

BENZIE TRANSPORTATION AUTHORITY

AUDIT REPORT

SEPTEMBER 30, 2024

**BENZIE TRANSPORTATION AUTHORITY
TABLE OF CONTENTS**

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5
FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION.....	11
STATEMENT OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF CHANGES IN AUTHORITY’S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS.....	27
SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS	28
SUPPLEMENTARY INFORMATION:	
SCHEDULE 1 - LOCAL REVENUES	30
SCHEDULE 2 - SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE GRANTS.....	31
SCHEDULE 3 - OPERATING AND CONTRACT EXPENSES.....	32
NONURBAN REGULAR SERVICES:	
OAR SCHEDULE 4R - NONURBAN REGULAR SERVICE REVENUE REPORT	33
OAR SCHEDULE 4E - NONURBAN REGULAR SERVICE EXPENSE REPORT	34
OAR SCHEDULE 4N - NONURBAN REGULAR SERVICE NONFINANCIAL REPORT	35
JOB ACCESS AND REVERSE COMMUTE (JARC):	
OAR SCHEDULE 4R - JOB ACCESS AND REVERSE COMMUTE REVENUE REPORT	36
OAR SCHEDULE 4R - JOB ACCESS AND REVERSE COMMUTE EXPENSE REPORT	37
OAR SCHEDULE 4R - JOB ACCESS AND REVERSE COMMUTE NONFINANCIAL REPORT.....	38
SCHEDULE 5 - OPERATING ASSISTANCE CALCULATION	39
SCHEDULE 6 - DETAIL OF INELIGIBLE EXPENSES	40
SUPPLEMENTARY INFORMATION ON FEDERAL AWARDS:	
SCHEDULE REQUIRED BY THE UNIFORM GUIDANCE: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	42
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	43
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	44
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	49



Tyler J. Watters, P.C.

Certified Public Accountant

P.O. Box 188 • Roscommon, MI 48653
Phone: (517) 285-7295 • E-mail: tyler@watterscpa.com

INDEPENDENT AUDITOR'S REPORT

December 1, 2024

Board of Directors
Benzie Transportation Authority
14150 US Highway 31
Beulah, MI 49617

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the Benzie Transportation Authority, the business-type activities, and remaining fund information as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Benzie Transportation Authority as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and remaining fund information of the Benzie Transportation Authority as of September 30, 2024, and the respective changes in financial position and, where applicable and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Benzie Transportation Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Management's Responsibilities 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 Benzie Transportation Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Benzie Transportation Authority's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension plan on pages 5-9 and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, is the responsibility of management, and is not a required part of the basic financial statements of the Authority. The Schedule of Expenditures of Federal Awards is required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such information 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 my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 1, 2024, on my consideration of Benzie Transportation's internal control over financial reporting and on my 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 my 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 Benzie Transportation Authority's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Benzie Transportation Authority's internal control over financial reporting and compliance.



TYLER J. WATTERS, P.C.
CERTIFIED PUBLIC ACCOUNTANT

**BENZIE TRANSPORTATION AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

Using this Annual Report

Our discussion and analysis of the Benzie Transportation Authority’s financial performance provides an overview of the Authority’s financial activities for the fiscal year ended September 30, 2024. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position provide information about the activities of the Authority and present a longer-term view of the Authority’s finances.

Overview of the Financial Statements

This annual report consists of three parts: Management’s Discussion and Analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are financial statements that provide both long-term and short-term information about the Authority’s overall financial status. These statements report information about the Authority, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Authority’s assets, deferred outflow of resources, liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The two statements report the Authority’s Net Position and how they have changed. “Net Position” is the difference between the assets, deferred outflow of resources, liabilities and deferred inflows of resources. This is one way to measure the Authority’s financial health or position.
- The remaining statement is a Statement of Cash Flows to demonstrate the activities of the Authority as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

Reporting the Transit Authority as a Whole

Government-Wide Statements

The Statement of Net Position and the Statement of Revenues, Expenses, and change in Net Position report information about the Authority, as a whole, and about its activities in a way that helps answer the question of whether the Authority, as a whole, is better off or worse off as a result of the year’s activities. The Statement of Net Position includes all of the Authority’s assets, deferred outflow of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position regardless of when cash is received and paid.

**BENZIE TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2024**

The two statements, mentioned above, report the Authority's net position and how they have changed. The reader can think of the Authority's net position (the difference between assets and liabilities) as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the County's property tax base, the condition of the Authority's vehicles, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Transit Authority as Whole

The Authority's Net Position increased approximately 12.26%, or \$492,904, from \$4,018,843 to \$4,511,747 for the year ended September 30, 2024. The Net Position and Change in Net Position are summarized below.

Net Position

The Authority ended the year with a net position of \$4,511,747 of which \$2,458,009 was invested in capital assets leaving an unrestricted net position of \$2,053,738. The Authority earned \$783,988 in capital grants during the year, which was \$769,944 more than the prior year. Operating grants decreased by \$178,640 from the prior year. Expenditures increased by \$177,798 which was mostly due to the increase in wages and fringe benefits. The net activity increased the unrestricted net position by \$111,006.

The net position as of the year ended September 30, 2024, is as follows:

	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>%</u>
Assets				
Current and Other Assets	\$ 2,068,999	\$ 1,858,255	\$ 210,744	11.34
Noncurrent Assets	2,504,287	2,103,537	400,750	19.05
Total Assets	<u>4,573,286</u>	<u>3,961,792</u>	<u>611,494</u>	<u>15.43</u>
Deferred Outflows	<u>203,553</u>	<u>270,918</u>	<u>(67,365)</u>	<u>(24.87)</u>
Liabilities				
Current Liabilities	181,394	127,215	54,179	42.59
Total Liabilities	<u>181,394</u>	<u>127,215</u>	<u>54,179</u>	<u>42.59</u>
Deferred Inflows	<u>83,698</u>	<u>86,652</u>	<u>(2,954)</u>	<u>(3.41)</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	2,458,009	2,076,111	381,898	18.39
Unrestricted	<u>2,053,738</u>	<u>1,942,732</u>	<u>111,006</u>	<u>5.71</u>
Total Net Position	<u>\$ 4,511,747</u>	<u>\$ 4,018,843</u>	<u>\$ 492,904</u>	<u>12.26</u>

