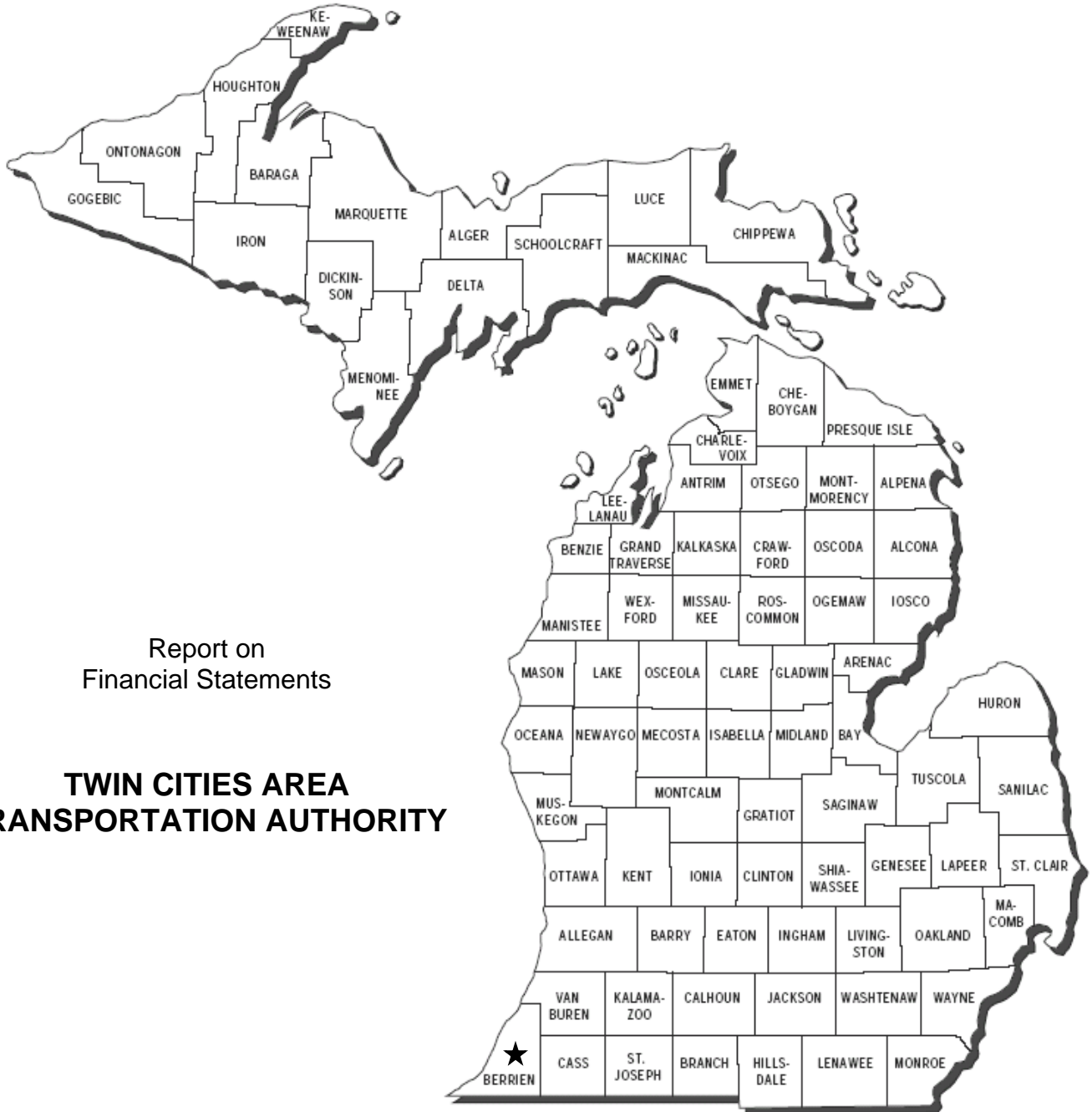


# STATE OF MICHIGAN

Rick Snyder, Governor

## DEPARTMENT OF TREASURY

Andy Dillon, State Treasurer



Report on  
Financial Statements

### TWIN CITIES AREA TRANSPORTATION AUTHORITY

Local Audit and Finance Division  
Bureau of Local Government Services

TWIN CITIES AREA TRANSPORTATION AUTHORITY

BOARD OF TRUSTEES

Charles Yarbrough  
Chairman

Herbert Singleton  
Vice Chairman/Secretary

Ralph Pringle  
Trustee

Willie Kelly  
Trustee

Juanita Henry  
Trustee

Bill Purvis  
Executive Director

CITY OF BENTON HARBOR POPULATION--2010  
10,038

STATE EQUALIZED VALUATION--2011  
162,198,510

TAXABLE VALUATION--2010  
\$128,079,898



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

March 15, 2012

Board of Trustees  
Twin Cities Area Transportation Authority  
275 East Wall Street  
P.O. Box 837  
Benton Harbor, Michigan 49023-0837

RE: Unqualified Opinion on Basic Financial Statements and Supplementary  
Schedule of Expenditures of Federal and State Awards--Governmental Entity

Dear Board Members:

We have audited the accompanying financial statements of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, as of and for the fiscal year ended September 30, 2011, which collectively comprise the Twin Cities Area Transportation Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Twin Cities Area Transportation Authority'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Twin Cities Area Transportation Authority, as of September 30, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2012 on our consideration of the Twin Cities Area Transportation Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Twin Cities Area Transportation Authority's basic financial statements. The accompanying supplementary information in Schedules 1, 3, 4R, 4E, 4N, 5S, and 5F is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Schedule 2) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. With the exception of Schedule 4N marked "unaudited," the information on Schedules 1, 2, 3, 4R, 4E, 5S, and 5F have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

TWIN CITIES AREA TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A--Statement of Net Assets .....	6
EXHIBIT B--Statement of Revenues, Expenses and Changes in Net Assets .....	7
EXHIBIT C--Statement of Cash Flows .....	8
NOTES TO FINANCIAL STATEMENTS.....	9
<u>SUPPLEMENTARY INFORMATION AND SCHEDULES</u>	
SCHEDULE 1--Local Revenues .....	19
SCHEDULE 2-- Expenditures of Federal and State Awards .....	20
Notes to Schedule of Expenditures of Federal and State Awards .....	21
