

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Battle Creek Transit System		County Calhoun	
Fiscal Year End 6/30/2007		Opinion Date November 20, 2007		Date Audit Report Submitted to State December 28, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

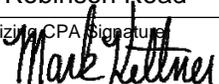
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES **NO** **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) REHMANN ROBSON			Telephone Number 517-787-6503	
Street Address 675 Robinson Road			City Jackson	State MI
			Zip 49203	
Authorized CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

BATTLE CREEK TRANSIT SYSTEM

Battle Creek, Michigan

**Financial Statements
And
Supplementary Information**

**For the Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

BATTLE CREEK TRANSIT SYSTEM

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REHMANN ROBSON

Certified Public Accountants

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BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

November 20, 2007

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

We have audited the accompanying financial statements of the ***Battle Creek Transit System, an enterprise fund of the City of Battle Creek, Michigan***, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the City of Battle Creek's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Battle Creek Transit System, an enterprise fund of the City of Battle Creek, Michigan, as of June 30, 2007 and the changes in financial position thereof and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Battle Creek Transit System. The information on pages 9 through 17 and page 19 has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. The information on page 18 has not been subjected to the procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

FINANCIAL STATEMENTS

BATTLE CREEK TRANSIT SYSTEM
Statement of Net Assets
June 30, 2007

Assets

Current assets:

Grants receivable	\$ 854,365
Inventory	<u>118,508</u>

Total current assets	972,873
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Capital assets, net	<u>3,144,103</u>
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Total assets	<u><u>4,116,976</u></u>
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Liabilities, all current

Accounts payable	106,001
Accrued payroll and compensated absences	87,622
Interfund payable to other funds of the City	<u>181,472</u>

Total current liabilities	<u><u>375,095</u></u>
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Net assets

Investment in capital assets	3,144,103
Unrestricted	<u>597,778</u>

Total net assets	<u><u>\$ 3,741,881</u></u>
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The accompanying notes are an integral part of these financial statements.

BATTLE CREEK TRANSIT SYSTEM
Statement of Revenue, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2007

Operating revenue	
Line-haul (farebox)	\$ 294,639
Advertising	45,472
Other operating revenue	16,791
Total operating revenue	<u>356,902</u>
Operating expenses	
Operations	2,741,222
Maintenance	653,413
General administration	431,285
Total operating expenses	<u>3,825,920</u>
Operating loss	<u>(3,469,018)</u>
Non-operating revenue (expense)	
Federal grants	1,756,124
State grants	1,642,561
Total non-operating revenue	<u>3,398,685</u>
Net loss before transfers	(70,333)
Transfers in from other funds	1,160,539
Transfers out to other funds	<u>(4,550)</u>
Change in net assets	1,085,656
Total net assets, beginning of year	<u>2,656,225</u>
Total net assets, end of year	<u>\$ 3,741,881</u>

The accompanying notes are an integral part of these financial statements

BATTLE CREEK TRANSIT SYSTEM
Statement of Cash Flows
For the Year Ended June 30, 2007

Cash flows from operating activities	
Receipts from customers and users	\$ 356,902
Payments to suppliers	(1,038,348)
Payments to employees	(2,436,884)
Payments for interfund services	<u>(282,284)</u>
Net cash used in operating activities	<u>(3,400,614)</u>
Cash flows from non-capital financing activities	
Transfers in	1,160,539
Transfers out	(4,550)
Federal and state grants	<u>3,389,677</u>
Net cash provided by non-capital financing activities	<u>4,545,666</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(1,145,052)</u>
Net change in cash and cash equivalents	-
Pooled cash and investments, beginning of year	<u>-</u>
Pooled cash and investments, end of year	<u><u>\$ -</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (3,469,018)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	318,165
Changes in assets and liabilities:	
Inventory	41,131
Other assets	106,001
Accrued payroll and compensated absences	15,466
Interfund payable	<u>(412,359)</u>
Net cash used in operating activities	<u><u>\$ (3,400,614)</u></u>

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

BATTLE CREEK TRANSIT SYSTEM

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Battle Creek Transit System (the “System”) is an enterprise fund of the City of Battle Creek, Michigan. The System provides public transportation services to users in the City of Battle Creek and portions of the surrounding area. The accounting policies of the System conform with generally accepted accounting principles as applicable to proprietary funds. A summary of significant accounting policies follows.

