

**BERRIEN COUNTY PUBLIC TRANSPORTATION  
BERRIEN COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of Berrien County  
Berrien County Public Transportation  
Berrien County, Michigan

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the accompanying financial statements of the Berrien County Public Transportation (the "Authority") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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 Authority's 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***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the nonurban regular service nonfinancial report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, Michigan  
March 29, 2024

## **Management's Discussion and Analysis**

## **Berrien County Public Transportation Management’s Discussion and Analysis September 30, 2023**

As management of the Berrien County Public Transportation (the “Authority”), we offer readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of September 30, 2023, by \$370,895 (shown as *Fund Balance*), representing a decrease of \$120,975 over the previous fiscal year. Of this amount, \$365,676 (unassigned fund balance), or about 98.6% of the total fund balance, may be used to meet the Authority’s ongoing obligations to citizens and creditors.
- During the year the Authority received \$917,249 in revenues and incurred \$1,038,224 in expenditures, resulting in a decrease in fund balance of \$120,975.
- Federal reimbursement of eligible expenses was 36.00% for the fiscal year ended September 30, 2023, all of which was either Section 5311 Operating or ARP Act funding.
- State reimbursement of eligible expenses increased to 34.5849% (from 34.9854%) for the fiscal year ended September 30, 2023.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The Authority’s basic financial statements are comprised of three components: 1) management’s discussion and analysis, 2) financial statements, and 3) the notes to the financial statements.

***Financial Statements.*** The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *balance sheet* presents information on all of the Authority’s assets and liabilities with the difference reported as fund balance. Over time, increases and decreases in fund balance may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses, and changes in fund balance* presents information showing how the Authority’s net position changed during the fiscal year. All changes in fund balance are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing



of the related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods.

To assess the overall health of the Authority, one needs to consider additional nonfinancial factors such as changes in the condition of the Authority's buses and changes in the laws related to the operating assistance received from the federal and state governments.

**Notes to the Financial Statements.** The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in the financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other information required by the Michigan Department of Transportation on revenues, expenses, and schedules of mileage, vehicle hours, and number of passengers transported, which are presented immediately following the required supplementary information.

### **Financial Analysis of the Authority**

For the year ended September 30, 2023, assets exceeded liabilities by \$370,895. Fund balance decreased by \$120,975 during the current year.

Cash and cash equivalents increased by \$18,484 mainly due to the increase overall in revenues and the increase of \$104,711 in accounts payable. Accounts payable increased due to large expenditures being made near year end.

Due from federal government increased \$36,980 due to the Authority spending capital contract grants and awaiting reimbursement from the federal government.

The following tables reflect a comparative analysis of the Authority's fund balance:

**Berrien County Public Transportation's Balance Sheet**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Investments	\$ 410,137	\$ 391,653
Accounts Receivable	32,132	22,426
Due from Federal Government	126,277	89,297
Due from State	34,710	37,155
Prepaid Expenses	5,219	6,526
<b><i>Total Current Assets</i></b>	<u>608,475</u>	<u>547,057</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	156,563	51,852
Due to Federal Government	9,176	-
Due to State	66,674	-
Payroll Liabilities	2,702	3,335
Deferred Revenue	2,465	-
<b><i>Total Current Liabilities</i></b>	<u>237,580</u>	<u>55,187</u>
<b>FUND BALANCE</b>		
Nonspendable	5,219	6,526
Unassigned	365,676	485,344
<b><i>Total Fund Balance</i></b>	<u>\$ 370,895</u>	<u>\$ 491,870</u>

The Authority's fund balance decreased by \$120,975 during the year. The table on the following page shows a comparative analysis of revenues, expenses, and changes in fund balance summarizing how the decrease in net position occurred.

