

BATTLE CREEK TRANSIT SYSTEM

Year Ended
June 30, 2025

Financial
Statements and
Supplementary
Information

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BATTLE CREEK TRANSIT SYSTEM

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INDEPENDENT AUDITORS' REPORT

December 22, 2025

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, 2025, 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, 2025, 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, 2025, 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.



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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, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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, 2025, 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 "Rehmann Loham LLC". The signature is fluid and cursive, with "Rehmann" and "Loham" connected by a horizontal line, and "LLC" written in a smaller, separate area.

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BASIC FINANCIAL STATEMENTS

BATTLE CREEK TRANSIT SYSTEM

Statement of Net Position

June 30, 2025

Assets

Current assets:

Due from other governments	\$ 3,419,844
Accounts receivable	38,302
Inventory	57,093
Prepaid expenses	7,000
Total current assets	3,522,239

Noncurrent assets:

Capital assets not being depreciated	66,499
Capital assets being depreciated, net	4,652,728
Total noncurrent assets	4,719,227

Total assets

8,241,466

Deferred outflows of resources

Deferred pension amounts	776,757
Deferred other postemployment benefit amounts	24,950
Total deferred outflows of resources	801,707

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	1,448,163
Compensated absences	63,706
Interfund payable to other funds of the City	745,698
Unearned revenue	202,053
Total current liabilities	2,459,620

Noncurrent liabilities:

Compensated absences, net of current portion	6,547
Net pension liability	6,609,117
Net other postemployment benefit liability	995,050
Total noncurrent liabilities	7,610,714

Total liabilities

10,070,334

Deferred inflows of resources

Deferred pension amounts	122,043
Deferred other postemployment benefit amounts	872,677

Total deferred inflows of resources

994,720

Net position

Investment in capital assets	4,719,227
Unrestricted (deficit)	(6,741,108)

Total net position

\$ (2,021,881)

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, 2025

Operating revenues	
Line-haul (farebox)	\$ 199,875
Advertising	35,000
Other operating revenue	24,263
Total operating revenues	<u>259,138</u>
Operating expenses	
Operations	3,399,350
Maintenance	602,631
General administration	260,234
Depreciation	582,447
Total operating expenses	<u>4,844,662</u>
Operating loss	<u>(4,585,524)</u>
Nonoperating revenues	
Federal grants:	
Operating grant - Section 5307	1,799,916
Planning grants	3,037,074
State grants:	
Formula operating assistance	1,428,947
Planning grants	1,399,488
Local grants	171,404
Total nonoperating revenues	<u>7,836,829</u>
Net income before transfers	3,251,305
Transfers in from other City funds	<u>338,810</u>
Change in net position	<u>3,590,115</u>
Net position (deficit), beginning of year	<u>(5,611,996)</u>
Net position (deficit), end of year	<u><u>\$ (2,021,881)</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, 2025

Cash flows from operating activities	
Receipts from customers and users	\$ 1,859,738
Payments to suppliers	(1,301,087)
Payments to employees	(3,518,211)
Receipts for interfund services	<u>119,300</u>
Net cash used in operating activities	<u>(2,840,260)</u>
Cash flows from noncapital financing activities	
Transfers in from other City funds	338,810
Local grants	171,404
Federal and state grants	<u>6,306,309</u>
Net cash provided by noncapital financing activities	<u>6,816,523</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(3,976,263)</u>
Net change in pooled cash and investments	-
Pooled cash and investments, beginning of year	-
Pooled cash and investments, end of year	<u>\$ -</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (4,585,524)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	582,447
Changes in assets and liabilities:	
Accounts receivable	17,528
Inventory	48,843
Prepaid expenses	(2,725)
Accounts payable and accrued liabilities	1,387,572
Compensated absences	(14,430)
Interfund payable to other funds of the City	16,434
Unearned revenue	195,500
Net pension liability	(394,953)
Deferred outflows of resources related to the net pension liability	169,602
Deferred inflows of resources related to the net pension liability	108,931
Net other postemployment benefit liability	(219,081)
Deferred outflows of resources related to the net other postemployment benefit liability	113,137
Deferred inflows of resources related to the net other postemployment benefit liability	<u>(263,541)</u>
Net cash used in operating activities	<u>\$ (2,840,260)</u>
Noncash capital and related financing activities	
Transfer of capital assets	<u>\$ (78,750)</u>

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

The System recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences - compensatory and vacation. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

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.