Reporting Entity - These financial statements represent the financial condition, results of operations and cash flows of an enterprise fund of the City of Battle Creek, Michigan (the “City”) and are an integral part of that reporting entity. The System is not a component unit of the City or any other reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

Basis of Accounting - The System uses a fund (i.e., a separate accounting entity with a self-balancing set of accounts) to report its financial position, the results of its operations and its cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

The System is operated as an enterprise fund, which is used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The System applies all applicable FASB pronouncements issued through November 30, 1989 in accounting and reporting for its proprietary operations. The System has elected not to follow subsequent private-sector guidance.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Pooled Cash and Investments – The System’s pooled cash and investments, if any, represents amounts deposited entirely in the City’s internal cash management pool.

Inventory – Inventory is valued at cost using the first-in/first-out method.

BATTLE CREEK TRANSIT SYSTEM

Notes To Financial Statements

Capital Assets – Capital assets, which include property and equipment, are reported at cost or, if donated, at their estimated fair value on the date donated. The System defines capital assets as assets with an initial, individual cost of \$10,000 or more and estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The System’s capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-50
Buildings	50
Equipment	3-10
Furniture and fixtures	6-10
Vehicles	7-10

Compensated Absences - Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. Sick pay benefits are not provided pursuant to the City's short-term disability program.

2. POOLED CASH AND INVESTMENTS

The System, along with the various other funds of the City, participates in the City’s pooled cash management accounts. At June 30, 2007, the System had a negative cash balance in the City’s cash pool of \$181,472, which is reported in the accompanying statement of net assets as an *interfund payable*. Information regarding this internal cash management pool is presented in the City’s comprehensive annual financial report.

BATTLE CREEK TRANSIT SYSTEM

Notes To Financial Statements

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 66,499	\$ -	\$ -	\$ 66,499
Capital assets, being depreciated:				
Land improvements	26,130	-	-	26,130
Buildings	2,319,108	23,949	-	2,343,057
Equipment	1,239,906	33,210	(53,880)	1,219,236
Vehicles	4,054,254	1,087,893	(732,548)	4,409,599
Total capital assets being depreciated	<u>7,639,398</u>	<u>1,145,052</u>	<u>(786,428)</u>	<u>7,998,022</u>
Less accumulated depreciation for:				
Land improvements	19,598	2,613	-	22,211
Buildings	719,472	82,368	-	801,840
Equipment	1,144,105	16,714	(53,880)	1,106,939
Vehicles	3,505,506	216,470	(732,548)	2,989,428
Total accumulated depreciation	<u>5,388,681</u>	<u>318,165</u>	<u>(786,428)</u>	<u>4,920,418</u>
Total capital assets being depreciated, net	<u>2,250,717</u>	<u>826,887</u>	<u>-</u>	<u>3,077,604</u>
System capital assets, net	<u>\$ 2,317,216</u>	<u>\$ 826,887</u>	<u>\$ -</u>	<u>\$ 3,144,103</u>

4. RISK MANAGEMENT

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

BATTLE CREEK TRANSIT SYSTEM

Notes To Financial Statements

5. CONTINGENCIES

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

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**SUPPLEMENTARY
INFORMATION**

BATTLE CREEK TRANSIT SYSTEM
Schedule of Local Revenues
For the Year Ended June 30, 2007

