

**BENZIE TRANSPORTATION AUTHORITY**

**AUDIT REPORT**

**SEPTEMBER 30, 2023**

**BENZIE TRANSPORTATION AUTHORITY  
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# Tyler J. Watters, P.C.

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## INDEPENDENT AUDITOR'S REPORT

December 17, 2023

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

### Report on the Audit of the Financial Statements

#### Opinions

I have audited the accompanying financial statements of the Benzie Transportation Authority, the business-type activities, and remaining fund information as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Benzie Transportation Authority as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and remaining fund information of the Benzie Transportation Authority as of September 30, 2023, and the respective changes in financial position and, where applicable and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Management's Responsibilities for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Benzie Transportation Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Benzie Transportation Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

### **Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, is the responsibility of management, and is not a required part of the basic financial statements of the Authority. The Schedule of Expenditures of Federal Awards is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (uniform Guidance). Such information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2023, on my consideration of Benzie Transportation’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Benzie Transportation Authority’s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Benzie Transportation Authority’s internal control over financial reporting and compliance.



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

**BENZIE TRANSPORTATION AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023**

*Using this Annual Report*

Our discussion and analysis of the Benzie Transportation Authority’s financial performance provides an overview of the Authority’s financial activities for the fiscal year ended September 30, 2023. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position provide information about the activities of the Authority and present a longer-term view of the Authority’s finances.

*Overview of the Financial Statements*

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

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

*Reporting the Transit Authority as a Whole*

Government-Wide Statements

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

**BENZIE TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

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

*Financial Analysis of the Transit Authority as Whole*

The Authority's Net Position decreased approximately 1.44%, or \$58,705, from \$4,077,548 to \$4,018,843 for the year ended September 30, 2023. The Net Position and Change in Net Position are summarized below.

Net Position

The Authority ended the year with a net position of \$4,018,843 of which \$2,076,111 was invested in capital assets leaving an unrestricted net position of \$1,942,732. The Authority received \$14,044 in capital grants during the year which was \$84,460 less than the prior year. Operating grants increased by \$103,072 from the prior year. Expenditures increased by \$323,968 which was mostly due to the increase in wages and fringe benefits. The net activity increased the unrestricted net position by \$206,313.

The net position as of the year ended September 30, 2023, is as follows:

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>%</u>
<b>Assets</b>				
Current and Other Assets	\$ 1,858,255	\$ 1,607,855	\$ 250,400	15.57
Noncurrent Assets	<u>2,103,537</u>	<u>2,661,158</u>	<u>(557,621)</u>	<u>(20.95)</u>
Total Assets	<u>3,961,792</u>	<u>4,269,013</u>	<u>(307,221)</u>	<u>(7.20)</u>
<b>Deferred Outflows</b>	<u>270,918</u>	<u>73,493</u>	<u>197,425</u>	<u>268.63</u>
<b>Liabilities</b>				
Current Liabilities	<u>127,215</u>	<u>131,840</u>	<u>(4,625)</u>	<u>(3.51)</u>
Total Liabilities	<u>127,215</u>	<u>131,840</u>	<u>(4,625)</u>	<u>(3.51)</u>
<b>Deferred Inflows</b>	<u>86,652</u>	<u>133,118</u>	<u>(46,466)</u>	<u>(34.91)</u>
<b>Net Position</b>				
Invested in Capital Assets, Net of Related Debt	2,076,111	2,341,129	(265,018)	(11.32)
Unrestricted	<u>1,942,732</u>	<u>1,736,419</u>	<u>206,313</u>	<u>11.88</u>
Total Net Position	<u>\$ 4,018,843</u>	<u>\$ 4,077,548</u>	<u>\$ (58,705)</u>	<u>(1.44)</u>