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

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.

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, 2025, the System had a negative cash balance in the City's cash pool of \$745,698, 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, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated -					
Land	\$ 66,499	\$ -	\$ -	\$ -	\$ 66,499
Capital assets being depreciated:					
Land improvements	39,668	-	-	(26,130)	13,538
Buildings	3,018,944	-	-	(210,000)	2,808,944
Equipment	453,832	40,527	-	-	494,359
Vehicles	2,730,664	3,935,736	(45,210)	-	6,621,190
	<u>6,243,108</u>	<u>3,976,263</u>	<u>(45,210)</u>	<u>(236,130)</u>	<u>9,938,031</u>
Less accumulated depreciation for:					
Land improvements	(39,668)	-	-	26,130	(13,538)
Buildings	(2,501,541)	(101,256)	-	131,250	(2,471,547)
Equipment	(419,344)	(22,589)	-	-	(441,933)
Vehicles	(1,944,893)	(458,602)	45,210	-	(2,358,285)
	<u>(4,905,446)</u>	<u>(582,447)</u>	<u>45,210</u>	<u>157,380</u>	<u>(5,285,303)</u>
Total capital assets being depreciated, net					
	<u>1,337,662</u>	<u>3,393,816</u>	-	<u>(78,750)</u>	<u>4,652,728</u>
System capital assets, net	\$ 1,404,161	\$ 3,393,816	\$ -	\$ (78,750)	\$ 4,719,227

During the year ended June 30, 2025, the System transferred assets to the City's intermodal facility enterprise fund. As a result, the capital assets transferred are shown in the transfers column above.

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 has 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 \$74,663 in allowable expenses associated with code 55008, and the remaining balance of \$19,873 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 \$541,486 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 charged to code 50220 DB (defined benefit) was calculated pursuant to the methodology in the MERS Implementation Guide. Additionally, the System expensed \$(116,420) during the fiscal year based on GASB 68. For the plan year October 1, 2023 through September 30, 2024, the System paid \$471,078 in defined benefit pension contributions based on ADC which was included in charge code 50220, and the amount expensed based on GASB 68 was \$(809,821), 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 19 of the City of Battle Creek's financial statements.

During the fiscal year, the System decreased expenses by \$369,485 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.

7. SUBSEQUENT EVENTS

On October 1, 2025, the City entered into a Support Services Agreement with the Transportation Authority of Calhoun County ("TACC"), also known as Ride Calhoun, to facilitate the planned transition of public transportation services from the System to TACC.

Under the agreement, which remains in effect through June 30, 2026, the City continues to own all public transit assets during the transition period and provides administrative, managerial, operational, maintenance, financial, information technology, and other support services to TACC using City-controlled employees and contracted providers. TACC will be responsible for reimbursing the City for actual costs of services provided during the transition period.



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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, 2025

	7/01/2024 through 9/30/2024	10/01/2024 through 6/30/2025	Total
Line-haul (farebox)	\$ 65,372	\$ 134,503	\$ 199,875
Advertising	9,375	25,625	35,000
Other operating revenue	16,272	7,991	24,263
Local grants	11,157	160,247	171,404
Transfers in from other City funds	<u>142,079</u>	<u>196,731</u>	<u>338,810</u>
Total local revenues	\$ 244,255	\$ 525,097	\$ 769,352

BATTLE CREEK TRANSIT SYSTEM

Schedule of Local Revenues

Schedule 1A

For the Year Ended September 30, 2024

	10/01/2023 through 6/30/2024	7/01/2024 through 9/30/2024	Total
Line-haul (farebox)	\$ 145,981	\$ 65,372	\$ 211,353
Advertising	27,083	9,375	36,458
Other operating revenue	1,930	16,272	18,202
Local grants	100,612	11,157	111,769
Transfers in (out) from other City funds	(395,071)	142,079	(252,992)
Total local revenues	\$ (119,465)	\$ 244,255	\$ 124,790

