

BATTLE CREEK TRANSIT SYSTEM

Year Ended
June 30, 2020

Financial
Statements

Rehmann

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BATTLE CREEK TRANSIT SYSTEM

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INDEPENDENT AUDITORS' REPORT

December 21, 2020

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

Report on the Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Rehmann is an independent member of Nexia International.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Battle Creek Transit System, an enterprise fund of the City of Battle Creek, Michigan, as of June 30, 2020, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Reporting Entity

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The 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 was derived from and relates 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 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 21, 2020, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

BASIC FINANCIAL STATEMENTS

BATTLE CREEK TRANSIT SYSTEM

Statement of Net Position

June 30, 2020

Assets

Current assets:

Due from other governments	\$ 2,835,141
Accounts receivable	314
Inventory	122,823
Total current assets	<u>2,958,278</u>

Noncurrent assets:

Capital assets not being depreciated	66,499
Capital assets being depreciated, net	2,138,986
Total noncurrent assets	<u>2,205,485</u>

Total assets	<u>5,163,763</u>
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Deferred outflows of resources

Deferred pension amounts	606,098
Deferred other postemployment benefit amounts	547,330

Total deferred outflows of resources	<u>1,153,428</u>
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Liabilities

Current liabilities:

Accounts payable	431,105
Accrued payroll	499
Compensated absences, current portion	73,049
Interfund payable to other funds of the City	2,037,605
Total current liabilities	<u>2,542,258</u>

Noncurrent liabilities:

Compensated absences	8,117
Net pension liability	6,178,107
Net other postemployment benefit liability	4,379,061
Total noncurrent liabilities	<u>10,565,285</u>

Total liabilities	<u>13,107,543</u>
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Deferred inflows of resources

Deferred pension amounts	56,584
Deferred other postemployment benefit amounts	917,214

Total deferred inflows of resources	<u>973,798</u>
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Net position

Investment in capital assets	2,205,485
Unrestricted deficit	(9,969,635)

Total net position	<u>\$ (7,764,150)</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, 2020

Operating revenues	
Line-haul (farebox)	\$ 248,545
Advertising	39,623
Other operating revenue	<u>1,868</u>
Total operating revenues	<u>290,036</u>
Operating expenses	
Operations	3,329,053
Maintenance	807,383
General administration	785,873
Depreciation	<u>377,587</u>
Total operating expenses	<u>5,299,896</u>
Operating loss	<u>(5,009,860)</u>
Nonoperating revenues	
Federal grants:	
Operating grant - Section 5307	2,361,208
Planning grants	27,574
State grants:	
Formula operating assistance	1,709,520
Planning grants	<u>508,107</u>
Total nonoperating revenues	<u>4,606,409</u>
Net loss before transfers	(403,451)
Transfers in from other City funds	<u>319,115</u>
Change in net position	(84,336)
Net position, beginning of year	<u>(7,679,814)</u>
Net position, end of year	<u><u>\$ (7,764,150)</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, 2020

Cash flows from operating activities

Receipts from customers and users	\$ 290,010
Payments to suppliers	(416,506)
Payments to employees	(2,709,000)
Payments for interfund services	(215,830)

Net cash used in operating activities	(3,051,326)
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Cash flows from noncapital financing activities

Transfers in from other City funds	319,115
Federal and state grants	3,155,008

Net cash provided by noncapital financing activities	3,474,123
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Cash flows from capital and related financing activities

Purchase of capital assets	(422,797)
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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	\$ (5,009,860)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	377,587
Changes in assets and liabilities:	
Accounts receivable	(26)
Inventory	18,831
Accounts payable	403,114
Compensated absences	10,371
Interfund payable to other funds of the City	922,855
Net pension liability	4,021
Deferred outflows related to the net pension liability	239,058
Deferred inflows related to the net pension liability	37,619
Net other postemployment benefit liability	428,821
Deferred outflows related to the net other postemployment benefit liability	(261,144)
Deferred inflows related to the net other postemployment benefit liability	(222,573)

Net cash used in operating activities	\$ (3,051,326)
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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 property and equipment, are reported at cost or, if donated, at their 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 position 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 position 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.

