

BATTLE CREEK TRANSIT SYSTEM

Year Ended
June 30, 2021

Financial
Statements

Rehmann

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BATTLE CREEK TRANSIT SYSTEM

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INDEPENDENT AUDITORS' REPORT

December 21, 2021

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, 2021, 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.

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

Rehmann is an independent member of Nexia International.



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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, 2021, 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.

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, 2021, 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.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is fluid and cursive, with "Lehmann" and "Lohman" stacked vertically and "LLC" to the right.

BASIC FINANCIAL STATEMENTS

BATTLE CREEK TRANSIT SYSTEM

Statement of Net Position

June 30, 2021

Assets

Current assets:

Due from other governments	\$ 2,854,082
Accounts receivable	788
Inventory	129,759
Prepaid expenses	5,319
Total current assets	<u>2,989,948</u>

Noncurrent assets:

Capital assets not being depreciated	66,499
Capital assets being depreciated, net	<u>1,866,207</u>
Total noncurrent assets	<u>1,932,706</u>

Total assets

4,922,654

Deferred outflows of resources

Deferred pension amounts	833,854
Deferred other postemployment benefit amounts	<u>545,047</u>

Total deferred outflows of resources

1,378,901

Liabilities

Current liabilities:

Accounts payable	38,063
Compensated absences, current portion	87,104
Interfund payable to other funds of the City	<u>2,226,124</u>
Total current liabilities	<u>2,351,291</u>

Noncurrent liabilities:

Compensated absences	9,679
Net pension liability	<u>6,339,159</u>
Net other postemployment benefit liability	<u>4,542,692</u>
Total noncurrent liabilities	<u>10,891,530</u>

Total liabilities

13,242,821

Deferred inflows of resources

Deferred pension amounts	283,400
Deferred other postemployment benefit amounts	<u>739,141</u>

Total deferred inflows of resources

1,022,541

Net position

Investment in capital assets	1,932,706
Unrestricted deficit	<u>(9,896,513)</u>

Total net position

\$ (7,963,807)

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, 2021

Operating revenues

Line-haul (farebox)	\$ 225,523
Advertising	26,339
Other operating revenue	1,408
	<hr/>
Total operating revenues	253,270

Operating expenses

Operations	3,395,995
Maintenance	859,601
General administration	678,273
Depreciation	359,890
	<hr/>
Total operating expenses	5,293,759

Operating loss

Operating loss	(5,040,489)
----------------	-------------

Nonoperating revenues

Federal grants:	
Operating grant - Section 5307	2,204,187
Planning grants	57,951
State grants:	
Formula operating assistance	2,059,397
Planning grants	289,302

Total nonoperating revenues

4,610,837

Net loss before transfers

(429,652)

Transfers in from other City funds

229,995

Change in net position

(199,657)

Net position, beginning of year

(7,764,150)

Net position, end of year

\$ (7,963,807)

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, 2021

Cash flows from operating activities

Receipts from customers and users	\$ 252,796
Payments to suppliers	(1,392,035)
Payments to employees	(3,516,095)
Payments for interfund services	(79,446)
	<hr/>

Net cash used in operating activities

(4,734,780)

Cash flows from noncapital financing activities

Transfers in from other City funds	229,995
Federal and state grants	4,591,896
	<hr/>

Net cash provided by noncapital financing activities

4,821,891

Cash flows from capital and related financing activities

Purchase of capital assets	<u>(87,111)</u>
----------------------------	-----------------

Net change in pooled cash and investments

Pooled cash and investments, beginning of year

-

Pooled cash and investments, end of year

\$ -

Reconciliation of operating loss

to net cash used in operating activities

Operating loss	\$ (5,040,489)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	359,890
Changes in assets and liabilities:	
Accounts receivable	(474)
Inventory	(6,936)
Prepaid expenses	(5,319)
Accounts payable and accrued payroll	(393,541)
Compensated absences	15,617
Interfund payable to other funds of the City	188,519
Net pension liability	161,052
Deferred outflows related to the net pension liability	(227,756)
Deferred inflows related to the net pension liability	226,816
Net other postemployment benefit liability	163,631
Deferred outflows related to the net other postemployment benefit liability	2,283
Deferred inflows related to the net other postemployment benefit liability	<u>(178,073)</u>