SCHEDULE 3--Operating and Contract Expenses .....	22
SCHEDULE 4R--Operating Assistance Report--Revenues--Regular Service.....	23
SCHEDULE 4E--Operating Assistance Report--Expenses--Regular Service .....	24
SCHEDULE 4N--Operating Assistance Report--Regular Service Nonfinancial Data--Unaudited.....	26
SCHEDULE 5S--Operating Assistance Calculation--State.....	27
SCHEDULE 5F--Operating Assistance Calculation--Federal.....	28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> .....	29
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	31
Report to Those Charged With Governance.....	33
SCHEDULE 6--Schedule of Findings and Questioned Costs .....	37

# TWIN CITIES AREA TRANSPORTATION AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2011

### *Using this Annual Report*

Our discussion and analysis of the Twin Cities Area Transportation Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2011. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets 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 supplementary 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 Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Assets regardless of when cash is received or paid. The two statements report the Authority's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--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 Authority as a Whole*

The Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Authority, as a whole, and on 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 Assets includes all of the Authority's assets and liabilities 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 Assets regardless of when cash is received or paid.

# TWIN CITIES AREA TRANSPORTATION AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2011

The two statements, mentioned above, report the Authority's net assets and how they have changed. The reader can think of the Authority's net assets (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 assets are one indicator of whether its financial health is improving or deteriorating, respectively. To access the overall health of the Authority, you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Authority's buses, and changes in the laws related to the operating assistance received from the federal and state government.

### *Financial Analysis of the Authority as a Whole*

The Authority's net assets decreased approximately 9.21%, or \$168,307, from \$1,826,696 to \$1,658,389 for the year ended September 30, 2011. The net assets and change in net assets are summarized below.