## Berrien County Public Transportation's Changes in Fund Balance

	2023	2022
<b>Revenues</b>		
Farebox Revenue	\$ 22,852	\$ 16,620
Local Contracts	169,820	114,924
Federal Operating Assistance	327,780	309,778
Federal Capital Assistance	48,447	-
Federal RTAP	8,504	14,073
State Operating Assistance	313,068	294,366
State Capital Assistance	12,112	-
Refunds and Credits	14,338	-
Interest Income	328	111
Miscellaneous	-	9,440
<b>Total Revenues</b>	917,249	759,312
<b>Expenditures</b>		
Labor and Wages	171,318	88,099
Fringe Benefits	30,741	17,586
Services	492,021	459,784
Materials and Supplies	262,005	151,099
Utilities	22,350	17,376
Insurance	31,741	43,990
Leases and Rentals	8,125	14,819
Miscellaneous	19,923	15,070
<b>Total Expenditures</b>	1,038,224	807,823
<b>Change in Fund Balance</b>	(120,975)	(48,511)
<i>Fund Balance at Beginning of Period</i>	491,870	540,381
<b>Fund Balance at End of Period</b>	\$ 370,895	\$ 491,870

State and federal capital assistance increased by \$60,559 as the Authority made some purchases using capital grants during the fiscal year. Overall state and federal operating assistance increased by \$36,704.

Materials and supplies expenditures increased as a result of purchasing items around their federal and state capital contracts. Labor and wages increased by \$83,219 due to the increase in the amount of trips in 2023.

### Budgetary Highlights

**Original budget compared to final budget.** During the year there were a few significant adjustments between original and final budgets. See the required supplementary information.

**Final budget compared to actual results.** The Authority had the following expenditures in excess of appropriations during the fiscal year:

	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Negative Variance</b>
Services	\$ 419,150	\$ 492,021	\$ (72,871)
Utilities	17,500	22,350	(4,850)
Leases and Rentals	8,000	8,125	(125)

### **Operating Expenditures**

The Authority's expenditures may be reviewed in two formats:

**Operating Expenditures by Department** - The department describes the major functional areas of the Authority and includes:

Operations – Responsible for all on-street services, including operators, dispatchers and schedulers.

Maintenance – Responsible for providing vehicles (including fuel, parts and cleaning) and facilities (upkeep, utilities and rent).

Administration – All other functions including executive direction, planning, marketing, information systems, purchasing and finance.

The following table shows the expenditures for 2023 compared to 2022 by department:

<b>Department</b>	<b>2023</b>	<b>2022</b>
Operations	\$ 849,477	\$ 587,299
Maintenance	93,750	73,373
Administration	94,997	147,151
<b>Total Expenditures</b>	<b>\$ 1,038,224</b>	<b>\$ 807,823</b>

**Operating Expenditures by Object** - The object is the classification of expenditures by type of item. The following table shows expenditures for 2023 compared to 2022 by object:

<b>Object</b>	<b>2023</b>	<b>2022</b>
Wages and Benefits	\$ 202,059	\$ 105,685
Services	492,021	459,784
Materials and Supplies	262,005	151,099
Utilities	22,350	17,376
Insurance	31,741	43,990
Miscellaneous	8,125	14,819
Operating Leases and Rentals	19,923	15,070
<b><i>Total Expenditures</i></b>	<b>\$ 1,038,224</b>	<b>\$ 807,823</b>

### **Capital Asset and Debt Administration**

**Capital Assets** The Authority’s capital assets are held by Berrien County.

**Long-term Debt** The Authority had no debt outstanding at the end of the current fiscal year.

### **Economic Factors and Next Year’s Budgets and Rates**

The following factors were considered in preparing the Authority’s budget for the 2023 fiscal year:

- Federal operating assistance is anticipated to be 18.00% of eligible operating expenses for 2024.
- Operating expenditures continue to grow, but the comprehensive transportation fund does not. This in turn reduces the percentage of reimbursement that the Authority receives from the Michigan Department of Transportation. The Authority is anticipating 40.2993% of eligible expenses to be reimbursed by the Michigan Department of Transportation for the fiscal year ending 2024.

### **Requests for Information**

This financial report is designed to provide the wide variety of users of this document with a general overview of the Authority’s finances and demonstrate the Authority’s accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the:

Berrien County Public Transportation  
811 Port St.  
St. Joseph, MI 49085

## **BASIC FINANCIAL STATEMENTS**

**Berrien County Public Transportation  
Balance Sheet  
Governmental Fund  
September 30, 2023**

	<b>General</b>
<b>ASSETS</b>	
Cash and Investments	\$ 410,137
Accounts Receivable	32,132
Due from Federal Government	126,277
Due from State	34,710
Prepaid Expenditures	5,219
<i><b>Total Assets</b></i>	<b>\$ 608,475</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 156,563
Due to Federal Government	9,176
Due to State	66,674
Payroll Liabilities	2,702
Deferred Revenue	2,465
<i><b>Total Liabilities</b></i>	<b>237,580</b>
<b>FUND BALANCE</b>	
Nonspendable	5,219
Unassigned	365,676
<i><b>Total Fund Balance</b></i>	<b>370,895</b>
<i><b>Total Liabilities and Fund Balance</b></i>	<b>\$ 608,475</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Berrien County Public Transportation  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the Year Ended September 30, 2023**

	<b>General</b>
<b>Revenues</b>	
Farebox Revenue	\$ 22,852
Local Contracts	169,820
Federal Operating Assistance	327,780
Federal Capital Assistance	48,447
Federal RTAP	8,504
State Operating Assistance	313,068
State Capital Assistance	12,112
Refunds and Credits	14,338
Interest Income	328
<b><i>Total Revenues</i></b>	<b>917,249</b>
<b>Expenditures</b>	
Labor and Wages	171,318
Fringe Benefits	30,741
Services	492,021
Materials and Supplies	262,005
Utilities	22,350
Insurance	31,741
Leases and Rentals	8,125
Miscellaneous	19,923
<b><i>Total Expenditures</i></b>	<b>1,038,224</b>
<b><i>Net Change in Fund Balance</i></b>	<b>(120,975)</b>
<i>Fund Balance at Beginning of Period</i>	491,870
<b><i>Fund Balance at End of Period</i></b>	<b>\$ 370,895</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements



## **Notes to the Financial Statements**

# Berrien County Public Transportation

## Notes to the Financial Statements

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### Note 1 - Summary of Significant Accounting Policies

The financial statements of the Berrien County Public Transportation (the “Authority”) have been prepared in conformity with the U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting principles are described below.

#### ***Reporting Entity***

The Authority is a special revenue governmental fund of the County of Berrien (the “County”). The County is governed by a Board of Commissioners who contracted with the Michigan Department of Transportation to provide public transportation services to nonurbanized areas. The Board of Commissioners subcontract the operation of the transportation system to a third party and the financial statements include only the operations of the fund of the County.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

The ***general fund*** is the Authority’s primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

#### ***Grants***

The Authority receives two distinct types of grants from governmental agencies:

- Operating grants are used to fund the day-to-day operations and to meet normal expenses of those operations.

# **Berrien County Public Transportation**

## **Notes to the Financial Statements**

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- Capital grants are used for capital expenses. All capital funds used to pay for operating expenses are subtracted out as ineligible expenses.

Grant funds used to acquire or construct capital assets are recorded as revenues when the associated capital costs are incurred. Grant funds for operating assistance are recorded as revenues when the associated costs are incurred.

### ***Assets, Liabilities, and Net Position***

#### ***Cash and Investments***

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

State statutes and the Authority's investment policy authorize the Authority to make deposits and invest surplus funds as follows:

- 1) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States in which the principal is fully guaranteed by the United States.
- 2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which is a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Administration.
- 3) In commercial paper rated at the time of purchase within the 3 highest classifications by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- 4) In United States government or Federal agency obligation repurchase agreements.
- 5) In bankers' acceptances of United States banks.
- 6) In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Investments consist of certificates of deposit with original maturities of greater than 90 days from the date of purchase. Investments are reported at fair value.

# Berrien County Public Transportation

## Notes to the Financial Statements

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### ***Accounts Receivable***

Receivables have been recognized for all significant amounts due to the fund. Management considers all accounts receivable as collectible; therefore, no allowance for bad debts has been recorded.

### ***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### ***Capital Assets***

Capital assets used by the Authority are owned by the County of Berrien, Michigan, and are reported in the County's financial statements.

### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. The Authority reports nonspendable fund balance for its prepaid items. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The Authority Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Authority Board can assign fund balance, through a resolution, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

# Berrien County Public Transportation

## Notes to the Financial Statements

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*Unassigned fund balance* is the residual classification for the Authority's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Authority Board.