Net cash used in operating activities

\$ (4,734,780)

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, 2021, the System had a negative cash balance in the City's cash pool of \$2,226,124, 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, 2021, 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	2,890,763	16,385	-	2,907,148
Equipment	653,378	-	-	653,378
Vehicles	3,770,855	70,726	-	3,841,581
	<u>7,419,104</u>	<u>87,111</u>	<u>-</u>	<u>7,506,215</u>
Less accumulated depreciation for:				
Land improvements	(99,534)	(4,574)	-	(104,108)
Buildings	(2,080,191)	(111,902)	-	(2,192,093)
Equipment	(525,476)	(29,755)	-	(555,231)
Vehicles	(2,574,917)	(213,659)	-	(2,788,576)
	<u>(5,280,118)</u>	<u>(359,890)</u>	<u>-</u>	<u>(5,640,008)</u>
Total capital assets being depreciated, net	<u>2,138,986</u>	<u>(272,779)</u>	<u>-</u>	<u>1,866,207</u>
System capital assets, net	\$ 2,205,485	\$ (272,779)	\$ -	\$ 1,932,706

BATTLE CREEK TRANSIT SYSTEM

Notes to Financial Statements

4. RISK MANAGEMENT

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

5. MICHIGAN DEPARTMENT OF TRANSPORTATION (MDOT) ASSURANCES

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

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

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 \$61,721 in allowable expenses associated with code 55008, and the remaining balance of \$16,681 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 \$466,567 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 \$160,112 during the fiscal year based on GASB 68. For the plan year October 1, 2019 through September 30, 2020, the System paid \$524,222 in defined benefit pension contributions based on ADC which was included in charge code 50220, and the amount expensed based on GASB 68 was \$225,802 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.

During the fiscal year, the System decreased expenses by \$12,159 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.

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. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the System as it determines the impact on employees, vendors, and patrons, and the appropriate method for providing services. The Federal Government has provided significant resources to help mitigate the impacts of COVID-19. The System directly received over \$2.1 million during 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES Act and other funding sources. This funding was used to purchase of personal protection equipment (PPE) and provide transportation assistance.



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

BATTLE CREEK TRANSIT SYSTEM

Schedule of Local Revenues

Schedule 1

For the Year Ended June 30, 2021

	7/01/20 through 9/30/20	10/01/20 through 6/30/21	Total
Line haul - farebox	\$ 19,245	\$ 206,278	\$ 225,523
Advertising	8,440	17,899	26,339
Other operating revenue	4	1,404	1,408
Transfers in from other City funds	<u>57,499</u>	<u>172,496</u>	<u>229,995</u>
Total local revenues	<u>\$ 85,188</u>	<u>\$ 398,077</u>	<u>\$ 483,265</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Local Revenues

Schedule 1A

For the Year Ended September 30, 2020

	10/01/19 through 6/30/20	7/01/20 through 9/30/20	Total
Line haul - farebox	\$ 167,306	\$ 19,245	\$ 186,551
Advertising	37,635	8,440	46,075
Other operating revenue	1,295	4	1,299
Transfers in from other funds	<u>239,336</u>	<u>57,499</u>	<u>296,835</u>
Total local revenues	<u>\$ 445,572</u>	<u>\$ 85,188</u>	<u>\$ 530,760</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Expenditures of Federal and State Awards