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, 2020, the System had a negative cash balance in the City's cash pool of \$2,037,605, 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 comprehensive annual financial report.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 66,499	\$ -	\$ -	\$ 66,499
Capital assets being depreciated:				
Land improvements	104,108	-	-	104,108
Buildings	2,916,698	-	(25,935)	2,890,763
Equipment	1,320,838	25,503	(692,963)	653,378
Vehicles	3,431,459	397,294	(57,898)	3,770,855
	<u>7,773,103</u>	<u>422,797</u>	<u>(776,796)</u>	<u>7,419,104</u>
Less accumulated depreciation for:				
Land improvements	(90,382)	(9,152)	-	(99,534)
Buildings	(1,993,786)	(112,340)	25,935	(2,080,191)
Equipment	(1,175,436)	(43,003)	692,963	(525,476)
Vehicles	(2,419,723)	(213,092)	57,898	(2,574,917)
	<u>(5,679,327)</u>	<u>(377,587)</u>	<u>776,796</u>	<u>(5,280,118)</u>
Total capital assets being depreciated, net	<u>2,093,776</u>	<u>45,210</u>	<u>-</u>	<u>2,138,986</u>
System capital assets, net	<u>\$ 2,160,275</u>	<u>\$ 45,210</u>	<u>\$ -</u>	<u>\$ 2,205,485</u>

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

At June 30, 2020, the System had outstanding commitments through a construction contract of \$72,138 for building and equipment improvements.

4. RISK MANAGEMENT

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

5. MICHIGAN DEPARTMENT OF TRANSPORTATION (MDOT) ASSURANCES

The methodology used for compiling miles for Regular Service 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 \$15,550 in allowable expenses associated with code 55008, and the remaining balance of \$56,587 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 \$473,515 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 \$280,698 during the fiscal year based on GASB 68. For the plan year October 1, 2018 through September 30, 2019, the System paid \$506,188 in defined benefit pension contributions based on ADC which was included in charge code 50220, and the amount expensed based on GASB 68 was \$318,164 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 17 of the City of Battle Creek's financial statements.

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

During the fiscal year, the System decreased expenses by \$54,896 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 18 of the City of Battle Creek's financial statements.

6. CONTINGENCIES

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

7. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the System's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and patrons, all of which cannot be reasonably predicted at this time. In addition, it will continue to place additional demands on the System as it determines the appropriate methods to deliver transportation services to customers in a safe environment. While management reasonably expects the COVID-19 outbreak to negatively impact the System's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

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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, 2020

	7/01/19 through 9/30/19	10/01/19 through 6/30/20	Total
Line haul - farebox	\$ 81,239	\$ 167,306	\$ 248,545
Advertising	1,988	37,635	39,623
Other operating revenue	573	1,295	1,868
Transfers in from other City funds	79,779	239,336	319,115
Total local revenues	<u>\$ 163,579</u>	<u>\$ 445,572</u>	<u>\$ 609,151</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Local Revenues

Schedule 1A

For the Year Ended September 30, 2019

	10/01/18 through 6/30/19	7/01/19 through 9/30/19	Total
Line haul - farebox	\$ 252,376	\$ 81,239	\$ 333,615
Advertising	6,056	1,988	8,044
Other operating revenue	8,632	573	9,205
Transfers in from other funds	703,673	79,779	783,452
Total local revenues	\$ 970,737	\$ 163,579	\$ 1,134,316

BATTLE CREEK TRANSIT SYSTEM

Schedule of Expenditures of Federal and State Awards

Schedule 2

For the Year Ended June 30, 2020

Federal and State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant No./ Authorization Number	Program Award Amount
U.S. Department of Transportation			
Federal Direct Assistance:			
Federal Transit Operating Grant - Section 5307	20.507	MI-2020-042-01	\$ 1,402,004
FY20 CARES Act 5307 Operating Assistance	20.507	MI-2020-028-01	3,962,714
FY15 Sect 5339 Bus & Bus Facilities Formula	20.526	MI-34-0003-03	96,528
Michigan Department of Transportation			
Operating Assistance - Act 51 - Urban less than 100,000	N/A	N/A	1,709,520
Specialized Services 19	N/A	2017-0015/P7	92,624
Specialized Services 20	N/A	2017-0015/P8	108,434
FY15 Sect 5339 Bus & Bus Facilities Formula	N/A	2012-0040/P13	24,132
Sect 5339 Discretionary Funds	N/A	2017-0015/P6	400,000
Total			