**BENZIE TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>%</u>
<b>Revenue</b>				
Program Revenue				
Charges for Services	\$ 227,928	\$ 169,489	\$ 58,439	34.48
Non-Operating Revenue				
Property taxes	724,329	688,464	35,865	5.21
State of Michigan				
Operating Grants	838,749	777,827	60,922	7.83
Federal Operating Grants	922,492	880,342	42,150	4.79
Local Grants	7,820	19,818	(11,998)	(60.54)
Capital Grants	14,044	98,504	(84,460)	(85.74)
Interest	59,369	7,618	51,751	679.33
Gain (loss) on sale of assets	-	-	-	-
Refunds and credits	114,099	58,001	56,098	96.72
<b>Total Revenue</b>	<u>2,908,830</u>	<u>2,700,063</u>	<u>208,767</u>	<u>7.73</u>
<b>Expenses</b>				
Salaries and wages	1,557,683	1,353,239	204,444	15.11
Fringe benefits	462,799	347,208	115,591	33.29
Depreciation	366,935	426,096	(59,161)	(13.88)
Other	580,118	517,024	63,094	12.20
<b>Total Expenses</b>	<u>2,967,535</u>	<u>2,643,567</u>	<u>323,968</u>	<u>12.25</u>
<b>Increase (Decrease) in Net Position</b>	(58,705)	56,496	(115,201)	(203.91)
<b>Net Position - Beginning of Year</b>	<u>4,077,548</u>	<u>4,021,052</u>	<u>56,496</u>	<u>1.41</u>
<b>Net Position - End of Year</b>	<u><u>\$4,018,843</u></u>	<u><u>\$4,077,548</u></u>	<u><u>\$ (58,705)</u></u>	<u><u>(1.44)</u></u>

**BENZIE TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

*Capital Asset and Debt Administration*

At September 30, 2023, the Authority had \$2,076,111 invested in capital assets. This amount represents a net decrease (including additions and deductions) of \$265,018 or 11.32% as follows:

	<u>2023</u>	<u>2022</u>	<u>Total Percentage Change 2022-23</u>
Capital Assets Not Being Depreciated			
Land	\$ 20,000	\$ 20,000	0.00
Subtotal	<u>20,000</u>	<u>20,000</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Buildings	2,190,053	2,190,053	0.00
Vehicles	2,152,510	2,123,925	1.35
Equipment	<u>519,005</u>	<u>445,673</u>	<u>16.45</u>
Subtotal	<u>4,861,568</u>	<u>4,759,651</u>	<u>2.14</u>
Total Capital Assets	4,881,568	4,779,651	2.13
Total Accumulated Depreciation	<u>2,805,457</u>	<u>2,438,522</u>	<u>15.05</u>
Total Net Capital Assets	<u><u>\$2,076,111</u></u>	<u><u>\$2,341,129</u></u>	<u><u>(11.32)</u></u>

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

**BENZIE TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

**Overview**

Fiscal year 2023 was one of growth, challenges, and an eye toward the future.

The continued war has exacerbated ongoing supply chain issues which continue to impact our fleet. Service expenses have increased as the wait for replacement vehicles grows. Thanks to our strict preventative maintenance schedule, our oldest vehicles are still in service, perhaps just with a little more rumbling and bumbling.

Ridership grew another 20% over the previous year, with nearly 101,000 trips provided. The biggest increase seemed to be amongst students and passengers over the age of 60, as both the "school of choice" and senior populations grow.

Miles and hours increased 18% and 19% respectively, and not as substantially as the previous year, indicating improved efficiencies in scheduling and routing.

CARES act funding expired as operating costs continue to climb. As a result, BTA made the decision to raise the hourly contract fare and reduce the number of "free" services it provided, ultimately adding a fare schedule to the once free Crystal Lake Express service. Research has suggested that a 10% increase in fares results in a 3-4 % decrease in ridership. The community clearly values the Crystal Lake Express service, and ridership on that service increased 12% over last year after the fare was introduced.

Customer communication improved, and in January a "Text 2 Ride" option was introduced. Nearly 30,000 text messages have been exchanged between customers and dispatchers, and we expect that number will continue to grow.

A 5-year financial forecast illustrates the need for additional, sustainable funding sources at both the State and local levels. We will continue to monitor our expenses closely; work with our local legislators to secure sustainable funding for transits across the State; and provide the award-winning transportation service our community deserves.