### **Fund Balance Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### ***Explanation of Ineligible Expenses per the OPT 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 2 CFR Part 225. Any capital money used to pay for operating expenses is subtracted out as ineligible expense and no expenses previously paid with capital money are included in expenses to be reimbursed. All costs associated with earning non-transportation revenue have been subtracted out as ineligible expenses. Eligible pension and other post-employment benefits expenses include only amounts actually expensed on the books and paid with out-of-pocket money (e.g., not actuary gains). All ineligible expenses, as required by OPT's R&E manual, have been reported.

### ***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. To our knowledge the Authority has no significant estimates.

### ***Subsequent Events***

Management has evaluated all subsequent events through March 29, 2024. Nothing significant was noted.

# Berrien County Public Transportation

## Notes to the Financial Statements

### Note 2 - Stewardship, Compliance, and Accountability

#### Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Uniform Budgeting Act (P.A. 621 of 1978, as amended). State law requires the Authority to have its budget in place by November 1. The Authority is not considered in violation of the Act if reasonable procedures are in use by the Authority to detect violations.

Budgeted amounts are as originally adopted, or as amended by the Authority Board throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at year end and therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

#### Budgetary Compliance

The Authority had the following expenditures in excess of appropriations for the year ended September 30, 2023:

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
Services	\$ 419,150	\$ 492,021	\$ (72,871)
Utilities	17,500	22,350	(4,850)
Leases and Rentals	8,000	8,125	(125)

### Note 3 - Deposits and Investments

The following schedule summarizes each cash and investments for the Authority:

#### Statement of Net Position

Cash and Investments	<u>\$ 410,137</u>
<b>Deposits and Investments</b>	
Checking and Savings Accounts	\$ 317,551
Money Market	<u>92,586</u>
<b>Total Deposits and Investments</b>	<u>\$ 410,137</u>

# **Berrien County Public Transportation**

## **Notes to the Financial Statements**

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### ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require, and the Authority does not have a policy for deposit custodial credit risk. At year-end, the carrying amount was \$410,137 and the bank balance of the Authority's deposits were \$410,137, of which \$94,695 was covered by federal depository insurance. The remaining \$345,450 was not able to be determine whether it was insured or not as it is held by the County.

### ***Credit Risk***

State statutes and the Authority's investment policy authorize the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. As of year-end, the Authority has no investments that meet the above criteria.

### ***Interest Rate Risk***

Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### **Note 4 - Due From/To Other Governmental Units**

The Authority receives funding from the U.S. Department of Transportation under Section 5311 operating grants and the State of Michigan for the Local Bus Operating Assistance Program. Payments are based on budgeted expenses; therefore, if actual expenses are more than budgeted expenses, the Authority receives more funding than budgeted. Conversely, if actual expenses are less than budgeted expenses, the Authority receives less funding than budgeted. These receivables and payables may also include items that are either due to or due from other local governmental units.

# Berrien County Public Transportation

## Notes to the Financial Statements

The following amounts were receivable from other governmental units as of September 30, 2023:

<b>Due from Other Governmental Units</b>	<b>Balance</b>
FY 2023 - State Operating Assistance, Act 51	\$ 26,171
FY 2018 - State Capital Assistance, Section 5311	7,992
FY 2019 - State Capital Assistance, Section 5311	547
FY 2018 - Federal Capital Assistance, Section 5311	31,967
FY 2019 - Federal Capital Assistance, Section 5311	2,189
FY 2023 - Federal Operating Assistance, Section 5311 - OP/ARPA	92,121
<b>Total</b>	<b>\$ 160,987</b>

The following amounts were payable to other governmental units as of September 30, 2023:

<b>Due to Other Governmental Units</b>	<b>Balance</b>
FY 2022 - State Operating Assistance, Act 51	\$ 66,674
FY 2022 - Federal Operating Assistance, Section 5311 - CRRSAA	9,176
<b>Total</b>	<b>\$ 75,850</b>

### Note 5 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this coverage in any of the past three fiscal years.

For its property and casualty insurance coverage, the Authority is a participant in a public entity risk pool operated by Michigan Transit Pool which benefits participating transportation authorities. The Authority pays an annual premium for this coverage which provides funds to the Pool to secure specific and excess reinsurance, maintain the Loss Fund, and cover administrative and loss prevention service costs. Should the losses of the Pool, in a given coverage period, exceed the Loss Fund and the aggregate excess reinsurance, the Authority would receive a pro rata assessment for their share of the loss. Premiums are expensed as incurred while excess of reserve distributions are recognized as a contra-expense in the year received in accordance with Michigan Department of Transportation guidelines.