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Current Year Expenditures			Prior Year Expenditures	Award Amount Remaining
Total	Federal	State		
\$ 1,086,773	\$ 1,086,773	\$ -	\$ -	\$ 315,231
1,274,435	1,274,435	-	-	2,688,279
27,574	27,574	-	68,806	148
1,709,520	-	1,709,520	-	-
26,605	-	26,605	66,019	-
77,313	-	77,313	-	31,121
6,894	-	6,894	17,202	36
397,295	-	397,295	-	2,705
<u>\$ 4,606,409</u>	<u>\$ 2,388,782</u>	<u>\$ 2,217,627</u>	<u>\$ 152,027</u>	<u>\$ 3,037,520</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2A

For the Year Ended June 30, 2020

	7/01/19 through 9/30/19	10/01/19 through 6/30/20	Total
Federal grants			
Operating grant - Section 5307	\$ 518,885	\$ 567,888	\$ 1,086,773
CARES Act grant - Section 5307	-	1,274,435	1,274,435
	<u>518,885</u>	<u>1,842,323</u>	<u>2,361,208</u>
State of Michigan grant			
Formula operating assistance	<u>369,768</u>	<u>1,339,752</u>	<u>1,709,520</u>
Total	<u>\$ 888,653</u>	<u>\$ 3,182,075</u>	<u>\$ 4,070,728</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2B

Based on a September 30, 2019 Year End

	10/01/18 through 6/30/19	7/01/19 through 9/30/19	Total
Federal grant			
Operating grant - Section 5307	\$ 1,364,033	\$ 518,885	\$ 1,882,918
State of Michigan grant			
Formula operating assistance	1,271,236	369,768	1,641,004
Total	<u>\$ 2,635,269</u>	<u>\$ 888,653</u>	<u>\$ 3,523,922</u>

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BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating and Contract Expenses

Schedule 3

For the Year Ended June 30, 2020

	Urban less than 100,000	2017-0015/P7 FY19 Specialized Services	2017-0015/P8 FY20 Specialized Services	Total
Expenses				
Labor:				
Operators' salaries and wages	\$ 1,613,980	\$ -	\$ 7,450	\$ 1,621,430
Other salaries and wages	624,057	-	-	624,057
Fringe benefits	1,392,181	-	4,558	1,396,739
Pension	225,802	-	-	225,802
Services -				
Other services	263,013	-	712	263,725
Materials and supplies:				
Fuel and lubricants	240,317	-	422	240,739
Other materials and supplies	291,324	-	830	292,154
Utilities	55,388	-	208	55,596
Insurance expense	86,929	-	288	87,217
Miscellaneous expenses:				
Travel, meetings and training	3,131	-	4	3,135
Association dues and subscriptions	10,774	-	-	10,774
Taxes and fees	305	-	2	307
Leases and rentals	11,190	-	9	11,199
Pass through	-	26,605	62,830	89,435
Depreciation	377,587	-	-	377,587
Total expenses	5,195,978	26,605	77,313	5,299,896
Specialized services, planning, and capital expenses:				
FY15 Sect 5339 Bus & Bus Facilities				
MI-34-0003-03/2012-0040/P13	(8,965)	-	-	(8,965)
Net operating expenses	<u>\$ 5,187,013</u>	<u>\$ 26,605</u>	<u>\$ 77,313</u>	<u>\$ 5,290,931</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3A