**BENZIE TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2024**

Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>%</u>
Revenue				
Program Revenue				
Charges for Services	\$ 296,082	\$ 227,928	\$ 68,154	29.90
Non-Operating Revenue				
Property taxes	782,956	724,329	58,627	8.09
State of Michigan				
Operating Grants	1,054,257	838,749	215,508	25.69
Federal Operating Grants	528,344	922,492	(394,148)	(42.73)
Local Grants	5,946	7,820	(1,874)	(23.96)
Capital Grants	783,988	14,044	769,944	5,482.37
Interest	74,585	59,369	15,216	25.63
Gain (loss) on sale of assets	4,974	-	4,974	100.00
Refunds and credits	107,105	114,099	(6,994)	(6.13)
Total Revenue	<u>3,638,237</u>	<u>2,908,830</u>	<u>729,407</u>	<u>25.08</u>
Expenses				
Salaries and wages	1,679,367	1,557,683	121,684	7.81
Fringe benefits	484,001	462,799	21,202	4.58
Depreciation	337,075	366,935	(29,860)	(8.14)
Other	644,890	580,118	64,772	11.17
Total Expenses	<u>3,145,333</u>	<u>2,967,535</u>	<u>177,798</u>	<u>5.99</u>
Increase (Decrease) in Net Position	492,904	(58,705)	551,609	(939.63)
Net Position - Beginning of Year	<u>4,018,843</u>	<u>4,077,548</u>	<u>(58,705)</u>	<u>(1.44)</u>
Net Position - End of Year	<u>\$ 4,511,747</u>	<u>\$ 4,018,843</u>	<u>\$ 492,904</u>	<u>12.26</u>

**BENZIE TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2024**

Capital Asset and Debt Administration

At September 30, 2024, the Authority had \$2,458,009 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$381,898 or 18.39% as follows:

	<u>2024</u>	<u>2023</u>	<u>Total Percentage Change 2023-24</u>
Capital Assets Not Being Depreciated			
Land	\$ 20,000	\$ 20,000	0.00
Subtotal	<u>20,000</u>	<u>20,000</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Buildings	2,218,195	2,190,053	1.28
Vehicles	2,537,454	2,152,510	17.88
Equipment	<u>462,390</u>	<u>519,005</u>	<u>(10.91)</u>
Subtotal	<u>5,218,039</u>	<u>4,861,568</u>	<u>7.33</u>
Total Capital Assets	5,238,039	4,881,568	7.30
Total Accumulated Depreciation	<u>2,780,030</u>	<u>2,805,457</u>	<u>(0.91)</u>
Total Net Capital Assets	<u>\$ 2,458,009</u>	<u>\$ 2,076,111</u>	<u>18.39</u>

Please refer to the notes of the financial statements for more detailed information.

**BENZIE TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2024**

Overview

The 2023-2024 fiscal year brought both successes and challenges for the Benzie Transportation Authority (BTA).

BTA achieved a record-high ridership, surpassing 112,000 trips - up from just under 105,000 in FY19 - despite ongoing staffing challenges related to wages and CDL requirements. Ridership grew by 11% compared to the previous year, while miles and hours increased by more modest amounts (4.5% and 5.7%, respectively), indicating improved service efficiency.

While the Traverse City Express route was discontinued due to low demand, the Flex Route, a cross-county deviated service, made a successful return.

Alongside the growth in ridership, BTA also reached a staffing milestone, finishing the year with nearly 50 employees. A new Mobility Coordinator was hired to focus on transportation solutions for vulnerable residents and to expand BTA's Health Rides service.

On average, each service vehicle logged about 30,000 miles over the year, and the rate at which vehicles reached their "useful life" accelerated. Although supply chain issues that plagued FY2023 began to ease toward the end of the year, they contributed to several major mechanical failures, leading to a significant rise in parts and service costs.

Early in the fiscal year, BTA implemented several cost adjustments. The fare for Airport Service was raised from \$20 to \$35 for regular riders and from \$10 to \$25 for reduced-fare riders. Additionally, the hourly contract fare increased from \$40 to \$65. These fare hikes, combined with the increased ridership, resulted in a 6% rise in fare revenue over the budgeted amount.

The 5-year financial forecast from FY2023 highlighted the need for more sustainable funding, particularly as federal operating assistance diminished following the expiration of CARES Act funding. In response, the BTA Board of Directors decided to seek an increase in its operating millage and placed the question of a new 1.0-mill rate (doubling the current rate) on the August 2024 ballot. The measure passed, and the new millage rate will take effect on January 1, 2026.

Contacting the Authority's Management

This financial report is intended to provide the general public with an overview of the Authority's finances and accountability for the money received. For any questions about this report or for additional information, please contact:

**Benzie Transportation Authority
14150 US Highway 31
Beulah, MI 49617
(231)325-3000**

**BENZIE TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

Assets

Current Assets:

Cash and cash equivalents	\$ 1,357,583
Accounts receivable	17,658
Due from government units	609,144
Prepaid expense	64,633
Inventories	<u>19,981</u>

Total Current Assets	<u>2,068,999</u>
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Noncurrent Assets:

Capital assets	2,458,009
Net pension asset	<u>46,278</u>

Total Noncurrent Assets	<u>2,504,287</u>
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Total Assets	<u>4,573,286</u>
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Deferred Outflows of Resources	<u>203,553</u>
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Liabilities

Current Liabilities:

Accounts payable	59,268
Accrued liabilities	113,201
Unearned revenue	<u>8,925</u>

Total Current Liabilities	<u>181,394</u>
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Deferred Inflows of Resources	<u>83,698</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	2,458,009
Unrestricted	<u>2,053,738</u>

Total Net Position	<u><u>\$ 4,511,747</u></u>
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The accompanying notes are an integral part of the financial statements.

