</u>
550	Ineligible expenses			
55000	Ineligible JARC and NF Fares	676	-	676
55007	Ineligible depreciation	234,679	50,402	285,081
55008	Other ineligible expenses	14,624	3,286	17,910
55009	Ineligible percent of association dues	1,042	224	1,266
55010	Other ineligible expense associated with auxiliary and nontransportation revenue	109,359	23,487	132,846
58020	Ineligible fringe benefits	252,255	54,177	306,432
Total ineligible expenses				<u>744,211</u>
Total eligible expenses				<u>\$ 3,790,218</u>

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

Schedule 4N

For the Year Ended September 30, 2023

Public Service

Code	Description	Line-Haul	Demand-Response	Total
610	Vehicle Hours	23,840	4,498	28,338
611	Vehicle Miles	350,004	49,124	399,128

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, 2023

Code	Description	Amount
401	Farebox Revenue	
40100	Passenger Fares	\$ 2,176
409	Local Revenue	
40910	Local Operating Assistance	16,445
413	Federal Contracts	
41399	Other Federal Transit Contracts and Reimbursements	<u>16,445</u>
Total revenues		<u><u>\$ 35,066</u></u>

BATTLE CREEK TRANSIT SYSTEM

New Freedom Regular Service Expense Report

Schedule 4E

For the Year Ended September 30, 2023

Code	Description	Line-Haul	Demand-Response	Total
501	Labor			
50101	Operators' salaries & wages	\$ -	\$ 9,546	\$ 9,546
50102	Other salaries & wages	-	5,077	5,077
50103	Dispatchers' salaries & wages	-	1,669	1,669
502	Fringe benefits			
50200	Other fringe benefits	-	5,816	5,816
50210	Defined Contribution (DC) Pensions	-	437	437
50220	Defined Benefit (DB) Pensions	-	3,733	3,733
503	Services			
50302	Advertising fees	-	11	11
50305	Audit cost	-	261	261
50399	Other services	-	1,935	1,935
504	Materials and supplies			
50401	Fuel & lubricants	-	2,460	2,460
50402	Tires & tubes	-	506	506
50404	Major supplies	-	42	42
50499	Other materials & supplies	-	2,788	2,788
505	Utilities			
50500	Utilities	-	538	538
506	Insurance			
50603	Liability insurance	-	615	615
50699	Other insurance	-	99	99
509	Misc expenses			
50700	Taxes and fees	-	2	2
50902	Travel, meetings & training	-	100	100
50903	Association dues & subscriptions	-	102	102
512	Operating leases & rentals			
51200	Operating leases & rentals	-	101	101
513	Depreciation			
51300	Depreciation	-	2,512	2,512
Total expenses				<u>38,350</u>
550	Ineligible expenses			
55000	Ineligible JARC and NF Fares	-	2,176	2,176
55007	Ineligible depreciation	-	2,512	2,512
55008	Other ineligible expenses	-	163	163
55009	Ineligible percent of association dues	-	11	11
Total ineligible expenses				<u>4,862</u>
Total eligible expenses				<u>\$ 33,488</u>

New Freedom Regular Service Nonfinancial Report

Schedule 4N

For the Year Ended September 30, 2023

Public Service

Code	Description	Line-Haul	Demand-Response	Total
610	Vehicle Hours	-	270	270
611	Vehicle Miles	-	385	385

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, 2023

	Urban less than 100,000
Total expenses	<u>\$ 4,534,429</u>
Less ineligible expenses	
Ineligible JARC and NF Fares	676
Depreciation on capital assets acquired with federal and state grants	285,081
Other ineligible expenses	17,910
Michigan Public Transit Association dues	612
American Public Transit Association dues	654
Other ineligible expense associated with auxiliary and nontransportation revenue	132,846
Ineligible fringe benefits	<u>306,432</u>
Total ineligible expenses per R & E Manual	<u>744,211</u>
Total eligible expenses	<u><u>\$ 3,790,218</u></u>
Eligible expenses for state reimbursement	<u>\$ 3,790,218</u>
x Reimbursement percentage	<u>34.5849%</u>
State operating assistance - calculated	<u><u>\$ 1,310,843</u></u>
State operating assistance - actual	<u><u>\$ 1,450,452</u></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 23, 2024

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, 2024, 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 23, 2024.

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 were not 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 "Rehmann Lobson LLC". The script is cursive and fluid, with the letters connected. The "L" in "Lobson" is particularly large and loops around the "o".