For the Year Ended June 30, 2020

	Urban less than 100,000		
	7/01/19 through 9/30/19	10/01/19 through 6/30/20	Total
Expenses			
Labor	\$ 540,483	\$ 1,697,554	\$ 2,238,037
Fringe benefits	343,080	1,049,101	1,392,181
Pension	-	225,802	225,802
Services	91,661	171,352	263,013
Materials and supplies	157,119	374,522	531,641
Utilities	10,471	44,917	55,388
Insurance expense	21,807	65,122	86,929
Miscellaneous expenses	9,760	4,450	14,210
Leases and rentals	852	10,338	11,190
Pass through	-	-	-
Depreciation	94,397	283,190	377,587
Total expenses	1,269,630	3,926,348	5,195,978
FY15 Sect 5339 Bus & Bus Facilities MI-34-0003-03/2012-0040/P13	-	(8,965)	(8,965)
Total operating expenses	1,269,630	3,917,383	5,187,013
Ineligible depreciation	(92,744)	(283,190)	(375,934)
Other ineligible expenses	(4,211)	(12,364)	(16,575)
Ineligible percent of association dues	(600)	(698)	(1,298)
Other ineligible expense associated with auxiliary and nontransportation revenue	(573)	(1,295)	(1,868)
Ineligible fringe benefits	-	(225,802)	(225,802)
Total eligible expenses	<u>\$ 1,171,502</u>	<u>\$ 3,394,034</u>	<u>\$ 4,565,536</u>



2017-0015/P7 FY19 Specialized Services			2017-0015/P8 FY20 Specialized Services			Total
7/01/19 through 9/30/19	10/01/19 through 6/30/20	Total	7/01/19 through 9/30/19	10/01/19 through 6/30/20	Total	
\$ -	\$ -	\$ -	\$ -	\$ 7,450	\$ 7,450	\$ 2,245,487
-	-	-	-	4,558	4,558	1,396,739
-	-	-	-	-	-	225,802
-	-	-	-	712	712	263,725
-	-	-	-	1,252	1,252	532,893
-	-	-	-	208	208	55,596
-	-	-	-	288	288	87,217
-	-	-	-	6	6	14,216
-	-	-	-	9	9	11,199
26,605	-	26,605	-	62,830	62,830	89,435
-	-	-	-	-	-	377,587
26,605	-	26,605	-	77,313	77,313	5,299,896
-	-	-	-	-	-	(8,965)
\$ 26,605	\$ -	\$ 26,605	\$ -	\$ 77,313	\$ 77,313	\$ 5,290,931

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3B

For the Year Ended September 30, 2019

	Urban less than 100,000		
	10/01/18 through 6/30/19	7/01/19 through 9/30/19	Total
Expenses			
Labor	\$ 1,385,338	\$ 540,483	\$ 1,925,821
Fringe benefits	959,897	343,080	1,302,977
Pension	318,164	-	318,164
Services	224,926	91,661	316,587
Materials and supplies	328,207	157,119	485,326
Utilities	59,984	10,471	70,455
Insurance expense	59,894	21,807	81,701
Miscellaneous expenses	6,737	9,760	16,497
Leases and rentals	10,802	852	11,654
Pass through	-	-	-
Depreciation	245,596	94,397	339,993
Total expenses	3,599,545	1,269,630	4,869,175
Sect 5303 Metropolitan Transportation Planning Program 2015-0001/Z6/R1	(50,918)	-	(50,918)
Net operating expenses	3,548,627	1,269,630	4,818,257
Ineligible depreciation	(240,638)	(92,744)	(333,382)
Other ineligible expenses	(52,376)	(4,211)	(56,587)
Ineligible percent of association dues	(781)	(600)	(1,381)
Other ineligible expense associated with auxiliary and nontransportation revenue	(8,633)	(573)	(9,206)
Ineligible fringe benefits	(318,164)	-	(318,164)
Total eligible expenses	\$ 2,928,035	\$ 1,171,502	\$ 4,099,537

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2017-0015/P7 FY19 Specialized Services			
10/01/18 through 6/30/19	7/01/19 through 9/30/19	Total	Total
\$ -	\$ -	\$ -	\$ 1,925,821
-	-	-	1,302,977
-	-	-	318,164
66,019	-	66,019	382,606
-	-	-	485,326
-	-	-	70,455
-	-	-	81,701
-	-	-	16,497
-	-	-	11,654
-	26,605	26,605	26,605
-	-	-	339,993
66,019	26,605	92,624	4,961,799
-	-	-	(50,918)
<u>\$ 66,019</u>	<u>\$ 26,605</u>	<u>\$ 92,624</u>	<u>\$ 4,910,881</u>