BENZIE TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2024

Operating Revenues

Charges for services:	
Fare box and special fares	\$ 249,712
Package delivery	877
Outside maintenance	-
Advertising	45,493
Total Operating Revenues	<u>296,082</u>

Operating Expenses

Salaries and wages	1,679,367
Fringe benefits	484,001
Materials and supplies	322,749
Services	185,364
Utilities	44,209
Casualty and liability insurance	57,988
Miscellaneous	34,580
Depreciation	337,075
Total Operating Expenses	<u>3,145,333</u>

Operating Income (Loss) (2,849,251)

Non-Operating Revenues (Expenses)

Property taxes	782,956
Federal	528,344
State - Demand response	1,048,757
State and Federal capital grants	783,988
Local grants	5,946
Gain (Loss) on sale of fixed assets	4,974
RTAP	5,500
Interest income	74,585
Refunds and Credits	107,105
Net Non-operating Revenues (Expenses)	<u>3,342,155</u>

Change in Net Position 492,904

Net Position - October 1, 2023 4,018,843

Net Position - September 30, 2024 \$ 4,511,747

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

**BENZIE TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30, 2024**

Cash Flows From Operating Activities	
Cash receipts from operations	\$ 296,966
Cash payments to suppliers for goods and services	(665,968)
Cash payments for employee services and fringes	<u>(2,099,999)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,469,001)</u>
 Cash Flows From Noncapital Financing Activities	
Property taxes	782,956
Federal operating grants	528,344
State operating grants	750,965
Local & other	<u>121,976</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,184,241</u>
 Cash Flows From Capital and Related Financing Activities	
Federal/State capital grants	783,988
Sale of fixed assets	4,974
Purchase of fixed assets	<u>(718,973)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>69,989</u>
 Cash Flows From Investing Activities	
Interest income	<u>74,585</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(140,186)
Cash and Cash Equivalents - October 1, 2023	<u>1,497,769</u>
Cash and Cash Equivalents - September 30, 2024	<u><u>\$ 1,357,583</u></u>

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

**BENZIE TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR YEAR ENDED SEPTEMBER 30, 2024**

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used In) Operating Activities:**

Operating income (loss)	\$ (2,849,251)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	337,075
(Increase) decrease in accounts receivables	884
(Increase) decrease in prepaid expenses	(47,383)
(Increase) decrease in inventories	(1,139)
Increase (decrease) in accounts payable	27,444
(Increase) decrease in net pension asset	(18,852)
Increase (decrease) in accrued liabilities	17,810
(Increase) decrease in deferred outflows of resources for pensions	67,365
Increase (decrease) in deferred inflows of resources for pensions	<u>(2,954)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (2,469,001)</u></u>

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

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Authority was organized in 2006 under Public Act 196 of 1986. The Authority is a separate legal and administrative unit of government. The purpose of the Authority is to provide public transit services to the general public within Benzie County.

NOTE B - DESCRIPTION OF FUNDS

Enterprise Fund

The Authority Operations Fund is classified as an Enterprise Fund to conform to management requirements and State regulations. An Enterprise Fund is used to report operations that provide services which are financed by user charges, of activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Enterprise Funds use the accrual basis of accounting.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Benzie Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Authority. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Inventories - Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO method). The costs of inventories are recorded as expenditures when used (consumption method).

Capital Assets - Capital assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. The Authority's policy is to capitalize qualified purchases in excess of \$1,000 unless they are part of a capital grant where as there is no minimum threshold.

BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions - For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has items that qualify for reporting in this category related to the net pension liability which is discussed in Note G. The Authority has no other items that qualify for reporting in this category.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has items that qualify for reporting in this category related to the net pension liability which is discussed in Note G. The Authority has no other items that qualify for reporting in this category.

Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the Benzie County's Trust and Agency Fund. The Authority subsequently receives its portion of the levy from this fund.

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.

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 10/1/2023	Additions	Deductions	Balance 9/30/2024
Buildings and Improvements	\$ 2,210,053	\$ 28,142	\$ -	\$ 2,238,195
Vehicles	2,152,510	684,381	299,437	2,537,454
Shop Equipment	255,004	6,450	63,065	198,389
Office Equipment	264,001	-	-	264,001
Totals	<u>\$ 4,881,568</u>	<u>\$ 718,973</u>	<u>\$ 362,502</u>	5,238,039
Accumulated Depreciation	<u>\$ 2,805,457</u>	<u>\$ 337,075</u>	<u>\$ 362,502</u>	<u>2,780,030</u>
Net Property and Equipment				<u>\$ 2,458,009</u>

The total depreciation expense for fiscal year ending September 30, 2024, was \$337,075. The eligible depreciation of \$16,653 (\$337,075 total depreciation less ineligible depreciation \$320,512) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

Useful lives of depreciable assets are as follows:

Buses & rehabilitations	3-10 years
Operations equipment	5-10 years
Garage equipment	5-12 years
Office equipment	5-12 years
Computer equipment	5 years
Building	20-40 years

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE E - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

Balance Sheet Accounts	Amount	Cash Items	Amount
Cash and investments	\$ 1,357,583	Checking & Savings Accounts	\$ 114,747
		Certificate of Deposits	1,040,405
		Investments	202,431
Total	\$ 1,357,583		\$ 1,357,583

Deposits - Cash and cash equivalents are considered to be cash on demand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. At year end, the carrying amount of the Authority's deposits was \$1,155,152 and the bank balance was \$1,179,663. According to the Federal Deposit Insurance Corporation Rules and Regulations, 85% of the total bank balance was covered by federal depository insurance.

Investments - Act 217, PA 1982, authorizes the Authority to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- d. United States government or Federal agency obligation repurchase agreements
- e. Bankers' acceptance of United States banks
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Authority's investments are categorized as follows:

	Amount	Market Value
Non Risk - Categorized		
Michigan Class Investments	\$ 202,431	\$ 202,431

BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE E - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE F - CAPITAL GRANTS

The Transit Authority has contracted with federal and state agencies for grant funds to purchase facilities and equipment. All of the monies that the Authority is now eligible to receive have not yet been disbursed to them, as the projects have not yet been completed. As of September 30, 2024, \$2,017,547 is still available to the Authority under those grants.