#### Net Assets

Unrestricted net assets increased by \$75,028 during 2011 with the Job Access Reverse Commute grant and Mobility Management grant received. The investment in capital assets decreased \$243,335. The decrease is due to the continued depreciation of the Authority's equipment.

Net assets as of the fiscal year ended September 30, 2011, compared to the prior fiscal year, are as follows:

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 801,146	\$ 710,842	\$ (90,304)	-11.27%
Capital Assets	<u>1,267,351</u>	<u>1,024,016</u>	<u>(243,335)</u>	<u>-19.20%</u>
Total Assets	<u>2,068,497</u>	<u>1,734,858</u>	<u>(333,639)</u>	<u>-16.13%</u>
Current Liabilities	<u>241,801</u>	<u>76,469</u>	<u>(165,332)</u>	<u>-68.38%</u>
Total Liabilities	<u>241,801</u>	<u>76,469</u>	<u>(165,332)</u>	<u>-68.38%</u>
Net Assets				
Invested in Capital Assets	1,267,351	1,024,016	(243,335)	-19.20%
Unrestricted	<u>559,345</u>	<u>634,373</u>	<u>75,028</u>	<u>13.41%</u>
Total Net Assets	<u><u>\$1,826,696</u></u>	<u><u>\$1,658,389</u></u>	<u><u>\$(168,307)</u></u>	<u><u>-9.21%</u></u>

# TWIN CITIES AREA TRANSPORTATION AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the Year Ended September 30, 2011**

### Changes in Net Assets

Changes in net assets for the fiscal year ended September 30, 2011, compared to the prior fiscal year, are as follows:

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Passenger Fares	\$ 295,689	\$ 292,439	\$ (3,250)	-1.10%
Special Transit Fares	81,294	52,472	(28,822)	-35.45%
Auxiliary Transportation Revenues	9,338	6,130	(3,208)	-34.35%
Nonoperating Revenue				
Local Contributions				
Tax Levy	131,860	136,210	4,350	3.30%
State of Michigan Operating Grants				
Local Bus Operating Assistance (Act 51)	592,694	666,851	74,157	12.51%
Job Access Reverse Commute	132,905	179,037	46,132	34.71%
Federal Operating Grants				
USDOT Operating Grant (Section 5307)	653,778	704,000	50,222	7.68%
Job Access Reverse Commute	132,905	179,037	46,132	34.71%
New Freedom Program--Mobility Management	60,792	75,000	14,208	23.37%
American Recovery and Reinvestment Act	3,610		(3,610)	-100.00%
State and Federal Grants--Prior Year Adjustments	11,337	16,078	4,741	41.82%
Interest Earned	24,675	977	(23,698)	-96.04%
Other	612	486	(126)	-20.59%
Sale of Fixed Assets	1,932	14,277	12,345	638.98%
Total Revenue	<u>2,133,421</u>	<u>2,322,994</u>	<u>189,573</u>	<u>8.89%</u>
Operating Expense				
Salaries and Wages	1,394,098	1,450,430	56,332	4.04%
Depreciation	313,940	263,355	(50,585)	-16.11%
Other	649,132	816,286	167,154	25.75%
Total Operating Expense	<u>2,357,170</u>	<u>2,530,071</u>	<u>172,901</u>	<u>7.34%</u>
Income (Loss) Before Capital Contributions and Operating Transfers	(223,749)	(207,077)	16,672	7.45%
Capital Contributions				
State of Michigan Capital Grants				
Capital Grant	78,022		(78,022)	-100.00%
Federal Capital Grants				
Capital Grant (Section 5307)	972,544	20,020	(952,524)	-97.94%
Transfers In--Primary Government	25,000	18,750	(6,250)	-25.00%
Increase (Decrease) in Net Assets	<u>851,817</u>	<u>(168,307)</u>	<u>(1,020,124)</u>	<u>-119.76%</u>
Ending Net Assets	<u>\$1,826,696</u>	<u>\$1,658,389</u>	<u>\$ (168,307)</u>	<u>-9.21%</u>