Schedule 2

For the Year Ended June 30, 2021

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:			
FY20 CARES Act 5307 Operating Assistance	20.507	MI-2020-028-01	3,962,714
FY21 Sect 5310 - New Freedom Program	20.513	MI-2020-068-00	229,995
FY21 Sect 5310 - New Freedom Program	20.513	MI-2020-068-00	66,000
FY16 Sect 5339 Bus & Bus Facilities Formula	20.526	MI-2016-020-04	91,660
Michigan Department of Transportation			
Operating Assistance - Act 51 - Urban less than 100,000	N/A	N/A	2,059,397
Specialized Services 20	N/A	2017-0015/P8	108,434
Specialized Services 21	N/A	2017-0015/P8	108,434
Sect 5339 Discretionary Funds	N/A	2017-0015/P6	400,000
FY16 Sect 5339 Bus & Bus Facilities Formula	N/A	2012-0040/P15	22,915
FY21 Sect 5310 New Freedom Program	N/A	2017-0005/P13	16,500
FY19 Sect 5310 100% State Services Initiatives	N/A	2017-0005/P9	395,505
Total			

Current Year Expenditures			Prior Year Expenditures		Award Amount	
Total	Federal	State			Remaining	
\$ 2,110,312	\$ 2,110,312	\$ -	\$ 1,274,435	\$ 577,967		
93,875	93,875	-	-	136,120		
44,843	44,843	-	-	21,157		
13,108	13,108	-	-	78,552		
2,059,397	-	2,059,397	-	-		
31,121	-	31,121	77,313	-		
57,288	-	57,288	-	51,146		
2,683	-	2,683	397,295	22		
3,277	-	3,277	-	19,638		
11,211	-	11,211	-	5,289		
183,722	-	183,722	-	211,783		
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 4,610,837</u>	<u>\$ 2,262,138</u>	<u>\$ 2,348,699</u>	<u>\$ 1,749,043</u>	<u>\$ 1,101,674</u>		

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2A

For the Year Ended June 30, 2021

	7/01/20 through 9/30/20	10/01/20 through 6/30/21	Total
Federal grants			
CARES Act grant - Section 5307	\$ 466,805	\$ 1,643,507	\$ 2,110,312
New Freedom grant - Section 5310	-	93,875	93,875
	<hr/>	<hr/>	<hr/>
	466,805	1,737,382	2,204,187
State of Michigan grant			
Formula operating assistance	<hr/>	<hr/>	<hr/>
	347,175	1,712,222	2,059,397
Total	<hr/>	<hr/>	<hr/>
	\$ 813,980	\$ 3,449,604	\$ 4,263,584

BATTLE CREEK TRANSIT SYSTEM

Schedule of Federal and State Awards

Schedule 2B

Based on a September 30, 2020 Year End

	10/01/19 through 6/30/20	7/01/20 through 9/30/20	Total
Federal grant			
Operating grant - Section 5307	\$ 567,888	\$ -	\$ 567,888
CARES Act grant - Section 5307	1,274,435	466,805	1,741,240
	<hr/>	<hr/>	<hr/>
	1,842,323	466,805	2,309,128
State of Michigan grant			
Formula operating assistance	1,339,752	347,175	1,686,927
Total	<hr/>	<hr/>	<hr/>
	\$ 3,182,075	\$ 813,980	\$ 3,996,055

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating and Contract Expenses

Schedule 3

For the Year Ended June 30, 2021

	Urban less than 100,000	2017-0015/P13 FY21 New Freedom	2017-0015/P8 FY20 Specialized Services
Expenses			
Labor:			
Operators' salaries and wages	\$ 1,567,147	\$ 68,507	\$ 4,264
Other salaries and wages	589,480	25,768	-
Fringe benefits	1,264,446	54,795	2,561
Pension	147,953	-	-
Services -			
Advertising	187	11	-
Other services	295,784	11,514	501
Materials and supplies:			
Fuel and lubricants	236,898	10,788	413
Other materials and supplies	233,765	9,907	478
Utilities	46,633	2,844	55
Insurance expense	74,768	3,272	-
Miscellaneous expenses:			
Travel, meetings and training	531	27	1
Association dues and subscriptions	8,451	265	30
Taxes and fees	555	13	5
Leases and rentals	10,837	604	5
Pass through	-	-	22,808
Depreciation	<u>344,802</u>	<u>15,088</u>	-
Total expenses	4,822,237	203,403	31,121
Specialized services, planning, and capital expenses:			
FY15 Sect 5339 Bus & Bus Facilities 2017-0015-P6	<u>(2,683)</u>	-	-
Net operating expenses	<u>\$ 4,819,554</u>	<u>\$ 203,403</u>	<u>\$ 31,121</u>