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE G - MICHIGAN EMPLOYEES RETIREMENT SYSTEM

Defined Benefit Plan

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

01 - General: Closed to new hires	
	<u>2023 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
COLA for Future Retirees	2.50% (Non-Compound)
Employee Contributions:	7.27%
DC Plan for New Hires:	7/1/2017
Act 88:	Yes (Adopted 5/13/2008)

This plan is closed to new hires effective July 1, 2017.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2023):

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled but not yet receiving benefits	4
Active plan members	6
Total	18

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE G - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Defined Benefit Plan (Continued)

Contributions

The Authority is required to contribute at an actuarially determined rate, which for the current year was 0.00% of annual covered payroll depending on position and classification. The contribution requirements of the Authority are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2023, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 6.93%, net of investment expense and administrative expense, including inflation
- Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.
- Mortality rates used were based on the RP-2019 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2021.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE G - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Defined Benefit Plan (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Return	Expected Nominal Return Asset Class	Inflation Assumption	Expected Real Return Asset Class
Global Equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.66%	0.93%	2.50%	0.40%
Private Investments	20.0%	9.00%	1.80%	2.50%	1.40%
Total	100.0%		6.93%		4.43%

Discount rate. The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2022	\$ 1,229,254	\$ 1,256,680	\$ (27,426)
Changes for the Year:			
Service Cost	47,334	-	47,334
Interest	89,423	-	89,423
Changes in benefits	-	-	-
Differences between expected and actual experience	16,025	-	16,025
Change in assumptions	11,439	-	11,439
Contributions: employer	-	21,171	(21,171)
Contributions: employees	-	23,872	(23,872)
Net investment income	-	141,017	(141,017)
Benefit payments, including refunds	(38,994)	(38,994)	-
Administrative expense	-	(2,987)	2,987
Other changes	-	-	-
Net Changes	125,227	144,079	(18,852)
Balance at 12/31/2023	\$ 1,354,481	\$ 1,400,759	\$ (46,278)

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE G - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Defined Benefit Plan (Continued)

Sensitivity of Net Pension Liability to Changes in the Discount Rate.

The following presents the net Pension Liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total Pension Liability	\$ 1,536,389	\$ 1,354,481	\$ 1,204,030
Fiduciary Net Position	1,400,759	1,400,759	1,400,759
Net Pension Liability	\$ 135,630	\$ (46,278)	\$ (196,729)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the employer recognized pension expense of \$66,955. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 32,811	\$ -
Differences in assumptions	7,626	-
Excess (deficit) investment returns	147,069	83,698
Contributions subsequent to the measurement date *	16,047	-
Total	\$ 203,553	\$ 83,698

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending 2025.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ 42,434
2026	32,271
2027	39,064
2028	(9,961)
Total	\$ 103,808

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE G - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Defined Contribution Plan

The Transit Authority offers a defined contribution and IRS code 457 plan to its employees in addition to the deferred benefit plan described above. The plans are administered by the Michigan Employees Retirement System. The Authority match contributions as well as the employee contributions are vested immediately. Therefore, the individual plan assets are not reported by the Authority. Total contributions by the employer for the year ended September 30, 2024, were \$95,169.

NOTE H - RETIREMENT BENEFITS

As stated in Note G, the Transit Authority contributes to two pension contribution plans: a 457 defined contribution plan and a deferred benefit pension plan. It does not incur other post-employment benefit (OPEB) expenses. Both plans are administered by MERS. Pension costs incurred for the 457 plan totaled \$95,169 and were expensed on the books and reported as “pensions - defined contribution.” The entire \$95,169 was paid and therefore, no portion of the defined contribution pension was subtracted out as ineligible fringe benefits.

Pension costs incurred for the defined benefit plan were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in step 6 of the guide was \$66,955. The Transit Authority paid a total of \$21,396 to the plan.

The accumulated differences in the reported pension expense according to GASB 68 and the actual amount paid are as follows:

<u>Audit Year</u>	<u>Amount Reported on Financial Statements</u>	<u>Actual Contributions</u>	<u>Difference</u>
2015	\$ 20,157	\$ 26,911	\$ (6,754)
2016	46,177	18,914	27,263
2017	51,380	27,254	24,126
2018	(6,620)	36,000	(42,620)
2019	21,856	38,004	(16,148)
2020	12,394	22,944	(10,550)
2021	(4,414)	20,352	(24,766)
2022	(13,003)	16,908	(29,911)
2023	69,808	21,096	48,712
2024	66,955	21,396	45,559
		Balance to apply to subsequent year	<u>\$ 14,911</u>

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE I - RISK MANAGEMENT

The Transit Authority is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The Transit Authority participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of MMRMA is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The Transit Authority makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The Transit Authority is a state pool member and has deductibles which differ for each type of coverage.

NOTE J - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-133.

NOTE K- NONFINANCIAL DATA

The methodology used for compiling mileage on OAR Schedules 4N (Nonurban Regular Services Nonfinancial Report) and 4N (Job Access and Reverse Commute Nonfinancial Report) is an adequate and reliable method for recording vehicle mileage.

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024**

NOTE L - 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 claims, including amounts already collected, may constitute a liability of the Transit agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Transit agency expects such amounts, if any, to be immaterial.

NOTE M - COMMITMENTS - STATE LIENS

Most buses and a substantial amount of the equipment of the Authority have been purchased with State and Federal Grants. The Authority, by accepting those grants, have accepted the obligation to use that equipment for public transportation purposes for the life of each asset.