**Contacting the Authority's Management**

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

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

**BENZIE TRANSPORTATION AUTHORITY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,497,769
Accounts receivable	18,542
Due from government units	305,852
Prepaid expense	17,250
Inventories	<u>18,842</u>
Total Current Assets	<u>1,858,255</u>
Noncurrent Assets:	
Capital assets	2,076,111
Net pension asset	<u>27,426</u>
Total Noncurrent Assets	<u>2,103,537</u>
Total Assets	<u>3,961,792</u>
<b>Deferred Outflows of Resources</b>	<u>270,918</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	31,824
Accrued liabilities	<u>95,391</u>
Total Current Liabilities	<u>127,215</u>
<b>Deferred Inflows of Resources</b>	<u>86,652</u>
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	2,076,111
Unrestricted	<u>1,942,732</u>
Total Net Position	<u><u>\$ 4,018,843</u></u>

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

**BENZIE TRANSPORTATION AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2023**

**Operating Revenues**

Charges for services:

Fare box and special fares	\$ 208,818
Package delivery	940
Outside maintenance	241
Advertising	17,929

Total Operating Revenues	227,928
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**Operating Expenses**

Salaries and wages	1,557,683
Fringe benefits	462,799
Materials and supplies	284,328
Services	163,970
Utilities	43,876
Casualty and liability insurance	54,837
Miscellaneous	33,107
Depreciation	366,935

Total Operating Expenses	2,967,535
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<b>Operating Income (Loss)</b>	<b>(2,739,607)</b>
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**Non-Operating Revenues (Expenses)**

Property taxes	724,329
Federal	922,492
State - Demand response	826,837
State and Federal capital grants	14,044
Local grants	7,820
Gain (Loss) on sale of fixed assets	-
RTAP	11,912
Interest income	59,369
Refunds and Credits	114,099

Net Non-operating Revenues (Expenses)	2,680,902
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<b>Change in Net Position</b>	<b>(58,705)</b>
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<b>Net Position - October 1, 2022</b>	<b>4,077,548</b>
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<b>Net Position - September 30, 2023</b>	<b>\$ 4,018,843</b>
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The accompanying notes are an integral part of the financial statements.

**BENZIE TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDED SEPTEMBER 30, 2023**

<b>Cash Flows From Operating Activities</b>	
Cash receipts from operations	\$ 216,710
Cash payments to suppliers for goods and services	(601,150)
Cash payments for employee services and fringes	<u>(1,954,984)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,339,424)</u>
 <b>Cash Flows From Noncapital Financing Activities</b>	
Property taxes	724,329
Federal operating grants	922,492
State operating grants	953,225
Local & other	<u>121,919</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,721,965</u>
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Federal/State capital grants	14,044
Sale of fixed assets	-
Purchase of fixed assets	<u>(101,917)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(87,873)</u>
 <b>Cash Flows From Investing Activities</b>	
Interest income	<u>59,369</u>
Net Increase (Decrease) in Cash and Cash Equivalents	354,037
Cash and Cash Equivalents - October 1, 2022	<u>1,143,732</u>
Cash and Cash Equivalents - September 30, 2023	<u><u>\$ 1,497,769</u></u>

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

**BENZIE TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR YEAR ENDED SEPTEMBER 30, 2023**

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

Operating income (loss)	\$ (2,739,607)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	366,935
(Increase) decrease in accounts receivables	(11,218)
(Increase) decrease in prepaid expenses	369
(Increase) decrease in inventories	10
Increase (decrease) in accounts payable	(21,042)
(Increase) decrease in net pension asset	292,603
Increase (decrease) in accrued liabilities	16,417
(Increase) decrease in deferred outflows of resources for pensions	(197,425)
Increase (decrease) in deferred inflows of resources for pensions	(46,466)
	<hr/>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,339,424)</u>

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

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

**NOTE A - DESCRIPTION OF THE REPORTING ENTITY**

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

**NOTE B - DESCRIPTION OF FUNDS**

Enterprise Fund

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

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>Balance 10/1/2022</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 9/30/2023</b>
Buildings and Improvements	\$ 2,210,053	\$ -	\$ -	\$ 2,210,053
Vehicles	2,123,925	28,585	-	2,152,510
Shop Equipment	181,672	73,332	-	255,004
Office Equipment	264,001	-	-	264,001
Totals	<u>\$ 4,779,651</u>	<u>\$ 101,917</u>	<u>\$ -</u>	<u>4,881,568</u>
Accumulated Depreciation	<u>\$ 2,438,522</u>	<u>\$ 366,935</u>	<u>\$ -</u>	<u>2,805,457</u>
Net Property and Equipment				<u>\$ 2,076,111</u>

The total depreciation expense for fiscal year ending September 30, 2023 was \$366,935. The eligible depreciation of \$17,910 (\$366,935 total depreciation less ineligible depreciation \$349,025) includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the Bureau of Passenger Transportation.