BATTLE CREEK TRANSIT SYSTEM

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

Schedule 4R

For the Year Ended September 30, 2019

Code	Description	Amount
401	Farebox Revenue	
40100	Passenger Fares	\$ 333,615
406	Auxiliary Trans Revenues	
40615	Advertising	8,044
407	Non Trans Revenues	
40799	Other Non Trans Revenue	9,205
409	Local Revenue	
40910	Local Operating Assistance	783,452
411	State Formula and Contracts	
41101	State Operating Assistance	1,479,063
413	Federal Contracts	
41301	Federal Section 5311	<u>1,882,918</u>
Total revenues		<u>\$ 4,496,297</u>

BATTLE CREEK TRANSIT SYSTEM

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

Schedule 4E

For the Year Ended September 30, 2019

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501	Labor				
50101	Operators' salaries & wages	\$ 1,192,342	\$ -	\$ -	\$ 1,192,342
50102	Other salaries & wages	-	351,882	200,817	552,699
50103	Dispatchers' salaries & wages	180,780	-	-	180,780
502	Fringe benefits				
50200	Other fringe benefits	596,474	145,865	54,450	796,789
50220	Defined Benefit (DB) Pensions	342,997	111,164	370,191	824,352
503	Services				
50302	Advertising fees	-	-	2,434	2,434
50305	Audit cost	-	-	13,680	13,680
50399	Other services	72,419	46,710	131,999	251,128
504	Materials and supplies				
50401	Fuel & lubricants	268,058	-	-	268,058
50402	Tires & tubes	17,234	-	-	17,234
50404	Major supplies	-	-	2,396	2,396
50499	Other materials & supplies	157,295	22,024	18,319	197,638
505	Utilities				
50500	Utilities	-	-	70,455	70,455
506	Insurance				
50603	Liability insurance	76,615	-	-	76,615
50699	Other insurance	-	-	5,086	5,086
509	Misc expenses				
50700	Taxes and fees	260	-	-	260
50902	Travel, meetings & training	1,574	825	1,053	3,452
50903	Association dues & subscriptions	-	-	11,212	11,212
512	Operating leases & rentals				
51200	Operating leases & rentals	8,563	604	2,487	11,654
513	Depreciation				
51300	Depreciation	339,993	-	-	339,993
Total expenses					4,818,257
550	Ineligible expenses				
55007	Ineligible depreciation	333,382	-	-	333,382
55008	Other ineligible expenses	-	-	56,587	56,587
55009	Ineligible percent of association dues	-	-	1,381	1,381
55010	Other ineligible expense associated with auxiliary and nontransportation revenue	-	-	9,206	9,206
58020	Ineligible fringe benefits	-	-	318,164	318,164
Total ineligible expenses					718,720
Total eligible expenses					\$ 4,099,537

BATTLE CREEK TRANSIT SYSTEM

Unaudited

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

Schedule 4N

For the Year Ended September 30, 2019

Public Service					
Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	35,335	3,430	-	38,765
611	Vehicle Miles	476,496	47,456	-	523,952

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, 2019

	Urban less than 100,000
Total expenses	<u>\$ 4,818,257</u>
Less ineligible expenses	
Depreciation on capital assets acquired with federal and state grants	333,382
Other ineligible expenses	56,587
Michigan Public Transit Association dues	781
American Public Transit Association dues	600
Other ineligible expense associated with auxiliary and nontransportation revenue	9,206
Ineligible fringe benefits	<u>318,164</u>
Total ineligible expenses per R & E Manual	<u>718,720</u>
Total eligible expenses	<u><u>\$ 4,099,537</u></u>
Eligible expenses for state reimbursement	<u>\$ 4,099,537</u>
x Reimbursement percentage	<u>38.1712%</u>
State operating assistance - calculated	<u><u>\$ 1,564,842</u></u>
State operating assistance - actual	<u><u>\$ 1,479,063</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 21, 2020

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, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2020.

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 opinion 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 may exist that have not been identified.

Rehmann is an independent member of Nexia International.



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 Lohorn LLC". The signature is written in a cursive, flowing style.