NOTE N - COST ALLOCATION PLANS

The Benzie Transportation Authority has four cost allocation plans for the use of the maintenance garage, charter services, package delivery, and JARC where the methodology has been approved by the BPT. The cost allocation plans were adhered to in the preparation of the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BENZIE TRANSPORTATION AUTHORITY
SCHEDULE OF CHANGES IN AUTHORITY'S NET PENSION
LIABILITY (ASSET) AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service cost	\$ 47,334	\$ 44,943	\$ 42,916	\$ 47,478	\$ 40,270	\$ 48,933	\$ 51,464	\$ 87,639	\$ 84,094	\$ 74,461
Interest on total pension liability	89,423	78,008	72,628	64,862	61,249	54,045	55,773	52,347	42,658	34,986
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	16,025	66,384	(14,105)	22,181	(23,221)	11,725	(57,615)	(8,962)	(3,444)	-
Changes in assumptions	11,439	-	44,242	(7,174)	25,903	-	-	-	34,670	-
Benefit payments including employee refunds	(38,994)	(27,151)	(25,561)	(20,202)	(19,739)	(20,914)	(119,009)	(21,204)	(23,734)	(18,825)
Net change in total pension liability	125,227	162,184	120,120	107,145	84,462	93,789	(69,387)	109,820	134,244	90,622
Total pension liability - beginning	1,229,254	1,067,070	946,950	839,805	755,343	661,554	730,941	621,121	486,877	396,255
Total pension liability - ending	\$ 1,354,481	\$ 1,229,254	\$ 1,067,070	\$ 946,950	\$ 839,805	\$ 755,343	\$ 661,554	\$ 730,941	\$ 621,121	\$ 486,877
Plan fiduciary net position										
Contributions - employer	\$ 21,171	\$ 17,955	\$ 19,491	\$ 22,296	\$ 34,239	\$ 36,501	\$ 32,310	\$ 17,894	\$ 21,843	\$ 38,273
Contributions - employee	23,872	25,425	22,736	24,040	24,567	28,044	45,581	47,625	46,715	45,072
Net investment income	141,017	(144,056)	171,565	139,561	122,588	(36,440)	109,690	81,451	(10,550)	36,259
Benefit payments, including employee refunds	(38,994)	(27,151)	(25,561)	(20,202)	(19,739)	(20,914)	(119,009)	(21,204)	(23,734)	(18,825)
Administrative expenses	(2,987)	(2,592)	(1,969)	(2,134)	(2,116)	(1,744)	(1,733)	(1,600)	(1,471)	(1,356)
Net change in plan fiduciary net position	144,079	(130,419)	186,262	163,561	159,539	5,447	66,839	124,166	32,803	99,423
Total plan fiduciary net position - beginning	1,256,680	1,387,099	1,200,837	1,037,276	877,737	872,290	805,451	681,285	648,482	549,059
Total plan fiduciary net position - ending	\$ 1,400,759	\$ 1,256,680	\$ 1,387,099	\$ 1,200,837	\$ 1,037,276	\$ 877,737	\$ 872,290	\$ 805,451	\$ 681,285	\$ 648,482
Authority's net pension liability	\$ (46,278)	\$ (27,426)	\$ (320,029)	\$ (253,887)	\$ (197,471)	\$ (122,394)	\$ (210,736)	\$ (74,510)	\$ (60,164)	\$ (161,605)
Plan fiduciary net position as a percentage of the total pension liability										
	103.42%	102.23%	129.99%	126.81%	123.51%	116.20%	131.85%	110.19%	109.69%	133.19%
Covered employee payroll	\$ 335,225	\$ 304,289	\$ 308,747	\$ 345,041	\$ 307,874	\$ 367,642	\$ 394,363	\$ 653,049	\$ 658,009	\$ 582,636
Authority's net pension liability as a percentage of covered payroll	-13.81%	-9.01%	-103.65%	-73.58%	-64.14%	-33.29%	-53.44%	-11.41%	-9.14%	-27.74%

Notes to schedule:

the schedule is based on a calendar year measurement date.

**BENZIE TRANSPORTATION AUTHORITY
SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2024**

	Calendar Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 28,503	\$ 36,501	\$ 22,310	\$ 17,894	\$ 20,676	\$ 25,670
Contributions in relation to the actuarially determined contribution	21,171	17,955	19,491	22,296	34,239	36,501	32,310	17,894	21,843	38,273
Contribution excess (deficiency)	<u>\$ 21,171</u>	<u>\$ 17,955</u>	<u>\$ 19,491</u>	<u>\$ 22,296</u>	<u>\$ 5,736</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 1,167</u>	<u>\$ 12,603</u>
Covered-employee payroll	\$ 335,225	\$ 304,289	\$ 308,747	\$ 345,041	\$ 307,874	\$ 367,642	\$ 394,363	\$ 653,049	\$ 658,009	\$ 582,636
Actuarially determined contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	9.26%	9.93%	5.66%	2.74%	3.14%	4.41%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of December 31 each year, which is 21 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	0 years
Asset valuation method	5-year smoothed marked
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%, net of pension plan investment expense including inflation

SUPPLEMENTARY INFORMATION

**BENZIE TRANSPORTATION AUTHORITY
LOCAL REVENUES
YEAR ENDED SEPTEMBER 30, 2024**

	Nonurban Regular Services	Job Access and Reverse Commute	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues			
Charges for services:			
Fare box and special fares	\$ 241,759	\$ 7,953	\$ 249,712
Package delivery	877	-	877
Outside maintenance	-	-	-
Advertising	45,493	-	45,493
	<u> </u>	<u> </u>	<u> </u>
Total Operating Revenues	<u>\$ 288,129</u>	<u>\$ 7,953</u>	<u>\$ 296,082</u>