# Berrien County Public Transportation

## Notes to the Financial Statements

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### **Note 6 - Concentration of Credit Risk**

For the fiscal year ended September 30, 2023, the Authority was reimbursed by the State of Michigan for 34.5849% of their eligible operating expenses. The percentage is based on budgeted eligible operating expenses for all transits in the state. This percentage will be recalculated after total eligible expenses for all transits are determined based on audited figures.

### **Note 7 - Contingencies**

The State and Federal operating assistance contracts are subject to subsequent audit and adjustment by the State of Michigan. The State audits for fiscal years ended September 30, 2023, and 2022 have not commenced or have not been completed.

### **Note 8 - Compliance Requirements**

#### ***Cost Allocation Plan***

The Authority has two cost allocation plans where the methodology has been approved by the Office of Passenger Transportation (OPT). These cost allocation plans are for charter services and maintenance services. Neither cost allocation plan was required in the preparation of the financial statements as no such activities occurred during the year.

#### ***Nonfinancial Methodology***

The methodology used for compiling mileage on the Schedule of Mileage Data is an adequate and reliable methodology for recording vehicle mileage.

#### ***Capital Funds Used to Pay for Operating***

No operating expenses are subtracted out as ineligible because no capital money was used for operating expenses.

#### ***Expenses Associated with PTMS Codes 406 & 407***

All expenses associated with 406xx Auxiliary Transportation Revenue and / or 407xx Non-transportation is subtracted out as ineligible. The Authority did incur some ineligible expenses associated with 54000 Ineligible Refunds and Credits, 55008 Other Ineligible Expenses, 55009 Ineligible Percent of Association Dues, and 57402 Ineligible RTAP. The Authority had \$14,017 of 5400 ineligible Refunds, \$321 of 55008 Other Ineligible Expenses, \$124 of 5009 Ineligible Association Dues, and \$8,504 of 57402 Ineligible RTAP.

The Authority also had \$60,559 of 57604 Ineligible Operating Expenditures paid by Capital Contract.

# **Berrien County Public Transportation**

## **Notes to the Financial Statements**

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### ***Retirement Benefits***

The only retirement benefit offered by the Authority is a defined contribution plan. The entire amount of \$8,077 was expensed on the books and reported in 50210 DC Pensions. The entire sum of \$8,077 was paid (e.g., an out-of-pocket payment), and therefore, no DC pension expense is subtracted out under 58010 Ineligible Fringe Benefits. The Authority did not incur, nor pay, any 50202 OPEB.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Berrien County Public Transportation**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>(Unfavorable)</b> <b>Final to Actual</b>
<b>Revenues</b>				
Farebox Revenues	\$ 50,000	\$ 50,000	\$ 22,852	\$ (27,148)
Local Contracts	250,000	250,000	169,820	(80,180)
Federal Operating Assistance	327,780	327,780	327,780	--
Federal Capital Assistance	883,054	633,054	48,447	(584,607)
Federal RTAP	--	--	8,504	8,504
State Operating Assistance	318,543	318,543	313,068	(5,475)
State Capital Assistance	220,763	158,263	12,112	(146,151)
Refunds and Credits	7,000	7,000	14,338	7,338
Interest Income	2,000	2,000	328	(1,672)
<b>Total Revenues</b>	<u>2,059,140</u>	<u>1,746,640</u>	<u>917,249</u>	<u>(829,391)</u>
<b>Expenditures</b>				
Labor and Wages	178,856	177,702	171,318	6,384
Fringe Benefits	41,621	41,615	30,741	10,874
Services	617,482	419,150	492,021	(72,871)
Materials and Supplies	1,348,940	1,009,833	262,005	747,828
Utilities	24,150	17,500	22,350	(4,850)
Insurance	43,076	45,000	31,741	13,259
Leases and Rentals	9,460	8,000	8,125	(125)
Miscellaneous	22,709	29,000	19,923	9,077
<b>Total Expenditures</b>	<u>2,286,294</u>	<u>1,747,800</u>	<u>1,038,224</u>	<u>709,576</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures and Other Uses</b>	<u>(227,154)</u>	<u>(1,160)</u>	<u>(120,975)</u>	<u>(119,815)</u>
<b>Net Change in Fund Balance</b>	<u>(227,154)</u>	<u>(1,160)</u>	<u>(120,975)</u>	<u>(119,815)</u>
<b>Fund Balance at Beginning of Period</b>	491,870	491,870	491,870	--
<b>Fund Balance at End of Period</b>	<u>\$ 264,716</u>	<u>\$ 490,710</u>	<u>\$ 370,895</u>	<u>\$ (119,815)</u>