Useful lives of depreciable assets are as follows:

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

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE E - CASH AND INVESTMENTS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	1,000,000	1,000,000
Uninsured	497,769	507,859
Total Deposits	\$ 1,497,769	\$ 1,507,859

Deposits - Cash and cash equivalents are considered to be cash on demand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. At year end, the carrying amount of the Authority's deposits was \$1,497,769 and the bank balance was \$1,507,859. According to the Federal Deposit Insurance Corporation Rules and Regulations, 66% of the total bank balance was covered by federal depository insurance.

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

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

**BENZIE TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2023**

**NOTE E - CASH AND INVESTMENTS (CONTINUED)**

Custodial Credit Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

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

**NOTE F - CAPITAL GRANTS**

The Transit Authority has contracted with federal and state agencies for grant funds to purchase facilities and equipment. All of the monies that the Authority is now eligible to receive have not yet been disbursed to them, as the projects have not yet been completed. As of September 30, 2023, \$2,617,620 is still available to the Authority under those grants.

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE G - RISK MANAGEMENT**

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

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

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

**NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM**

**Defined Benefit Plan**

***Plan Description***

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

***Benefits Provided***

<b>01 - General: Closed to new hires</b>			
	<u>2022 Valuation</u>		<u>2022 Valuation</u>
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)	<b>Final Average Compensation:</b>	5 years
<b>Normal Retirement Age:</b>	60	<b>COLA for Future Retirees</b>	2.50% (Non-Compound)
<b>Vesting:</b>	10 years	<b>Employee Contributions:</b>	7.27%
<b>Early Retirement (Unreduced):</b>	-	<b>DC Plan for New Hires:</b>	7/1/2017
<b>Early Retirement (Reduced):</b>	50/25	<b>Act 88:</b>	Yes (Adopted 5/13/2008)
	55/15		

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

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

**Defined Benefit Plan (Continued)**

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2022):

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

***Contributions***

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

***Net Pension Liability***

The employer's Net Pension Liability was measured as of December 31, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

***Actuarial Assumptions***

The total pension liability in the December 31, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% in the long-term

Investment rate of return: 7.00%, net of investment expense and administrative expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2019 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

**Defined Benefit Plan (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return	Expected Nominal Return Asset Class	Expected Real Return Asset Class
Global Equity	60.0%	7.00%	2.50%	4.50%	4.20%	2.70%
Global Fixed Income	20.0%	4.50%	2.50%	2.00%	0.90%	0.40%
Private Investments	20.0%	9.50%	2.50%	7.00%	1.90%	1.40%
Total	100.0%	7.00%	2.50%	4.50%	7.00%	4.50%

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

**Defined Benefit Plan (Continued)**

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
Balance at 12/31/2021	\$ 1,067,070	\$ 1,387,099	\$ (320,029)
Changes for the Year:			
Service Cost	44,943	-	44,943
Interest	78,008	-	78,008
Changes in benefits	-	-	-
Differences between expected and actual experience	66,384	-	66,384
Change in assumptions	-	-	-
Contributions: employer	-	17,955	(17,955)
Contributions: employees	-	25,425	(25,425)
Net investment income	-	(144,056)	144,056
Benefit payments, including refunds	(27,151)	(27,151)	-
Administrative expense	-	(2,592)	2,592
Other changes	-	-	-
Net Changes	162,184	(130,419)	292,603
Balance at 12/31/2022	<u>\$ 1,229,254</u>	<u>\$ 1,256,680</u>	<u>\$ (27,426)</u>

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

The following presents the net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Total Pension Liability	\$ 1,394,691	\$ 1,229,254	\$ 1,093,248
Fiduciary Net Position	1,256,680	1,256,680	1,256,680
Net Pension Liability	<u>\$ 138,011</u>	<u>\$ (27,426)</u>	<u>\$ (163,432)</u>

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

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

For the year ended September 30, 2023, the employer recognized pension expense of \$69,808. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 44,256	\$ 4,701
Differences in assumptions	14,748	-
Excess (deficit) investment returns	196,092	81,951
Contributions subsequent to the measurement date *	15,822	-
Total	\$ 270,918	\$ 86,652

\* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2023.