**BENZIE TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE GRANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Federal and State Grantor/Pass-Through	Federal ALN Number	Grant Number	Program Award Amount	Current Year Expenditures			Prior Year Expenditures	Award Amount Remaining
				Total	Federal	State		
Passed Through Michigan Department of Transportation								
Operating Assistance - Section 5311	20.509	22-0019/P16	\$ 466,520	\$ 466,520	\$ 466,520	\$ -	\$ -	\$ -
JARC Program - Section 5311	20.516	22-0019/P9	61,824	61,824	30,912	30,912	-	-
Total Operating Assistance			528,344	528,344	497,432	30,912	-	-
Federal Transit Capital Grants								
Capital Grant	20.526	17-0020/P22/R1	563,722	-	-	-	-	563,722
Capital Grant	20.509	17-0020/P24/R3	131,911	89,566	71,653	17,913	42,343	2
Capital Grant	20.509	17-0020/P25/R2	126,800	25,446	20,357	5,089	97,330	4,024
Capital Grant	20.526	17-0020/P28/R2	434,200	411,937	292,063	119,874	-	22,263
Capital Grant	20.509	17-0020/P29	120,206	120,206	96,165	24,041	-	-
Capital Grant	20.509	22-0019/P4	25,714	-	-	-	21,900	3,814
Capital Grant	20.526	22-0019/P5/R1	561,425	48,923	37,084	11,839	-	512,502
Capital Grant	20.509	22-0019/P8	120,206	-	-	-	-	120,206
Capital Grant	20.526	22-0019/P10	344,201	61,151	48,921	12,230	-	283,050
Capital Grant	20.526	22-0019/P12	184,685	-	-	-	-	184,685
Capital Grant	20.509	22-0019/P14	169,070	-	-	-	-	169,070
Capital Grant	20.513	22-0019/P15	39,000	26,759	21,407	5,352	-	12,241
Capital Grant	20.509	22-0019/P19	141,968	-	-	-	-	141,968
Total Capital Grants			2,963,108	783,988	587,650	196,338	161,573	2,017,547
Michigan Department of Transportation								
Non Urban Operating Assistance - Act 51								
Current Year	N/A	N/A	1,044,468	1,044,468	-	1,044,468	-	-
Prior Year	N/A	N/A	4,289	4,289	-	4,289	-	-
Total State Operating Assistance			1,048,757	1,048,757	-	1,048,757	-	-
Total Federal and State Grants			\$ 4,540,209	\$ 2,361,089	\$ 1,085,082	\$ 1,276,007	\$ 161,573	\$ 2,017,547

**BENZIE TRANSPORTATION AUTHORITY
OPERATING AND CONTRACT EXPENSES
YEAR ENDED SEPTEMBER 30, 2024**

	FEDERAL SECTION 5311 22-0019/P16 Nonurban Regular Services	FEDERAL SECTION 5311 22-0019/P17 Job Access and Reverse Commute	Total
Expenses:			
501 Salaries and wages	\$ 1,610,086	\$ 69,281	\$ 1,679,367
502 Fringe Benefits	483,505	496	484,001
503 Services	185,364	-	185,364
504 Materials	322,749	-	322,749
505 Utilities	44,209	-	44,209
506 Casualty and Liability Insurance	57,988	-	57,988
507 Taxes and Fees	3,149	-	3,149
509 Miscellaneous	31,431	-	31,431
513 Depreciation	337,075	-	337,075
	<u>\$ 3,075,556</u>	<u>\$ 69,777</u>	<u>\$ 3,145,333</u>
Total Operating Expenses	<u>\$ 3,075,556</u>	<u>\$ 69,777</u>	<u>\$ 3,145,333</u>

**BENZIE TRANSPORTATION AUTHORITY
OAR SCHEDULE 4R
NONURBAN REGULAR SERVICE REVENUE REPORT
YEAR ENDED SEPTEMBER 30, 2024**

Code	Description	Total
401:	Farebox revenue	
40100	Passenger fares	\$ 241,759
40400	Package delivery	877
<hr/>		
406:	Auxiliary Transportation Revenues	
40615	Advertising	45,493
<hr/>		
407:	Non Transportation Revenues	
40710	Sales of Maintenance Service	-
40760	Gains from sale of capital assets	4,974
<hr/>		
408:	Local Revenue	
40800	Taxes levied directly for/by transit agency	782,956
40999	Other Local Reimbursements	5,946
<hr/>		
411:	State Formula and Contracts	
41101	State Operating Assistance	1,048,757
<hr/>		
413:	Federal Contracts	
41313	Capital Contract	783,988
41362	Section 5311	466,520
41398	RTAP Reimbursement	5,500
<hr/>		
414:	Other Revenue	
41400	Interest Income	74,585
<hr/>		
440:	Refunds and Credits	
44000	Refunds & Credits	107,105
<hr/>		
Total Nonurban Regular Service Revenue		<u>\$ 3,568,460</u>

**BENZIE TRANSPORTATION AUTHORITY
OAR SCHEDULE 4E
NONURBAN REGULAR SERVICE EXPENSE REPORT
YEAR ENDED SEPTEMBER 30, 2024**

Code	Description	Total
501:	Labor	
50101	Operator's salaries and wages	\$ 932,146
50102	Other salaries and wages	454,566
50103	Dispatcher's salaries and wages	223,374
502:	Fringe Benefits:	
50200	Other fringe benefits	321,381
50210	Pensions - defined contribution	95,169
50220	Pensions - defined benefit	66,955
503:	Services:	
50302	Advertising fees	25,397
50305	Audit costs	7,880
50399	Other services	152,087
504:	Materials and Supplies:	
50401	Fuel and lubricants	218,975
50402	Tires	27,979
50499	Other materials and supplies	75,795
505:	Utilities	
50500	Utilities	44,209
506:	Insurance	
50603	Liability Insurance	57,988
507:	Taxes & Fees	
50700	Taxes & Fees	3,149
509:	Miscellaneous Expenses:	
50902	Travel and meetings	24,654
50903	Association dues & subscriptions	6,777
513:	Depreciation	
51300	Depreciation	337,075
540:	Ineligible Refunds and Credits	
54000	Insurance and other refunds	107,105
550:	Ineligible Expenses	
55005	Ineligible Local Contracts	13,438
55007	Ineligible Depreciation	320,512
55008	Package Delivery & Food	3,459
55009	Ineligible Percentage of Assoc Dues	340
560:	Ineligible Expenses	
56001	Ineligible Expenses Associated with Sale of Maintenance	-
570:	Ineligible Expenses	
57099	Enhanced Mobility Grant	18,514
574:	Ineligible Expenses	
57402	Ineligible RTAP	5,500
580:	Ineligible Expenses	
58020	Ineligible DB Pension Difference	14,911
	Total Expenses	\$ 3,075,556
	Total Ineligible Expenses	483,779
	Total Eligible Expenses	<u>\$ 2,591,777</u>

**BENZIE TRANSPORTATION AUTHORITY
OAR SCHEDULE 4N
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2024**

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	34,477	-	-	34,477
611	Vehicle Miles	930,197	-	-	930,197