## **SUPPLEMENTAL INFORMATION**

**Berrien County Public Transportation**  
**1 - Schedule of Local Revenues**  
**For the Year Ended September 30, 2023**

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	<u>2023</u>
<b>Local Revenues:</b>	
Passenger Fares	\$ 22,852
Local Service Contracts	169,820
Refunds and Credits	14,338
Interest Income	<u>328</u>
<b>Total Local Revenues</b>	<u>\$ 207,338</u>

**Berrien County Public Transportation**  
**2 - Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended September 30, 2023**

<b>Federal and State Grantor / Pass-Through Grantor / Program Title</b>	<b>Assistance Listing Number</b>	<b>Grant No./ Authorization Number</b>	<b>Program Award Amount</b>	<b>Current Year Expenditures</b>		
				<b>Total</b>	<b>Federal</b>	<b>State</b>
<b>Michigan Department of Transportation</b>						
Operating Assistance - Act 51						
Local Bus Operating Assistance - Act 51 - FY 2023	N/A	FY23	\$ 331,067	\$ 331,067	\$ -	\$ 331,067
Local Bus Operating Assistance - Act 51 - FY 2019	N/A	FY19	(17,999)	(17,999)	-	(17,999)
Capital Assistance - Section 5311						
State Capital Assistance - FY 2019	N/A	2017-0021/P6	312,500	4,120	-	4,120
State Capital Assistance - FY 2018	N/A	2017-0021/P4	465,000	7,992	-	7,992
<b>Total State Assistance</b>				<u>325,180</u>	<u>-</u>	<u>325,180</u>
<b>U.S. Department of Transportation</b>						
Passed Through Michigan Department of Transportation						
Operating Assistance - Section 5311						
Operating Assistance - Section 5311 - OP/ARPA - FY 2023	20.509	2022-0020/P3	327,780	327,780	327,780	-
Capital Assistance - Section 5311						
Federal Capital Assistance - FY 2019	20.509	2017-0021/P6	312,500	16,480	16,480	-
Federal Capital Assistance - FY 2018	20.509	2017-0021/P4	465,000	31,967	31,967	-
Rural Transit Assistance Program (RTAP)	20.509	FY23	8,504	8,504	8,504	-
<b>Total Federal Assistance</b>				<u>384,731</u>	<u>384,731</u>	<u>-</u>
<b>Total State and Federal Assistance</b>				<u>\$ 709,911</u>	<u>\$ 384,731</u>	<u>\$ 325,180</u>

**Berrien County Public Transportation**  
**2A - Schedule Operating and Capital Grant Revenues**  
**For the Year Ended September 30, 2023**

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	<u>2023</u>
Michigan Department of Transportation	
Local Bus Operating Assistance - Act 51	\$ 313,068
Capital Assistance	12,112
Federal Transit Administration	
Operating Assistance - Section 5311	327,780
Capital Assistance - Section 5311	48,447
Rural Transit Assistance Program	<u>8,504</u>
<b>Total</b>	<u>\$ 709,911</u>



**Berrien County Public Transportation**  
**3 - Operating Expenses by Program**  
**For the Year Ended September 30, 2023**

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	<u>2023</u>
Expenses	
Labor and Wages	\$ 171,318
Fringe Benefits	30,741
Services	492,021
Materials and Supplies	262,005
Utilities	22,350
Insurance	31,741
Leases and Rentals	8,125
Miscellaneous	19,923
<b>Total</b>	<u>\$ 1,038,224</u>

**Berrien County Public Transportation  
4R - Nonurban Regular Service Revenue Report  
For the Year Ended September 30, 2023**