BATTLE CREEK TRANSIT SYSTEM

Schedule of Expenditures of Federal and State Awards

Schedule 2

For the Year Ended June 30, 2025

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-2021-015-02	\$ 6,002,999
FY 2023 Section 5307 - Local Federal Transit Formula Grants & Surface Transportation Program	20.507	MI-2023-024-00	388,400
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 2025 Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Program and New Freedom Program	20.513	MI-2023-037-01	66,000
FY 2021 Section 5339 - Local Bus & Bus Facilities Formula Program	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	1,428,947
FY 2019 100% State Services Initiatives	N/A	2017-0015/P9/R3	1,695,505
FY 2021 Section 5339 - Local Bus & Bus Facilities Formula Program	N/A	2017-0015/P14/R1	1,335,000
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	191,341
FY 2025 Section 5310 - Enhanced Mobility of Seniors & Individuals with Disabilities Program and New Freedom Program	N/A	2022-0014/P10	16,500
FY 2025 Specialized Services Operating Assistance Program	N/A	2022-0014/P13	135,341
Total			

Current Year Expenditures			Prior Year Expenditures	Award Amount Remaining
Total	Federal	State		
\$ 1,799,916	\$ 1,799,916	\$ -	\$ 3,419,949	\$ 783,134
29,971	29,971	-	45,733	312,696
17,120	17,120	-	48,594	286
51,145	51,145	-	-	14,855
2,938,838	2,938,838	-	176,305	2,224,857
1,428,947	-	1,428,947	-	-
477,883	-	477,883	846,868	370,754
734,584	-	734,584	44,076	556,340
7,493	-	7,493	11,433	78,174
4,280	-	4,280	12,148	72
83,885	-	83,885	107,456	-
12,786	-	12,786	-	3,714
78,577	-	78,577	-	56,764
<u>\$ 7,665,425</u>	<u>\$ 4,836,990</u>	<u>\$ 2,828,435</u>	<u>\$ 4,712,562</u>	<u>\$ 4,401,646</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2A

For the Year Ended June 30, 2025

	7/01/2024 through 9/30/2024	10/01/2024 through 6/30/2025	Total
Federal grants			
Federal operating assistance - Section 5307	\$ -	\$ 1,799,916	\$ 1,799,916
State of Michigan grant			
Formula operating assistance	<u>430,979</u>	<u>997,968</u>	<u>1,428,947</u>
Total	<u>\$ 430,979</u>	<u>\$ 2,797,884</u>	<u>\$ 3,228,863</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2B

For the Year Ended September 30, 2024

	10/01/2023 through 6/30/2024	7/01/2024 through 9/30/2024	Total
Federal grants			
Federal operating assistance - Section 5307	\$ 1,372,570	\$ -	\$ 1,372,570
State of Michigan grant			
Formula operating assistance	<u>1,162,583</u>	<u>430,979</u>	<u>1,593,562</u>
Total	\$ 2,535,153	\$ 430,979	\$ 2,966,132

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating and Contract Expenses

Schedule 3

For the Year Ended June 30, 2025

	Urban less than 100,000	2022-0014/P8 FY24 Specialized Services	2022-0014/P13 FY25 Specialized Services
Expenses			
Labor:			
Operators' salaries and wages	\$ 1,120,210	\$ 2,866	\$ 8,027
Other salaries and wages	844,849	-	-
Fringe benefits	1,244,021	1,899	4,951
Pension	(485,905)	-	-
Services:			
Advertising	74	-	-
Other services	(3,704,457)	660	435
Materials and supplies:			
Fuel and lubricants	198,442	418	767
Other materials and supplies	4,066,335	554	1,199
Utilities	52,465	53	226
Insurance expense	89,702	-	-
Miscellaneous expenses:			
Travel, meetings and training	41,625	48	123
Association dues and subscriptions	12,455	52	28
Taxes and fees	426	-	-
Leases and rentals	12,156	8	11
Pass through	-	77,327	62,810
Depreciation	582,447	-	-
Total expenses	4,074,845	83,885	78,577
Specialized services, planning, and capital expenses:			
FY23 Section 5307 Formula Grants and STP			
2022-0014/P6	(37,464)	-	-
FY2021 Sect 5339 Bus & Bus			
Facilities 2017-0015/P14/R1	(506)	-	-
Administrative Contract - City of Marshall	(127,263)	-	-
Capital Asset Acquisition	303,346	-	-
Net operating expenses	\$ 4,212,958	\$ 83,885	\$ 78,577