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

2024	\$ 43,107
2025	43,238
2026	33,076
2027	49,023
Total	\$ 168,444

**Defined Contribution Plan**

The Transit Authority offers a defined contribution and IRS code 457 plan to its employees in addition to the deferred benefit plan described above. The plans are administered by the Michigan Employees Retirement System. The Authority match contributions as well as the employee contributions are vested immediately. Therefore, the individual plan assets are not reported by the Authority. Total contributions by the employer for the year ended September 30, 2023, were \$67,694.

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE I - RETIREMENT BENEFITS**

As stated in Note H, the Transit Authority contributes to two pension contribution plans: a 457 defined contribution plan and a deferred benefit pension plan. It does not incur other post-employment benefit (OPEB) expenses. Both plans are administered by MERS. Pension costs incurred for the 457 plan totaled \$67,694 and were expensed on the books and reported as “pensions - defined contribution.” The entire \$67,694 was paid and therefore, no portion of the defined contribution pension was subtracted out as ineligible fringe benefits.

Pension costs incurred for the defined benefit plan were calculated pursuant to the MERS GASB 68 Implementation Guide. The total pension expense recognized as calculated in step 6 of the guide was \$69,808. The Transit Authority paid a total of \$21,096 to the plan.

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

<u>Audit Year</u>	<u>Amount Reported on Financial Statements</u>	<u>Actual Contributions</u>	<u>Difference</u>
2015	\$ 20,157	\$ 26,911	\$ (6,754)
2016	46,177	18,914	27,263
2017	51,380	27,254	24,126
2018	(6,620)	36,000	(42,620)
2019	21,856	38,004	(16,148)
2020	12,394	22,944	(10,550)
2021	(4,414)	20,352	(24,766)
2022	(13,003)	16,908	(29,911)
2023	69,808	21,096	48,712
		Balance to apply to subsequent year	<u>\$ (30,648)</u>

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

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

**BENZIE TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE K- NONFINANCIAL DATA**

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

**NOTE L - CONTINGENCIES**

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

**NOTE M - COST ALLOCATION PLANS**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**BENZIE TRANSPORTATION AUTHORITY  
SCHEDULE OF CHANGES IN AUTHORITY'S NET PENSION  
LIABILITY (ASSET) AND RELATED RATIOS  
YEAR ENDED SEPTEMBER 30, 2023**

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

Notes to schedule:

the schedule is based on a calendar year measurement date.

**BENZIE TRANSPORTATION AUTHORITY  
SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS  
YEAR ENDED SEPTEMBER 30, 2023**

	Calendar Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 28,503	\$ 36,501	\$ 22,310	\$ 17,894	\$ 20,676	\$ 25,670	\$ 26,091
Contributions in relation to the actuarially determined contribution	17,955	19,491	22,296	34,239	36,501	32,310	17,894	21,843	38,273	34,811
Contribution excess (deficiency)	<u>\$ 17,955</u>	<u>\$ 19,491</u>	<u>\$ 22,296</u>	<u>\$ 5,736</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 1,167</u>	<u>\$ 12,603</u>	<u>\$ 8,720</u>
Covered-employee payroll	\$ 304,289	\$ 308,747	\$ 345,041	\$ 307,874	\$ 367,642	\$ 394,363	\$ 653,049	\$ 658,009	\$ 582,636	\$ 553,117
Actuarially determined contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	9.26%	9.93%	5.66%	2.74%	3.14%	4.41%	4.72%

**Notes to Schedule**

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

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	0 years
Asset valuation method	5-year smoothed marked
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%, net of pension plan investment expense including inflation

**SUPPLEMENTARY INFORMATION**

**BENZIE TRANSPORTATION AUTHORITY  
LOCAL REVENUES  
YEAR ENDED SEPTEMBER 30, 2023**

	<b>Nonurban Regular Services</b>	<b>Job Access and Reverse Commute</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Operating Revenues</b>			
Charges for services:			
Fare box and special fares	\$ 201,689	\$ 7,129	\$ 208,818
Package delivery	940	-	940
Outside maintenance	241	-	241
Advertising	17,929	-	17,929
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Revenues	<u>\$ 220,799</u>	<u>\$ 7,129</u>	<u>\$ 227,928</u>