	<u>7/1/06 through 9/30/06</u>	<u>10/1/06 through 6/30/07</u>	<u>Total</u>
Line haul - farebox (urban less than 100,000)	\$ 80,891	\$ 213,748	\$ 294,639
Advertising	22,639	22,833	45,472
Transfers in from other funds	224,715	935,824	1,160,539
Other operating revenue	684	16,107	16,791
	<u> </u>	<u> </u>	<u> </u>
Total local revenue	<u>\$ 328,929</u>	<u>\$ 1,188,512</u>	<u>\$ 1,517,441</u>

BATTLE CREEK TRANSIT SYSTEM
Schedule of Local Revenues
Based on a September 30, 2006 Year End

	10/1/05 through 6/30/06	7/1/06 through 9/30/06	Total
Line haul - farebox (urban less than 100,000)	\$ 248,340	\$ 80,891	\$ 329,231
Advertising	13,170	22,639	35,809
Transfers in from other funds	671,705	224,715	896,420
Other operating revenue	37,282	684	37,966
Total local revenue	\$ 970,497	\$ 328,929	\$ 1,299,426

BATTLE CREEK TRANSIT SYSTEM
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2007

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number / Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditure	Award Amount Remaining	
				Total	Federal	State			Local
<u>U.S. Department of Transportation</u>									
Federal Direct Assistance									
Federal Transit Operating Grant - Section 5307	20.507	MI-90-X526-00	\$ 817,889	\$ 817,889	\$ 817,889	\$ -	\$ -	\$ -	
Capital Assistance Grant - Section 5307	20.507	MI-90-X498-00	154,000	50,000	48,898	-	1,102	105,102	
Capital Assistance Grant - Section 5309 (80/20)	20.500	MI-04-0003-00	1,188,000	880,131	880,131	-	50,562	257,307	
Capital Assistance Grant - Section 5309 (80/20)	20.500	MI-90-X195-00	295,104	7,436	7,436	-	285,468	2,200	
Federal Funds Passed through the Michigan Department of State Police:									
Disaster Grant, Public Assistance	97.036	FEMA-3225-EM	1,770	1,770	1,770	-	-	-	
<u>Michigan Department of Transportation</u>									
Operating Assistance - Act 51 - Urban less than 100,000	n/a	n/a	1,319,424	1,319,424	-	1,319,424	-	-	
Capital Grant - Section 5309 (80/20)	n/a	2002-0013/Z9	73,776	1,859	-	1,859	71,917	-	
Capital Grant - Section 5309 (80/20)	n/a	2002-0013/Z17	297,000	220,032	-	220,032	12,641	64,327	
Capital Grant - Section 5307 (80/20)	n/a	2002-0013/Z14	24,000	(248)	-	(248)	248	24,000	
Specialized Services 06	n/a	2002-0013/Z13	81,329	20,164	-	20,164	61,165	-	
Specialized Services 07	n/a	2007-0169/Z1	92,624	81,329	-	81,329	-	11,295	
TOTALS				\$ 3,399,786	\$ 1,756,124	\$ 1,642,560	\$ 1,102	\$ 482,001	\$ 464,231

BATTLE CREEK TRANSIT SYSTEM
Schedule of Federal and State Awards -
Operating Revenue Only
For the Year Ended June 30, 2007

	<u>7/1/06 through 9/30/06</u>	<u>10/1/06 through 6/30/07</u>	<u>Total</u>
Federal grant - Operating grant - Section 5307	\$ -	\$ 817,889	\$ 817,889
State of Michigan grant - Formula operating assistance	<u>384,115</u>	<u>935,309</u>	<u>1,319,424</u>
Total	<u>\$ 384,115</u>	<u>\$ 1,753,198</u>	<u>\$ 2,137,313</u>