2022-0014/P7 FY24 Mobility Management	2022-0014/P10 FY25 Mobility Management	2017-0015/P9/R3 FY19 State Services Initiatives	Total
\$ -	\$ -	\$ 129,784	\$ 1,260,887
14,346	42,875	-	902,070
5,104	14,768	86,515	1,357,258
-	-	-	(485,905)
-	-	-	74
-	103	42,361	(3,660,898)
-	-	-	199,627
-	-	263,364	4,331,452
-	-	-	52,744
-	-	-	89,702
1,950	6,185	-	49,931
-	-	-	12,535
-	-	-	426
-	-	-	12,175
-	-	-	140,137
-	-	-	582,447
21,400	63,931	522,024	4,844,662
-	-	-	(37,464)
-	-	-	(506)
-	-	-	(127,263)
-	-	-	303,346
\$ 21,400	\$ 63,931	\$ 522,024	\$ 4,982,775

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3A

For the Year Ended June 30, 2025

	Urban less than 100,000			2022-0014/P8 FY24 Specialized Services		
	7/01/2024 through 9/30/2024	10/01/2024 through 6/30/2025	Total	7/01/2024 through 9/30/2024	10/01/2024 through 6/30/2025	Total
Expenses						
Labor	\$ 345,142	\$ 1,619,917	\$ 1,965,059	\$ 2,866	\$ -	\$ 2,866
Fringe benefits	225,283	1,018,738	1,244,021	1,899	-	1,899
Pension	-	(485,905)	(485,905)	-	-	-
Services	83,528	(3,787,911)	(3,704,383)	660	-	660
Materials and supplies	2,825,879	1,438,898	4,264,777	972	-	972
Utilities	7,717	44,748	52,465	53	-	53
Insurance expense	22,425	67,277	89,702	-	-	-
Miscellaneous expenses	11,051	43,455	54,506	100	-	100
Leases and rentals	1,037	11,119	12,156	8	-	8
Pass through	-	-	-	77,327	-	77,327
Depreciation	145,612	436,835	582,447	-	-	-
Total expenses	3,667,674	407,171	4,074,845	83,885	-	83,885
FY23 Sect 5307 Formula Grants & STP 2022-0014/P6	(11,052)	(26,412)	(37,464)	-	-	-
FY2021 Sect 5339 Bus & Bus Facilities 2017-0015/P14/R1	(506)	-	(506)	-	-	-
Administrative Contract -						
City of Marshall	(28,057)	(99,206)	(127,263)	-	-	-
Capital Asset Acquisition	(2,544,132)	2,847,478	303,346	-	-	-
Total operating expenses	1,083,927	3,129,031	4,212,958	\$ 83,885	\$ -	\$ 83,885
Ineligible depreciation	(145,612)	(436,835)	(582,447)			
Other ineligible expenses	(7,430)	(12,442)	(19,872)			
Ineligible percent of association dues	(863)	(564)	(1,427)			
Other ineligible expense associated with auxiliary and nontransportation revenue	1,869	(5,091)	(3,222)			
Ineligible fringe benefits	-	485,905	485,905			
Total eligible expenses	\$ 931,891	\$ 3,160,004	\$ 4,091,895			