**BENZIE TRANSPORTATION AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE GRANTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Federal and State Grantor/Pass-Through</u>	<u>Federal ALN Number</u>	<u>Grant Number</u>	<u>Program Award Amount</u>	<u>Current Year Expenditures</u>			<u>Prior Year Expenditures</u>	<u>Award Amount Remaining</u>
				<u>Total</u>	<u>Federal</u>	<u>State</u>		
Passed Through Michigan Department of Transportation								
Operating Assistance - Section 5311	20.509	22-0019/P11	\$ 860,668	\$ 860,668	\$860,668	\$ -	\$ -	\$ -
JARC Program - Section 5311	20.516	22-0019/P9	61,824	61,824	30,912	30,912	-	-
Total Operating Assistance			922,492	922,492	891,580	30,912	-	-
Federal Transit Capital Grants								
Capital Grant	20.526	17-0020/P22	563,722	-	-	-	-	563,722
Capital Grant	20.513	17-0020/P24	131,911	1,399	1,119	280	40,944	89,568
Capital Grant	20.509	17-0020/P25/R1	126,800	-	-	-	97,330	29,470
Capital Grant	20.526	17-0020/P28/R1	434,200	-	-	-	-	434,200
Capital Grant	20.509	17-0020/P29	120,206	-	-	-	-	120,206
Capital Grant	20.509	22-0019/P4	25,714	-	-	-	21,900	3,814
Capital Grant	20.509	22-0019/P5	532,123	-	-	-	-	532,123
Capital Grant	20.513	22-0019/P6	39,000	12,645	10,116	2,529	-	26,355
Capital Grant	20.509	22-0019/P8	120,206	-	-	-	-	120,206
Capital Grant	20.526	22-0019/P10	344,201	-	-	-	-	344,201
Capital Grant	20.526	22-0019/P12	184,685	-	-	-	-	184,685
Capital Grant	20.509	22-0019/P14	169,070	-	-	-	-	169,070
Total Capital Grants			2,791,838	14,044	11,235	2,809	160,174	2,617,620
Michigan Department of Transportation								
Non Urban Operating Assistance - Act 51								
Current Year	N/A	N/A	826,837	826,837	-	826,837	-	-
Prior Year	N/A	N/A	-	-	-	-	-	-
Total State Operating Assistance			826,837	826,837	-	826,837	-	-
Total Federal and State Grants			\$4,541,167	\$1,763,373	\$902,815	\$860,558	\$160,174	\$2,617,620



**BENZIE TRANSPORTATION AUTHORITY  
OAR SCHEDULE 4R  
NONURBAN REGULAR SERVICE REVENUE REPORT  
YEAR ENDED SEPTEMBER 30, 2023**

<b>Code</b>	<b>Description</b>	<b>Total</b>
401:	Farebox revenue	
40100	Passenger fares	\$ 201,689
40400	Package delivery	940
<hr/>		
406:	Auxiliary Transportation Revenues	
40615	Advertising	17,929
<hr/>		
407:	Non Transportation Revenues	
40710	Sales of Maintenance Service	241
40760	Gains from sale of capital assets	-
<hr/>		
408:	Local Revenue	
40800	Taxes levied directly for/by transit agency	724,329
40999	Other Local Reimbursements	7,820
<hr/>		
411:	State Formula and Contracts	
41101	State Operating Assistance	826,837
<hr/>		
413:	Federal Contracts	
41313	Capital Contract	14,044
41362	Section 5311 - CRRSA	860,668
41398	RTAP Reimbursement	11,912
<hr/>		
414:	Other Revenue	
41400	Interest Income	59,369
<hr/>		
440:	Refunds and Credits	
44000	Refunds & Credits	114,099
<hr/>		
Total Nonurban Regular Service Revenue		<u>\$ 2,839,877</u>

**BENZIE TRANSPORTATION AUTHORITY**  
**OAR SCHEDULE 4E**  
**NONURBAN REGULAR SERVICE EXPENSE REPORT**  
**YEAR ENDED SEPTEMBER 30, 2023**