2017-0015/P8 FY21 Specialized Services	2017-0015/P13 FY21 Mobility Management	2017-0015/P9 FY21 State Services Initiatives	Total
\$ 9,130	\$ -	\$ 44,039	\$ 1,693,087
-	40,152	-	655,400
5,308	15,902	28,730	1,371,742
-	-	-	147,953
1	-	3,181	3,380
590	-	22,348	330,737
1,042	-	-	249,141
763	-	25,070	269,983
221	-	-	49,753
-	-	-	78,040
3	-	288	850
26	-	-	8,772
1	-	-	574
9	-	-	11,455
40,194	-	-	63,002
-	-	-	359,890
57,288	56,054	123,656	5,293,759
-	-	-	(2,683)
<u>\$ 57,288</u>	<u>\$ 56,054</u>	<u>\$ 123,656</u>	<u>\$ 5,291,076</u>

BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3A

For the Year Ended June 30, 2021

	Urban less than 100,000			2017-0015/P13 FY21 New Freedom		
	7/01/20 through 9/30/20	10/01/20 through 6/30/21	Total	7/01/20 through 9/30/20	10/01/20 through 6/30/21	Total
Expenses						
Labor	\$ 564,418	\$ 1,592,209	\$ 2,156,627	\$ -	\$ 94,275	\$ 94,275
Fringe benefits	339,024	925,422	1,264,446	-	54,795	54,795
Pension	-	147,953	147,953	-	-	-
Services	92,290	203,681	295,971	-	11,525	11,525
Materials and supplies	121,101	349,562	470,663	-	20,695	20,695
Utilities	7,635	38,998	46,633	-	2,844	2,844
Insurance expense	19,503	55,265	74,768	-	3,272	3,272
Miscellaneous expenses	4,413	5,124	9,537	-	305	305
Leases and rentals	638	10,199	10,837	-	604	604
Pass through	-	-	-	-	-	-
Depreciation	89,973	254,829	344,802	-	15,088	15,088
Total expenses	1,238,995	3,583,242	4,822,237	-	203,403	203,403
 FY15 Sect 5339 Bus & Bus Facilities						
2017-0015-P6	(2,683)	-	(2,683)	-	-	-
 Total operating expenses	1,236,312	3,583,242	4,819,554	-	203,403	203,403
 Ineligible depreciation	(89,973)	(254,829)	(344,802)	-	(15,088)	(15,088)
Other ineligible expenses	(4,317)	(12,211)	(16,528)	-	(723)	(723)
Ineligible percent of association dues	(400)	(595)	(995)	-	(35)	(35)
Other ineligible expense associated with auxiliary and nontransportation revenue	(4)	(1,326)	(1,330)	-	(78)	(78)
Ineligible JARC & NF Fares	-	-	-	-	(10,935)	(10,935)
Ineligible fringe benefits	-	(147,953)	(147,953)	-	-	-
 Total eligible expenses	\$ 1,141,618	\$ 3,166,328	\$ 4,307,946	\$ -	\$ 176,544	\$ 176,544