**BENZIE TRANSPORTATION AUTHORITY
OAR SCHEDULE 4R
JOB ACCESS AND REVERSE COMMUTE REVENUE REPORT
YEAR ENDED SEPTEMBER 30, 2024**

Code	Description	Total
401:	Farebox revenue	
40100	Passenger fares	\$ 7,953
413:	Federal Contracts	
41301	Section 5311 Operating	61,824
	Total Job Access and Reverse Commute Revenue	<u>\$ 69,777</u>

**BENZIE TRANSPORTATION AUTHORITY
 OAR SCHEDULE 4R
 JOB ACCESS AND REVERSE COMMUTE EXPENSE REPORT
 YEAR ENDED SEPTEMBER 30, 2024**

Code	Description	Total
501:	Labor	
50101	Operator's salaries and wages	\$ 43,896
50102	Other salaries and wages	16,019
50103	Dispatcher's salaries and wages	9,366
502:	Fringe Benefits:	
50200	Other fringe benefits	496
50210	Pensions - defined contribution	-
50220	Pensions - defined benefit	-
503:	Services:	
50302	Advertising fees	-
50305	Audit costs	-
50399	Other services	-
504:	Materials and Supplies:	
50401	Fuel and lubricants	-
550:	Ineligible Expenses	
55004	Other Ineligible State Contracts	-
	Total Expenses	\$ 69,777
	Total Ineligible Expenses	<u>7,953</u>
	Total Eligible Expenses	<u><u>\$ 61,824</u></u>

**BENZIE TRANSPORTATION AUTHORITY
 OAR SCHEDULE 4R
 JOB ACCESS AND REVERSE COMMUTE NONFINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2024**

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	1,665	-	-	1,665
611	Vehicle Miles	44,725	-	-	44,725

**BENZIE TRANSPORTATION AUTHORITY
OPERATING ASSISTANCE CALCULATION
YEAR ENDED SEPTEMBER 30, 2024**

	<u>Nonurban Regular Service</u>	<u>Job Access and Reverse Commute</u>	<u>Total</u>
Total Expenses	\$ 3,075,556	\$ 69,777	\$ 3,145,333
Less Ineligible Expenses:			
Refunds and credits	107,105	-	107,105
Depreciation funded by grants	320,512	-	320,512
Ineligible dues	340	-	340
Outside maintenance	-	-	-
Package delivery & Food	3,459	-	3,459
Enhanced Mobility Grant	18,514	-	18,514
RTAP	5,500	-	5,500
Ineligible Local Contracts	13,438	-	13,438
Ineligible Farebox Collections	-	7,953	7,953
Pension Contribution Difference	14,911	-	14,911
Total Ineligible Expenses	<u>483,779</u>	<u>7,953</u>	<u>491,732</u>
Total State Eligible Expenses	<u>\$ 2,591,777</u>	<u>\$ 61,824</u>	<u>\$ 2,653,601</u>

State Eligible Expenses	\$ 2,591,777	\$ 61,824	\$ 2,653,601
x Reimbursement Percentage	<u>0.402993</u>	<u>1.00</u>	
State Operating Assistance	<u>\$ 1,044,468</u>		<u>\$ 1,044,468</u>
Job Access and Reverse Commute Section 5311		<u>\$ 61,824</u>	<u>\$ 61,824</u>

Total Federal Eligible Expenses

Less Additional Federal Ineligible

Expenses per OMB A-133

Audit Costs

-

Eligible Expenses for Federal Reimbursement	\$ 2,591,777		
x Reimbursement Percentage	<u>0.18</u>		
Federal Section 5311 Operating Assistance	<u>\$ 466,520</u>		

**BENZIE TRANSPORTATION AUTHORITY
DETAIL OF INELIGIBLE EXPENSES
YEAR ENDED SEPTEMBER 30, 2024**

Depreciation

Depreciation accrued from assets funded by capital grants is considered ineligible in accordance with the Bureau of Passenger Transportation's Revenue and Expense Manual.

Annual Audit Fees

Any Transit Agency that expends less than \$750,000 in federal funds must subtract out the cost of the annual audit as an ineligible expense under Section 5311.

Capital Grants

Capital grant funds used to pay operating expenses are required to be treated as ineligible for calculating state and federal operating assistance. During the current year the Transit received \$18,514 for an enhanced mobility grant that the corresponding costs were not capitalized.

Charter Services

Charter service revenue is subtracted out as ineligible in accordance with the Bureau of Passenger Transportation's Revenue and Expense Manual.

Advertising Costs

Expenses associated with generating advertising revenue are considered ineligible.

MassTrans and MPTA Dues

13.30% of MPTA dues are considered ineligible for reimbursement under State Operating Assistance and Section 5311 Operating Assistance Programs for the year ended September 30, 2024.

Package Delivery and Food

Revenues associated with package delivery are not eligible and are subtracted out as ineligible expenses. In addition, food, meals, and refreshments which are ineligible are subtracted out.

Outside Maintenance

The Transportation Authority provides maintenance service in Benzie County. 100% of the revenue from those services is considered ineligible.

Pension Contribution Differences

The pension expense for the defined benefit plan reported in the financial statements is calculated in accordance with GASB 68. The amount considered eligible for reimbursement is the actual amount paid and expensed on the financial statements. The difference is either added or subtracted from the ineligible expenses to reconcile to the net eligible expenses on an annual basis

SUPPLEMENTARY INFORMATION ON FEDERAL AWARDS

**BENZIE TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

<u>Federal Agency/Cluster/Program Title</u>	<u>Additional Award Identification</u>	<u>Federal ALN Number</u>	<u>Passed Through</u>	<u>Pass-through/ Grantor Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation					
Formula Grants for Rural Areas:					
Section 5311 Operating	-	20.509	MDOT	2022-0019/P16	\$ 466,520
Section 5311 Capital Grant	-	20.509	MDOT	2017-0020/P24/R3	71,653
Section 5311 Capital Grant	-	20.509	MDOT	2017-0020/P25/R2	20,357
Section 5311 Capital Grant	-	20.509	MDOT	2017-0020/P29	96,165
Total Formula Grants for Rural Areas					<u>654,695</u>
Bus and Bus Facilities Competitive Programs:					
Section 5339 Bus and Bus Facilities Program	-	20.526	MDOT	2017-0020/P28/R2	292,063
Section 5339 Bus and Bus Facilities Program	-	20.526	MDOT	2022-0019/P5/R1	37,084
Section 5339 Bus and Bus Facilities Program	-	20.526	MDOT	2022-0019/P10	48,921
Total Bus and Bus Facilities Competitive Programs:					<u>378,068</u>
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	-	20.513	MDOT	2022-0019/P15	21,407
Job Access and Reverse Commute Program	-	20.516	MDOT	2022-0019/P17	30,912
Total Transit Services Programs Cluster					<u>52,319</u>
Total Expenditures of Federal Awards					<u><u>\$ 1,085,082</u></u>