Based on a September 30, 2006 Year End

	<u>10/1/05 through 6/30/06</u>	<u>7/1/06 through 9/30/2006</u>	<u>Total</u>
Federal grant - Operating grant - Section 5307	\$ 787,265	\$ -	\$ 787,265
State of Michigan grant - Formula operating assistance	<u>1,108,139</u>	<u>384,115</u>	<u>1,492,254</u>
Total	<u>\$ 1,895,404</u>	<u>\$ 384,115</u>	<u>\$ 2,279,519</u>

BATTLE CREEK TRANSIT SYSTEM
Schedule of Operating and Contract Expenses
For the Year Ended June 30, 2007

	Urban less than 100,000	2002-0013/Z13 FY06 Specialized Services	2007-0169/Z1 FY07 Specialized Services	Total
Labor:				
Operators' salaries and wages	\$ 1,046,273	\$ -	\$ -	\$ 1,046,273
Other salaries and wages	386,265	-	-	386,265
Fringe benefits	1,019,812	-	-	1,019,812
Services:				
Advertising	21,459	-	-	21,459
Other services	155,136	20,164	81,329	256,629
Materials and supplies:				
Fuel and lubricants	240,014	-	-	240,014
Other materials and supplies	296,299	-	-	296,299
Utilities	55,133	-	-	55,133
Insurance expense	170,402	-	-	170,402
Leases and rentals	15,469	-	-	15,469
Depreciation	318,165	-	-	318,165
Total expenses	3,724,427	20,164	81,329	3,825,920
Add: transfer out for telephone service	4,550	-	-	4,550
Less: specialized services and capital expenses	139,849	-	-	139,849
Net operating expenses	<u>\$ 3,868,826</u>	<u>\$ 20,164</u>	<u>\$ 81,329</u>	<u>\$ 3,970,319</u>

BATTLE CREEK TRANSIT SYSTEM
Schedule of Operating Expenses
For the Year Ended June 30, 2007

	Urban less than 100,000		
	7/1/06 through 9/30/06	10/1/06 through 6/30/07	Total
Expenses			
Labor	\$ 335,262	\$ 1,097,276	\$ 1,432,538
Fringe benefits	240,363	779,449	1,019,812
Services	68,588	209,500	278,088
Materials and supplies	176,310	360,003	536,313
Utilities	3,877	51,256	55,133
Insurance expense	42,601	127,801	170,402
Leases and rentals	13,053	2,416	15,469
Depreciation	79,541	238,624	318,165
Total expenses	959,595	2,866,325	3,825,920
Add: transfer out for telephone service	1,137	3,413	4,550
Less: specialized services and capital expenses	(57,558)	(82,291)	(139,849)
Net operating expenses	<u>\$ 903,174</u>	<u>\$ 2,787,447</u>	<u>\$ 3,690,621</u>

BATTLE CREEK TRANSIT SYSTEM
Schedule of Operating Expenses
Based on a September 30, 2006 Year End

	Urban less than 100,000		
	10/1/2005 through 6/30/2006	7/1/2006 through 9/30/2006	Total
Expenses			
Labor	\$ 1,119,224	\$ 335,262	\$ 1,454,486
Fringe benefits	768,440	240,363	1,008,803
Services	145,716	68,588	214,304
Materials and supplies	403,981	176,310	580,291
Utilities	37,384	3,877	41,261
Insurance expense	128,792	42,601	171,393
Leases and rentals	13,408	13,053	26,461
Depreciation	251,933	79,541	331,474
Total expenses	2,868,878	959,595	3,828,473
Add: transfer out for telephone service	3,413	1,137	4,550
Less: specialized services and capital expenses	(74,461)	(57,558)	(132,019)
Net operating expenses	<u>\$ 2,797,830</u>	<u>\$ 903,174</u>	<u>\$ 3,701,004</u>

BATTLE CREEK TRANSIT SYSTEM
Urban (less than 100,000) Regular Service Revenue Report
For the Year Ended September 30, 2006