Code	Description	Total
501:	Labor	
50101	Operator's salaries and wages	\$ 874,957
50102	Other salaries and wages	382,701
50103	Dispatcher's salaries and wages	231,072
502:	Fringe Benefits:	
50200	Other fringe benefits	325,297
50210	Pensions - defined contribution	67,694
50220	Pensions - defined benefit	69,808
503:	Services:	
50302	Advertising fees	14,936
50305	Audit costs	7,885
50399	Other services	141,149
504:	Materials and Supplies:	
50401	Fuel and lubricants	207,953
50402	Tires	12,670
50499	Other materials and supplies	63,705
505:	Utilities	
50500	Utilities	43,876
506:	Insurance	
50603	Liability Insurance	54,837
507:	Taxes & Fees	
50700	Taxes & Fees	3,095
509:	Miscellaneous Expenses:	
50902	Travel and meetings	20,637
50903	Association dues & subscriptions	9,375
513:	Depreciation	
51300	Depreciation	366,935
540:	Ineligible Refunds and Credits	
54000	Insurance and other refunds	114,099
550:	Ineligible Expenses	
55005	Ineligible Local Contracts	11,057
55007	Ineligible Depreciation	349,025
55008	Package Delivery & Food	7,897
55009	Ineligible Percentage of Assoc Dues	961
560:	Ineligible Expenses	
56001	Ineligible Expenses Associated with Sale of Maintenance	241
570:	Ineligible Expenses	
57099	Enhanced Mobility Grant	12,645
574:	Ineligible Expenses	
57402	Ineligible RTAP	11,912
580:	Ineligible Expenses	
58020	Ineligible DB Pension Difference	-
	Total Expenses	\$ 2,898,582
	Total Ineligible Expenses	507,837
	Total Eligible Expenses	\$ 2,390,745

**BENZIE TRANSPORTATION AUTHORITY  
OAR SCHEDULE 4N  
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2023**

<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
610	Vehicle Hours	32,390	-	-	32,390
611	Vehicle Miles	901,455	-	-	901,455

**BENZIE TRANSPORTATION AUTHORITY  
OAR SCHEDULE 4R  
JOB ACCESS AND REVERSE COMMUTE REVENUE REPORT  
YEAR ENDED SEPTEMBER 30, 2023**

<b>Code</b>	<b>Description</b>	<b>Total</b>
401:	Farebox revenue	
40100	Passenger fares	\$ 7,129
413:	Federal Contracts	
41301	Section 5311 Operating	61,824
	Total Job Access and Reverse Commute Revenue	<u>\$ 68,953</u>

**BENZIE TRANSPORTATION AUTHORITY  
OAR SCHEDULE 4R  
JOB ACCESS AND REVERSE COMMUTE EXPENSE REPORT  
YEAR ENDED SEPTEMBER 30, 2023**

<b>Code</b>	<b>Description</b>	<b>Total</b>
501:	Labor	
50101	Operator's salaries and wages	\$ 43,292
50102	Other salaries and wages	14,011
50103	Dispatcher's salaries and wages	11,650
502:	Fringe Benefits:	
50200	Other fringe benefits	-
50210	Pensions - defined contribution	-
50220	Pensions - defined benefit	-
503:	Services:	
50302	Advertising fees	-
50305	Audit costs	-
50399	Other services	-
504:	Materials and Supplies:	
50401	Fuel and lubricants	-
550:	Ineligible Expenses	
55004	Other Ineligible State Contracts	-
	Total Expenses	\$ 68,953
	Total Ineligible Expenses	<u>7,129</u>
	Total Eligible Expenses	<u><u>\$ 61,824</u></u>

**BENZIE TRANSPORTATION AUTHORITY  
 OAR SCHEDULE 4R  
 JOB ACCESS AND REVERSE COMMUTE NONFINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 2023**

<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
610	Vehicle Hours	1,658	-	-	1,658
611	Vehicle Miles	45,451	-	-	45,451

**BENZIE TRANSPORTATION AUTHORITY  
OPERATING ASSISTANCE CALCULATION  
YEAR ENDED SEPTEMBER 30, 2023**

	<u>Nonurban Regular Service</u>	<u>Job Access and Reverse Commute</u>	<u>Total</u>
Total Expenses	\$ 2,898,582	\$ 68,953	\$ 2,967,535
Less Ineligible Expenses:			
Refunds and credits	114,099	-	114,099
Depreciation funded by grants	349,025	-	349,025
Ineligible dues	961	-	961
Outside maintenance	241	-	241
Package delivery & Food	7,897	-	7,897
Enhanced Mobility Grant	12,645	-	12,645
RTAP	11,912	-	11,912
Ineligible Local Contracts	11,057	-	11,057
Ineligible Farebox Collections	-	7,129	7,129
Pension Contribution Difference	-	-	-
Total Ineligible Expenses	<u>507,837</u>	<u>7,129</u>	<u>514,966</u>
<b>Total State Eligible Expenses</b>	<u><u>\$ 2,390,745</u></u>	<u><u>\$ 61,824</u></u>	<u><u>\$ 2,452,569</u></u>