2017-0015/P8 FY20 Specialized Services			2017-0015/P8 FY21 Specialized Services			2017-0015/P13 FY21 Mobility Management		
7/01/20 through 9/30/20	10/01/20 through 6/30/21	Total	7/01/20 through 9/30/20	10/01/20 through 6/30/21	Total	7/01/20 through 9/30/20	10/01/20 through 6/30/21	Total
\$ 4,264	\$ -	\$ 4,264	\$ -	\$ 9,130	\$ 9,130	\$ -	\$ 40,152	\$ 40,152
2,561	-	2,561	-	5,308	5,308	-	15,902	15,902
-	-	-	-	-	-	-	-	-
501	-	501	-	591	591	-	-	-
891	-	891	-	1,805	1,805	-	-	-
55	-	55	-	221	221	-	-	-
-	-	-	-	-	-	-	-	-
36	-	36	-	30	30	-	-	-
5	-	5	-	9	9	-	-	-
22,808	-	22,808	-	40,194	40,194	-	-	-
-	-	-	-	-	-	-	-	-
31,121	-	31,121	-	57,288	57,288	-	56,054	56,054
-	-	-	-	-	-	-	-	-
<u>\$ 31,121</u>	<u>\$ -</u>	<u>\$ 31,121</u>	<u>\$ -</u>	<u>\$ 57,288</u>	<u>\$ 57,288</u>	<u>\$ -</u>	<u>\$ 56,054</u>	<u>\$ 56,054</u>

2017-0015/P9
FY21 State Services Initiatives

7/01/20 through 9/30/20	10/01/20 through 6/30/21	Total	Total
\$ - \$ 44,039	\$ 44,039	\$ 2,348,487	
- 28,730	28,730	1,371,742	
- -	-	147,953	
- 25,529	25,529	334,117	
- 25,070	25,070	519,124	
- -	-	49,753	
- -	-	78,040	
- 288	288	10,196	
- -	-	11,455	
- -	-	63,002	
- -	-	359,890	
<hr/>	<hr/>	<hr/>	<hr/>
- 123,656	123,656	5,293,759	
<hr/>	<hr/>	<hr/>	<hr/>
- -	-	-	(2,683)
<hr/>	<hr/>	<hr/>	<hr/>
\$ - \$ 123,656	\$ 123,656	\$ 5,291,076	

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BATTLE CREEK TRANSIT SYSTEM

Schedule of Operating Expenses

Schedule 3B

For the Year Ended September 30, 2020

	Urban less than 100,000		
	10/01/19 through 6/30/20	7/01/20 through 9/30/20	Total
Expenses			
Labor	\$ 1,697,554	\$ 564,418	\$ 2,261,972
Fringe benefits	1,049,101	339,024	1,388,125
Pension	225,802	-	225,802
Services	171,352	92,290	263,642
Materials and supplies	374,522	121,101	495,623
Utilities	44,917	7,635	52,552
Insurance expense	65,122	19,503	84,625
Miscellaneous expenses	4,450	4,413	8,863
Leases and rentals	10,338	638	10,976
Pass through	-	-	-
Depreciation	283,190	89,973	373,163
Total expenses	3,926,348	1,238,995	5,165,343
FY15 Sect 5339 Bus & Bus Facilities:			
MI-34-0003-03/2012-0040/P13	(8,965)	-	(8,965)
2017-0015-P6	-	(2,683)	(2,683)
	(8,965)	(2,683)	(11,648)
Net operating expenses	3,917,383	1,236,312	5,153,695
Ineligible depreciation	(283,190)	(89,973)	(373,163)
Other ineligible expenses	(12,364)	(4,317)	(16,681)
Ineligible percent of association dues	(698)	(400)	(1,098)
Other ineligible expense associated with auxiliary and nontransportation revenue	(1,295)	(4)	(1,299)
Ineligible fringe benefits	(225,802)	-	(225,802)
Total eligible expenses	<u>\$ 3,394,034</u>	<u>\$ 1,141,618</u>	<u>\$ 4,535,652</u>

2017-0015/P8
FY20 Specialized Services

10/01/19 through 6/30/20	7/01/20 through 9/30/20	Total	Total
\$ 7,450	\$ 4,264	\$ 11,714	\$ 2,273,686
4,558	2,561	7,119	1,395,244
-	-	-	225,802
712	501	1,213	264,855
1,252	891	2,143	497,766
208	55	263	52,815
288	-	288	84,913
6	36	42	8,905
9	5	14	10,990
62,830	22,808	85,638	85,638
-	-	-	<u>373,163</u>
 77,313	 31,121	 108,434	 5,273,777
 -	 -	 -	 <u>(8,965)</u>
 -	 -	 -	 <u>(2,683)</u>
 -	 -	 -	 <u>(11,648)</u>
 <u>\$ 77,313</u>	 <u>\$ 31,121</u>	 <u>\$ 108,434</u>	 <u>\$ 5,262,129</u>