Code	Description	Amount
401 :	Farebox Revenue	
40100	Passenger Fares	\$ 329,231
406 :	Auxiliary Trans Revenues	
40615	Advertising	35,809
407	Auxiliary Trans Revenues	
40799	Other Non Trans Revenue	7,966
409 :	Local Revenue	
40910	Local Operating Assistance	896,420
40999	Other Local Contracts & Reimbursements	30,000
411 :	State Formula and Contracts	
41101	State Operating Assistance	1,492,254
413 :	Federal Contracts	
41301	Federal Section 5311	787,265
Total revenues:		\$ 3,578,945

BATTLE CREEK TRANSIT SYSTEM
Urban (less than 100,000) Regular Service Expense Report
For the Year Ended September 30, 2006

Code	Description	Operations	Maintenance	Gen. Admin.	Total
501 :	Labor				
50101	Operators' Salaries & Wages	\$ 1,023,009	\$ -	\$ -	\$ 1,023,009
50102	Other Salaries & Wages	-	255,780	170,462	426,242
50103	Dispatchers' Salaries & Wages	134,284	-	-	134,284
502 :	Fringe Benefits				
50200	Other Fringe Benefits	515,183	110,833	45,754	671,770
50200	Pensions	148,941	34,073	24,968	207,982
503 :	Services				
50302	Advertising Fees	-	-	14,473	14,473
50305	Audit Cost	-	-	9,840	9,840
50399	Other Services	46,240	51,237	14,565	112,042
504 :	Materials and Supplies				
50401	Fuel & Lubricants	270,338	-	-	270,338
50402	Tires & Tubes	-	16,577	-	16,577
50402	Major Supplies	164,313	-	-	164,313
50499	Other Materials & Supplies	10,033	35,217	15,451	60,701
505 :	Utilities				
50500	Utilities	-	-	45,812	45,812
506 :	Insurance				
50603	Liability Insurance	-	114,561	-	114,561
50699	Other Insurance	-	-	56,830	56,830
509 :	Misc Expenses				
50902	Travel, Meetings & Training	149	2,828	1,459	4,436
50902	Association Dues & Subscriptions	-	-	9,859	9,859
50902	Other Misc Expenses	-	-	-	-
512 :	Operating Leases & Rentals				
51200	Operating Leases & Rentals	24,315	338	1,808	26,461
513 :	Depreciation				
51300	Depreciation	331,474	-	-	331,474
550 :	Ineligible Expenses				
55007	Ineligible Depreciation	323,420	-	-	323,420
55009	Ineligible Percent of Association Dues	-	-	863	863
Total expenses:					3,701,004
Total ineligible expenses:					324,283
Total eligible expenses:					\$ 3,376,721

BATTLE CREEK TRANSIT SYSTEM
Urban (less than 100,000) Regular Service Nonfinancial Report
For the Year Ended September 30, 2006

Public Service

Code	Description	Weekday	Saturday	Sunday	Total
610	Vehicle Hours	41,859	2,909	-	44,768
611	Vehicle Miles	557,270	50,476	-	607,746

The methodology used for compiling vehicle hours and mileage has been reviewed and found to be adequate and reliable.

BATTLE CREEK TRANSIT SYSTEM
Operating Assistance Calculation
For the Year Ended September 30, 2006

	<u>Urban less than 100,000</u>
Total Expenses	\$ 3,701,004
Less ineligible expenses	
Depreciation on capital assets acquired with federal and state grants	323,420
Michigan Public Transit Association dues	257
American Public Transit Association dues	<u>606</u>
Total Ineligible Expenses Per R & E Manual	<u>324,283</u>
 Total State Eligible Expenses	 <u><u>\$ 3,376,721</u></u>

Eligible Expenses for State Reimbursement	\$ 3,376,721
x Reimbursement Percentage	<u>0.38857</u>
State Operating Assistance	<u><u>\$ 1,312,092</u></u>

Federal Section 5307 Operating Assistance	<u><u>\$ 787,265</u></u>
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