**BENZIE TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position or changes in net position of the Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenses in prior years. Pass-through entity identifying numbers are presented where available. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



Tyler J. Watters, P.C.
Certified Public Accountant

P.O. Box 188 • Roscommon, MI 48653
Phone: (517) 285-7295 • E-mail: tyler@watterscpa.com

INDEPENDENT AUDITOR'S 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 1, 2024

Board of Directors
Benzie Transportation Authority
14150 US Highway 31
Beulah, MI 49617

Dear Board:

I 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 Benzie Transportation Authority, the business-type activity, major fund, and the aggregate remaining fund information of The Benzie Transportation Authority, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Benzie Transportation Authority's basic financial statements, and have issued my report thereon dated December 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Benzie Transportation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benzie Transportation Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Benzie Transportation Authority'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.

My 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, I consider the deficiency described in the accompanying schedule of findings and questioned costs as 2024-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Benzie Transportation Authority's financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Responses to the Finding

The Authority's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



TYLER J. WATTERS, P.C.
CERTIFIED PUBLIC ACCOUNTANT



Tyler J. Watters, P.C.
Certified Public Accountant

P.O. Box 188 • Roscommon, MI 48653
Phone: (517) 285-7295 • E-mail: tyler@watterscpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 1, 2024

Board of Directors
Benzie Transportation Authority
14150 US Highway 31
Beulah, MI 49617

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

I have audited the Benzie Transportation Authority's (the Authority), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2024. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statues, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on my audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, I:

- Exercise Professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit, I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



TYLER J. WATTERS, P.C.
CERTIFIED PUBLIC ACCOUNTANT

**BENZIE TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2024**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal controls over financial reporting:		
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> x </u> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a) of the Uniform Guidance?	<u> </u> yes	<u> x </u> no

Identification of Major Programs:

ALN Number(s)	Name of Federal Program or Cluster
ALN #20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> x </u> no
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**BENZIE TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2024**

Section II - Financial Statement Findings

2024-001 Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)

Requirement: The Authority is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the Authority's management. The preparation of the financial statements in accordance with GAAP requires internal controls over (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related disclosures.

Condition: The Authority has historically relied on its independent external auditors in the preparation of the government-wide financial statements and disclosures as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the Authority's internal controls.

Cause: This condition is caused by the Authority's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the added expense of obtaining the necessary training and expertise required for the Authority personnel to prepare them internally.

Effect: The Authority lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

Management Response: The Authority will continue to evaluate the cost vs. benefit of utilizing the external auditor's for this service. The Authority does prepare a set of financial statements internally using their own software which is used as part of the financial statement preparation process. In addition, the Authority will review the draft financial statements and disclosures prior to approving them and accept responsibility for their content and presentation.



Tyler J. Watters, P.C.

Certified Public Accountant

P.O. Box 188 • Roscommon, MI 48653
Phone: (517) 285-7295 • E-mail: tyler@watterscpa.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 1, 2024

Board of Directors
Benzie Transportation Authority
14150 US Highway 31
Beulah, MI 49617

I have audited the financial statements of the business-type activities and major fund of the Benzie Transportation Authority for the year ended September 30, 2024. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated November 7, 2024. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Benzie Transportation Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023-2024. I noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

- Management's estimate of the accumulated depreciation and depreciation expense is based on historical cost and estimated useful life. I evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the amounts, required contributions and other items for pension liabilities were based on various assumptions regarding life expectancies, inflation, and investment rates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated December 1, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Benzie Transportation Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention

During the course of my audit of the basic financial statements of the Benzie Transportation Authority for the year ended September 30, 2024, I noted the following items which I believe should be brought to your attention:

Video Surveillance (Repeat)

- 1) The surveillance software stores recordings for a month in the past. Once a month passes, the recording is no longer viewable.

Recommendations:

- 1) Inquire to see if the surveillance system can store recordings for periods longer than one month. Since the system is a critical control for monitoring cash counting, footage retention beyond one month is essential to ensure its effectiveness. Without extended storage, the system's usefulness as a monitoring tool is significantly limited.
- 2) If the surveillance system cannot store footage for more than a month, I recommend conducting random weekly reviews of the cash counting footage to maintain effective oversight.

Ecolane Software (Repeat)

- 1) Dispatch sometimes has a need to retroactively alter entries into the Ecolane database. This action is available to any and all employees with read/write access to the database (e.g. all dispatchers) and there is no limit to how far back changes can be made. As of the time of audit, there was no method for easily extracting changes made, nor any managerial review of said changes.

Recommendation:

- 1) There should be restrictions on both (a) who can make alterations to the database and (b) how far back those alterations can be made. Moreover, there should be managerial oversight of changes. One possible solution would be the mobility manager reviewing the "event history" in Ecolane. At the same time the video surveillance is reviewed, the manager can also review the "event history" for that day which would show any edits to the data. The edits can be reviewed, confirmed accurate, and recorded on a log sheet. In addition, Ecolane should be asked to provide a changelog report that can be filtered for changes made outside of a normal transaction and management should then review said report on a regular basis.

Other Matters

I applied certain limited procedures to the management's discussion and analysis and the schedules for the pension plan, which is required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was engaged to report on the supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Trustees and management of Benzie Transportation Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Tyler Watters CPA". The signature is written in a cursive style with a horizontal line through the middle of the name.

TYLER J. WATTERS, P.C.
CERTIFIED PUBLIC ACCOUNTANT