<b>Code</b>	<b>Description</b>	<b>Amount</b>
<b>401:</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 22,852
<b>408:</b>	<b>Local Revenue</b>	
40950	Local Service Contracts	169,820
<b>411:</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	313,068
41112	State Capital Assistance	12,112
<b>413:</b>	<b>Federal Contracts</b>	
41312	Federal Capital Assistance - Section 5311	48,447
41363	Federal Operating Assistance - ARP Act	327,780
41398	Rural Transit Assistance Program (RTAP)	8,504
<b>414:</b>	<b>Other Revenue</b>	
44000	Refunds and Credits	14,338
41400	Interest Income	328
<b>Total Revenues</b>		<b>\$ 917,249</b>

**Berrien County Public Transportation  
4E - Nonurban Regular Service Expense Report  
For the Year Ended September 30, 2023**

Code	Description	Operations	Maintenance	General Administration	Total
<b>501:</b>	<b>Labor</b>				
50101	Operators Salaries and Wages	\$ 171,318	\$ -	\$ -	\$ 171,318
<b>502:</b>	<b>Fringe Benefits</b>				
50200	Other Fringe Benefits	22,664	-	-	22,664
50210	DC Pensions	8,077	-	-	8,077
<b>503:</b>	<b>Services</b>				
50302	Advertising Fees	-	-	83	83
50305	Audit Cost	-	-	10,500	10,500
50399	Other Services	-	-	32,631	32,631
<b>504:</b>	<b>Materials and Supplies</b>				
50401	Fuel and Lubricants	98,216	-	-	98,216
50499	Other Materials and Supplies	60,529	93,750	9,510	163,789
<b>505:</b>	<b>Utilities</b>				
50500	Utilities	-	-	22,350	22,350
<b>506:</b>	<b>Insurance</b>				
50603	Liability Insurance	31,741	-	-	31,741
<b>508:</b>	<b>Purchased Transportation Service</b>				
50800	Purchased Transportation Service	448,807	-	-	448,807
<b>509:</b>	<b>Miscellaneous Expense</b>				
50902	Travel, Meetings, and Training	-	-	9,138	9,138
50903	Association Dues and Subscriptions	-	-	1,611	1,611
50999	Other Miscellaneous Expenses	-	-	9,174	9,174
<b>512:</b>	<b>Operating Leases and Rentals</b>				
51200	Operating Leases and Rentals	8,125	-	-	8,125
<b>513:</b>	<b>Depreciation*</b>				
51300	Depreciation	2,560	-	-	2,560
<b>540/550/574/576:</b>	<b>Ineligible Expenses</b>				
54000	Ineligible Refunds and Credits	14,017	-	-	14,017
55008	Other Ineligible Expenses (Mileage for MTP Board Meeting)	-	-	321	321
55009	Ineligible Percent of Association Dues	-	-	124	124
57402	Ineligible RTAP	-	-	8,504	8,504
57604	Other Ineligible Operating Expenditure Paid by Capital Contract (2017-0021/P6 and 2017-0021/P4)	60,559	-	-	60,559
	<b>Total Expenses per Financial Statements</b>	<b>\$ 849,477</b>	<b>\$ 93,750</b>	<b>\$ 94,997</b>	<b>\$ 1,038,224</b>
	<b>Eligible Depreciation*</b>	<b>2,560</b>	<b>-</b>	<b>-</b>	<b>2,560</b>
	<b>Total Ineligible Expenses</b>	<b>74,576</b>	<b>-</b>	<b>8,949</b>	<b>83,525</b>
	<b>Total Eligible Expenses</b>	<b>\$ 777,461</b>	<b>\$ 93,750</b>	<b>\$ 86,048</b>	<b>\$ 957,259</b>

\*The Authority reports their books on the modified accrual basis of accounting and therefore does not include depreciation expense on their financial statements. However, MDOT has allowed them to use some depreciation as an eligible expense for reimbursement, this has been added in.