2022-0014/P13
2022-0014/P7

2022-0014/P13 FY25 Specialized Services			2022-0014/P7 FY24 Mobility Management		
7/01/2024 through 9/30/2024	10/01/2024 through 6/30/2025	Total	7/01/2024 through 9/30/2024	10/01/2024 through 6/30/2025	Total
\$ - \$ 8,027	\$ 8,027	\$ 14,346	\$ - \$ 14,346	\$ - \$ 5,104	\$ - \$ 5,104
- 4,951	4,951	5,104	-	-	-
-	-	-	-	-	-
- 435	435	-	-	-	-
- 1,966	1,966	-	-	-	-
- 226	226	-	-	-	-
-	-	-	-	-	-
- 151	151	1,950	-	1,950	-
- 11	11	-	-	-	-
- 62,810	62,810	-	-	-	-
-	-	-	-	-	-
- 78,577	78,577	21,400	-	21,400	-
\$ - \$ 78,577	\$ 78,577	\$ 21,400	\$ - \$ 21,400	\$ - \$ 21,400	\$ - \$ 21,400

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3A

For the Year Ended June 30, 2025

	2022-0014/P10			2017-0015/P9/R3		
	FY25 Mobility Management			FY19 State Services Initiatives		
	7/01/2024 through 9/30/2024	10/01/2024 through 6/30/2025	Total	7/01/2024 through 9/30/2024	10/01/2024 through 6/30/2025	Total
Expenses						
Labor	\$ -	\$ 42,875	\$ 42,875	\$ 26,949	\$ 102,835	\$ 129,784
Fringe benefits	-	14,768	14,768	17,023	69,492	86,515
Pension	-	-	-	-	-	(485,905)
Services	-	103	103	7,341	35,021	42,362
Materials and supplies	-	-	-	-	263,363	263,363
Utilities	-	-	-	-	-	52,744
Insurance expense	-	-	-	-	-	89,702
Miscellaneous expenses	-	6,185	6,185	-	-	62,892
Leases and rentals	-	-	-	-	-	12,175
Pass through	-	-	-	-	-	140,137
Depreciation	-	-	-	-	-	582,447
Total expenses	-	63,931	63,931	51,313	470,711	522,024
FY23 Sect 5307 Formula Grants & STP						
2022-0014/P6	-	-	-	-	-	(37,464)
FY2021-2023 Sect 5339 Bus & Bus	-	-	-	-	-	(506)
Facilities 2017-0015/P15/R1	-	-	-	-	-	-
Administrative Contract -	-	-	-	-	-	-
City of Marshall	-	-	-	-	-	(127,263)
Capital Asset Acquisition	-	-	-	-	-	303,346
Total operating expenses	<u>\$ -</u>	<u>\$ 63,931</u>	<u>\$ 63,931</u>	<u>\$ 51,313</u>	<u>\$ 470,711</u>	<u>\$ 522,024</u>
						<u>\$ 4,982,775</u>

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BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3B

For the Year Ended September 30, 2024

	Urban less than 100,000			2022-0014/P8 FY24 Specialized Services		
	10/01/2023 through 6/30/2024	7/01/2024 through 9/30/2024	Total	10/01/2023 through 6/30/2024	7/01/2024 through 9/30/2024	Total
Expenses						
Labor	\$ 1,499,172	\$ 345,142	\$ 1,844,314	\$ 9,855	\$ 2,866	\$ 12,721
Fringe benefits	987,966	225,283	1,213,249	6,496	1,899	8,395
Pension	(809,821)	-	(809,821)	-	-	-
Services	149,291	83,528	232,819	463	660	1,123
Materials and supplies	366,584	2,825,879	3,192,463	2,447	972	3,419
Utilities	39,041	7,717	46,758	276	53	329
Insurance expense	62,362	22,425	84,787	-	-	-
Miscellaneous expenses	22,087	11,051	33,138	131	100	231
Leases and rentals	10,104	1,037	11,141	11	8	19
Pass through	-	-	-	87,777	77,327	165,104
Depreciation	234,664	145,612	380,276	-	-	-
Total expenses	2,561,450	3,667,674	6,229,124	107,456	83,885	191,341
 FY16 Section 5339 Bus & Bus Facilities 2012-0040/P15	17,832	-	17,832	-	-	-
FY23 Sect 5307 Formula Grants & STP 2022-0014/P6	(9,014)	(11,052)	(20,066)	-	-	-
FY 2021-2023 Sect 5339 Bus & Bus Facilities 2017-0015/P15/R1	(8,354)	-	(8,354)	-	-	-
FY 2021 Sect 5339 Bus & Bus Facilities 2017-0015/P14/R1	-	(506)	(506)	-	-	-
Administrative Contract - City of Marshall	(69,821)	(28,057)	(97,878)	-	-	-
Capital Asset Acquisition	-	(2,544,132)	(2,544,132)	-	-	-
	(69,357)	(2,583,747)	(2,653,104)	-	-	-
Net operating expenses	2,492,093	1,083,927	3,576,020	107,456	83,885	191,341
Ineligible depreciation	(234,664)	(145,612)	(380,276)	-	-	-
Other ineligible expenses	(6,268)	(7,430)	(13,698)	-	-	-
Ineligible percent of association dues	(629)	(863)	(1,492)	-	-	-
Other ineligible expense associated with auxiliary and nontransportation revenue	(1,940)	1,869	(71)	-	-	-
Ineligible fringe benefits	809,821	-	809,821	-	-	-
Total eligible expenses	\$ 3,058,413	\$ 931,891	\$ 3,990,304	\$ 107,456	\$ 83,885	\$ 191,341