State Eligible Expenses	\$ 2,390,745	\$ 61,824	<u>\$ 2,452,569</u>
x Reimbursement Percentage	<u>0.345849</u>	<u>1.0</u>	
State Operating Assistance	<u>\$ 826,837</u>		<u>\$ 826,837</u>
Job Access and Reverse Commute Section 5311		<u>\$ 61,824</u>	<u>\$ 61,824</u>

**Total Federal Eligible Expenses**

Less Additional Federal Ineligible  
Expenses per OMB A-133  
Audit Costs

-

Eligible Expenses for Federal Reimbursement	\$ 2,390,745		
x Reimbursement Percentage	<u>0.36</u>		
Federal Section 5311 Operating Assistance	<u>\$ 860,668</u>		

**BENZIE TRANSPORTATION AUTHORITY  
 DETAIL OF INELIGIBLE EXPENSES  
 YEAR ENDED SEPTEMBER 30, 2023**

Depreciation

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

Annual Audit Fees

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

Capital Grants

Capital grant funds used to pay operating expenses are required to be treated as ineligible for calculating state and federal operating assistance. During the current year the Transit received \$12,645 for an enhanced mobility grant that the corresponding costs were not capitalized.

Charter Services

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

Advertising Costs

Expenses associated with generating advertising revenue are considered ineligible.

MassTrans and MPTA Dues

23.30% of MassTrans dues and 13.60% of MPTA dues are considered ineligible for reimbursement under State Operating Assistance and Section 5311 Operating Assistance Programs for the year ended September 30, 2023.

Package Delivery and Food

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

Outside Maintenance

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

Pension Contribution Differences

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

**SUPPLEMENTARY INFORMATION ON  
FEDERAL AWARDS**

**BENZIE TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Federal Agency/Cluster/Program Title</u>	<u>Additional Award Identification</u>	<u>Federal ALN Number</u>	<u>Passed Through</u>	<u>Pass-through/ Grantor Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Transportation</b>					
<b>Formula Grants for Rural Areas:</b>					
Section 5311 Operating	COVID-19	20.509	MDOT	2022-0019/P11	\$ 430,334
Section 5311 Operating		20.509	MDOT	2022-0019/P11	430,334
Section 5311 Capital Grant		20.509	MDOT	2017-0020/P24	<u>1,119</u>
<b>Total Formula Grants for Rural Areas</b>					<u>861,787</u>
<b>Transit Services Programs Cluster:</b>					
Enhanced Mobility of Seniors and Individuals with Disabilities		20.513	MDOT	2022-0019/P6	10,116
Job Access and Reverse Commute Program		20.516	MDOT	2022-0019/P9	<u>30,912</u>
<b>Total Transit Services Programs Cluster</b>					<u>41,028</u>
<b>Total Expenditures of Federal Awards</b>					<u><u>\$ 902,815</u></u>

**BENZIE TRANSPORTATION AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position or changes in net position of the Authority.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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



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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 17, 2023

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

Dear Board:

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Benzie Transportation Authority, the business-type activity, major fund, and the aggregate remaining fund information of The Benzie Transportation Authority, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Benzie Transportation Authority's basic financial statements, and have issued my report thereon dated December 17, 2023.

Report on Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, I consider the deficiency described in the accompanying schedule of findings and questioned costs as 2023-001 to be a material weakness.

#### Report on Compliance and Other Matters

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

#### Authority's Responses to the Finding

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



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

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

December 17, 2023

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

**Report on Compliance for each Major Federal Program**

**Opinion on Each Major Federal Program**

I have audited the Benzie Transportation Authority's (the Authority), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2023. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit Compliance***

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

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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



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

**BENZIE TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2023**

**Section I - Summary of Auditor's Results:**

**Financial Statements**

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

**Federal Awards**

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

Identification of Major Programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u>      </u> yes	<u>  x  </u> no
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**BENZIE TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2023**

**Section II - Financial Statement Findings**

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**2023-001 Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)**

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

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

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

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

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