**Berrien County Public Transportation  
4N - Nonurban Regular Service Nonfinancial Report  
For the Year Ended September 30, 2023**

**Public Service**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	11,850
611	Vehicle Miles	233,186
615	Passengers - Regular	4,283
616	Passengers - Elderly	2,488
617	Passengers - Persons with Disabilities	15,213
618	Passengers - Elderly Persons with Disabilities	1,018
622	Total Demand-Response Unlinked Passengers	23,002
625	Days Operated	251

**Total Passengers: 23,002**

**Vehicle Information**

<b>Code</b>	<b>Description</b>	<b>Quantity</b>
655	Total Demand-Response Vehicles	18
656	Demand-Response Vehicles with Lifts	18
658	Total Transit Vehicles	18

**Total Vehicles: 18**

**Miscellaneous Information**

<b>Code</b>	<b>Description</b>	<b>Quantity Dr</b>
660	Diesel/Gasoline Gallons Consumed	31,930
661	Total Transit Agency Employees (Full-Time Equivalents)	14
662	Total Revenue Vehicle Operators (Full-Time Equivalents)	8
801	Property Damage Only (PDO) Accidents w/damage equal to or greater than \$1,000 but less than \$25,000	1

**Berrien County Public Transportation  
5 - Operating Assistance Calculation  
For the Year Ended September 30, 2023**

	Nonurban
Total Expenses (including depreciation)	\$ 1,040,784
Less Ineligible Expenses:	
Ineligible Refunds and Credits	14,017
Other Ineligible Expenses (Mileage for MTP Board Meeting)	321
Ineligible Percent of Association Dues	124
Ineligible RTAP	8,504
Other Ineligible Operating Expenditure Paid by Capital Contract (2017-0021/P6 and 2017-0021/P4)	60,559
Total Ineligible Expenses	\$ 83,525
<b>Total State Eligible Expenses</b>	<b>\$ 957,259</b>

Eligible Expense for State Reimbursement	\$ 957,259
x Reimbursement Percentage	0.345849
State Operating Assistance	\$ 331,067

**Total Federal Eligible Expenses**

Less Additional Federal Ineligible Expense - Audit Costs	\$ 10,500
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Eligible Expenses for Federal Reimbursement	\$ 946,759
x Reimbursement Percentage (5311 / ARPA)	0.3600
Federal Section 5311 Operating Assistance - OP/ARPA	\$ 340,833
Limit (capped at authorization amount)	\$ 327,780

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*

To the Board of Commissioners of Berrien County  
Berrien County Public Transportation  
Berrien County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Berrien County Public Transportation (the "Authority"), as of and for the years ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 29, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify a certain deficiency in internal control that we consider to be a material weakness, listed as finding 2023-001.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***The Authority's Response to Findings***

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

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, MI  
March 29, 2024

# Berrien County Public Transportation

## Schedule of Findings and Responses

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### MATERIAL WEAKNESSES

#### 2023-001 – Preparation of Governmental Financial Statements and Material Audit Adjustments

Finding Type: Material weakness over financial reporting.

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (e.g., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (e.g., external financial reporting.)

Condition/Finding: We identified and proposed material audit adjustments that management reviewed and approved. We also assisted management with preparing the basic financial statements and the related footnotes.

As is the case with many small and medium-sized governmental units, the Authority has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis 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 auditor, who cannot, by definition, be considered part of the Authority's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Authority's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

Cause: This condition was 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 time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally.

Effect: As a result of this condition, the Authority lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and



## **Berrien County Public Transportation**

### Schedule of Findings and Responses

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instead relies, at least in part, on its external auditors for assistance with this task. In addition, the Authority's records were initially misstated by an amount material to the financial statements.

**Recommendation:** The Authority should evaluate the process currently used to identify and record adjustments to the general ledger at year-end. Additional controls or modification to the existing controls may be necessary. Correctly identifying year-end receivables will lead to management having to spend less time making modifications to the general ledger and the financial statements and will provide the Authority Board with more accurate financial information in a timelier manner.

**View of Responsible Officials:**

The Authority Board has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interest of the Authority to outsource this task to its external auditors and to carefully review, approve, and accept responsibility for all nonattest work performed by the external auditors.

March 29, 2024

To the Board of Commissioners of Berrien County  
Berrien County Public Transportation  
Berrien County, Michigan

We have audited the financial statements of the Berrien County Public Transportation (the “Authority”), for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 2, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We 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. We noted no such estimates throughout our engagement.

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

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us 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.

#### *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 our satisfaction, that could be significant to the financial

statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 29, 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 the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We 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 auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

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

We were engaged to report on the supplementary schedules which accompany the financial statements but are not RSI. With respect to this supplementary information, we 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 our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Nonurban Regular Service Nonfinancial Report, which accompanies the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC  
Grand Rapids, MI