2022-0014/P7
2017-0015/P9/R3

2022-0014/P7 FY24 Mobility Management				2017-0015/P9/R3 FY19 State Services Initiatives			
10/01/2023 through 6/30/2024	7/01/2024 through 9/30/2024	Total		10/01/2023 through 6/30/2024	7/01/2024 through 9/30/2024	Total	Total
\$ 39,179	\$ 14,346	\$ 53,525		\$ 85,468	\$ 26,949	\$ 112,417	\$ 2,022,977
14,601	5,104	19,705		42,544	17,023	59,567	1,300,916
-	-	-		-	-	-	(809,821)
191	-	191		21,932	7,341	29,273	263,406
-	-	-		339	-	339	3,196,221
-	-	-		-	-	-	47,087
-	-	-		-	-	-	84,787
6,771	1,950	8,721		-	-	-	42,090
-	-	-		-	-	-	11,160
-	-	-		-	-	-	165,104
-	-	-		-	-	-	380,276
60,742	21,400	82,142		150,283	51,313	201,596	6,704,203
-	-	-		-	-	-	17,832
-	-	-		-	-	-	(20,066)
-	-	-		-	-	-	(8,354)
-	-	-		-	-	-	(506)
-	-	-		-	-	-	(97,878)
-	-	-		-	-	-	(2,544,132)
-	-	-		-	-	-	(2,653,104)
\$ 60,742	\$ 21,400	\$ 82,142		\$ 150,283	\$ 51,313	\$ 201,596	\$ 4,051,099

BATTLE CREEK TRANSIT SYSTEM

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

Schedule 4R

For the Year Ended September 30, 2024

Code	Description	Amount
401	Farebox Revenue	
40100	Passenger Fares	\$ 211,353
406	Auxiliary Trans Revenues	
40615	Advertising	36,458
407	Non Trans Revenues	
40760	Gains from the Sale of Capital Assets	18,131
40799	Other Non Trans Revenue	71
409	Local Revenue	
40910	Local Operating Assistance	(252,992)
40999	Other Local Contracts & Reimbursements	111,769
411	State Formula and Contracts	
41101	State Operating Assistance	1,723,910
413	Federal Contracts	
41302	Federal Section 5307 Operating	<u>1,372,570</u>
Total revenues		<u>\$ 3,221,270</u>