BATTLE CREEK TRANSIT SYSTEM

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

Schedule 4R

For the Year Ended September 30, 2020

Code	Description	Amount
401	Farebox Revenue	
40100	Passenger Fares	\$ 186,551
406	Auxiliary Trans Revenues	
40615	Advertising	46,075
407	Non Trans Revenues	
40799	Other Non Trans Revenue	1,299
409	Local Revenue	
40910	Local Operating Assistance	296,835
411	State Formula and Contracts	
41101	State Operating Assistance	1,908,436
413	Federal Contracts	
41301	Federal Section 5311	567,888
41361	Federal CARES Act	<u>1,741,240</u>
Total revenues		<u>\$ 4,748,324</u>

BATTLE CREEK TRANSIT SYSTEM

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

Schedule 4E

For the Year Ended September 30, 2020

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501	Labor				
50101	Operators' salaries & wages	\$ 1,416,142	\$ -	\$ -	\$ 1,416,142
50102	Other salaries & wages	-	424,793	200,732	625,525
50103	Dispatchers' salaries & wages	220,305	-	-	220,305
502	Fringe benefits				
50200	Other fringe benefits	648,154	159,428	56,321	863,903
50220	Defined Benefit (DB) Pensions	330,194	136,661	283,169	750,024
503	Services				
50305	Audit cost	-	-	27,194	27,194
50399	Other services	39,571	72,956	123,921	236,448
504	Materials and supplies				
50401	Fuel & lubricants	225,009	-	-	225,009
50402	Tires & tubes	34,902	-	-	34,902
50404	Major supplies	-	2,978	836	3,814
50499	Other materials & supplies	170,110	33,988	16,152	220,250
505	Utilities				
50500	Utilities	3,325	-	49,227	52,552
506	Insurance				
50603	Liability insurance	72,631	-	-	72,631
50699	Other insurance	-	-	11,994	11,994
509	Misc expenses				
50700	Taxes and fees	616	-	-	616
50902	Travel, meetings & training	-	69	1,007	1,076
50903	Association dues & subscriptions	-	-	7,171	7,171
512	Operating leases & rentals				
51200	Operating leases & rentals	8,196	256	2,524	10,976
513	Depreciation				
51300	Depreciation	373,163	-	-	<u>373,163</u>
Total expenses					5,153,695
550	Ineligible expenses				
55007	Ineligible depreciation	373,163	-	-	373,163
55008	Other ineligible expenses	-	-	16,681	16,681
55009	Ineligible percent of association dues	-	-	1,098	1,098
55010	Other ineligible expense associated with auxiliary and nontransportation revenue	-	-	1,299	1,299
58020	Ineligible fringe benefits	-	-	225,802	<u>225,802</u>
Total ineligible expenses					618,043
Total eligible expenses					<u>\$ 4,535,652</u>

BATTLE CREEK TRANSIT SYSTEM

Unaudited

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

Schedule 4N

For the Year Ended September 30, 2020

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	37,791	3,341	-	41,132
611	Vehicle Miles	503,985	45,257	-	549,242

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, 2020

Urban less
than 100,000

Total expenses	\$ 5,153,695
Less ineligible expenses	
Depreciation on capital assets acquired with federal and state grants	373,163
Other ineligible expenses	16,681
Michigan Public Transit Association dues	698
American Public Transit Association dues	400
Other ineligible expense associated with auxiliary and nontransportation revenue	1,299
Ineligible fringe benefits	225,802
Total ineligible expenses per R & E Manual	618,043
Total eligible expenses	\$ 4,535,652
Eligible expenses for state reimbursement	
x Reimbursement percentage	42.0509%
State operating assistance - calculated	\$ 1,907,283
State operating assistance - actual	\$ 1,908,436

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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, 2021

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, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2021.

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.



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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.

Lehmann Lohman LLC