BATTLE CREEK TRANSIT SYSTEM

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

Schedule 4E

For the Year Ended September 30, 2024

Code	Description	Line-Haul	Demand-Response	Total
501	Labor			
50101	Operators' salaries & wages	\$ 1,017,427	\$ 65,371	\$ 1,082,798
50102	Other salaries & wages	584,567	37,578	622,145
50103	Dispatchers' salaries & wages	130,953	8,418	139,371
502	Fringe benefits			
50200	Other fringe benefits	645,511	41,495	687,006
50210	Defined Contribution (DC) Pensions	51,833	3,332	55,165
50220	Defined Benefit (DB) Pensions	(318,283)	(20,460)	(338,743)
503	Services			
50302	Advertising fees	296	19	315
50305	Audit cost	14,056	904	14,960
50399	Other services	204,404	13,140	217,544
504	Materials and supplies			
50401	Fuel & lubricants	195,495	12,567	208,062
50402	Tires & tubes	33,656	2,163	35,819
50404	Major supplies	40,127	2,579	42,706
50499	Other materials & supplies	237,505	15,267	252,772
505	Utilities			
50500	Utilities	43,383	3,375	46,758
506	Insurance			
50603	Liability insurance	68,537	4,406	72,943
50699	Other insurance	11,129	715	11,844
507	Taxes & fees			
50700	Taxes and fees	432	28	460
509	Misc expenses			
50902	Travel, meetings & training	18,975	1,220	20,195
50903	Association dues & subscriptions	11,729	754	12,483
512	Operating leases & rentals			
51200	Operating leases & rentals	10,468	673	11,141
513	Depreciation			
51300	Depreciation	357,306	22,970	380,276
Total expenses				<u>3,576,020</u>
550	Ineligible expenses			
55007	Ineligible depreciation	357,306	22,970	380,276
55008	Other ineligible expenses	12,871	827	13,698
55009	Ineligible percent of association dues	1,402	90	1,492
55010	Other ineligible expense associated with auxiliary and nontransportation revenue	67	4	71
58020	Ineligible fringe benefits	(760,908)	(48,913)	(809,821)
Total ineligible expenses				<u>(414,284)</u>
Total eligible expenses				<u>\$ 3,990,304</u>

BATTLE CREEK TRANSIT SYSTEM

Unaudited

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

Schedule 4N

For the Year Ended September 30, 2024

Public Service

Code	Description	Line-Haul	Demand-Response	Total
610	Vehicle Hours	16,773	5,819	22,592
611	Vehicle Miles	228,894	55,678	284,572

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, 2024

Urban less
than 100,000

Total expenses	\$ 3,576,020
Less ineligible expenses	
Depreciation on capital assets acquired with federal and state grants	380,276
Other ineligible expenses	13,698
Michigan Public Transit Association dues	582
American Public Transit Association dues	910
Other ineligible expense associated with auxiliary and nontransportation revenue	71
Ineligible fringe benefits	<u>(809,821)</u>
Total ineligible expenses per R & E Manual	<u>(414,284)</u>
Total eligible expenses	\$ 3,990,304
Eligible expenses for state reimbursement	\$ 3,990,304
x Reimbursement percentage	<u>40.2993%</u>
State operating assistance - calculated	<u>\$ 1,608,065</u>
State operating assistance - actual	<u>\$ 1,723,910</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, 2025

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, 2025, 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, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001, that we consider to be a material weakness.



📍 675 Robinson Road, Jackson, MI 49203

📞 517.787.6503

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*.

Battle Creek Transit System's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Loham LLC". The signature is fluid and cursive, with "Rehmann" and "Loham" stacked vertically and "LLC" to the right.

BATTLE CREEK TRANSIT SYSTEM

Schedule of Findings and Responses

For the Year Ended June 30, 2025

2025-001 - Material Audit Adjustment

Finding Type. Material Weakness in Internal Controls over Financial Reporting

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed an adjustment (which was approved and posted by management) that was material to the System's financial statements. Unearned revenue was initially understated and state planning grant revenue was initially overstated by \$195,500.

Cause. Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the System's financial statements were initially misstated by amounts that were material to the financial statements.

Recommendation. For the current year, no further action is required as the adjustments have been posted. In future periods, we recommend that management implement procedures to ensure that all general ledger accounts are appropriately reconciled and adjusted at year end.

View of Responsible Officials. The City acknowledges there was an issue with the recording of unearned revenue received from a grant, for which expenses had not yet been incurred. The City has identified the issue that caused the misstatement, and has taken steps to correct it in the upcoming year. The Finance Department will ensure that all year-end balances in the Transit System are appropriately reconciled and adjusted at year-end.

Responsible Officials. Revenue Services Director



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