# TWIN CITIES AREA TRANSPORTATION AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2011

### *Budgetary Highlights*

There was a 1.1% reduction in Passenger Fare and a 15% increase in ridership. The reason for a decrease in fare box with an increase in ridership is because of the sale of punch cards. We are selling punch cards that save the passengers 20% in the cost of their fare. Although it has reduced the fare box it also reduced the handling of cash for the bus drivers and counting fares. The largest reduction in the fare box is in the classification Special Transit Fares. A lot of service agencies are purchasing the punch cards. This saves us from having to track the passengers and billing the agencies. And punch cards eliminate the issue of being paid for No Show passengers.

Federal operating grants have increased to balance our budget because of additional expenses. An example would be health care and fuel.

Prior to the beginning of any year, the Authority's budget is compiled based upon certain assumptions and facts available at that time. Total eligible expenses for fiscal year 2011 increased because of increased expenses in Job Access Reverse Commute grants. The JARC expense increased because in fiscal year 2010 the grant didn't start until the end of the first quarter.

### *Capital Asset Administration*

As of September 30, 2011, the Authority had \$1,024,016 invested in capital assets. This amount represents a net decrease (including additions and deductions) of \$243,335 or 19% as follows:

	<u>2010</u>	<u>2011</u>	<u>Percentage Change</u>
Capital Assets Not Being Depreciated			
Land	\$ 62,700	\$ 62,700	0.00%
Subtotal	<u>62,700</u>	<u>62,700</u>	<u>0.00%</u>
Capital Assets Being Depreciated			
Building	1,693,426	1,631,341	-4%
Other Vehicles	123,987	123,987	0%
Buses	1,374,631	1,374,631	0%
Equipment	<u>555,478</u>	<u>417,661</u>	<u>-25%</u>
Subtotal	<u>3,747,522</u>	<u>3,547,620</u>	<u>-5%</u>
Total Capital Assets	<u>3,810,222</u>	<u>3,610,320</u>	<u>-5%</u>
Total Accumulated Depreciation	<u>2,542,871</u>	<u>2,586,304</u>	<u>2%</u>
Total Net Capital Assets	<u>\$ 1,267,351</u>	<u>\$ 1,024,016</u>	<u>-19%</u>

**TWIN CITIES AREA TRANSPORTATION AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2011**

*Economic Factors and Next Year's Budget*

The 2011/2012 eligible expense is projected to be \$1,800,000, which is higher than the 2010/2011 audited amount. The projected 2011/2012 eligible expense is based on gas prices increasing.

*Contacting the Authority's Management*

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's office at: 275 East Wall Street, PO Box 837, Benton Harbor, Michigan 49023-0837.

**TWIN CITIES AREA TRANSPORTATION AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**September 30, 2011**

**EXHIBIT A**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 355,702
Accounts Receivable	19,412
Due From State Government	120,159
Due From Federal Government	139,441
Due From Primary Government	6,250
Inventory	20,572
Prepaid Expenses	<u>49,306</u>

Total Current Assets 710,842

Noncurrent Assets

Capital Assets (Net of Accumulated Depreciation)	<u>1,024,016</u>
--	------------------

Total Noncurrent Assets 1,024,016

Total Assets 1,734,858

**LIABILITIES**

Current Liabilities

Accounts Payable	31,909
Accrued Wages and Fringe Benefits	<u>44,560</u>

Total Current Liabilities 76,469

**NET ASSETS**

Invested in Capital Assets	1,024,016
Unrestricted	<u>634,373</u>

Total Net Assets \$ 1,658,389

**The Notes to Financial Statements are an integral part of this statement.**

**TWIN CITIES AREA TRANSPORTATION AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
For the Fiscal Year Ended September 30, 2011**

**EXHIBIT B**

Operating Revenue	
Passenger Fares	\$ 292,439
Special Transit Fares	52,472
Auxiliary Transportation Revenues	<u>6,130</u>
Total Operating Revenue	<u>351,041</u>
Operating Expense	<u>2,530,071</u>
Total Operating Expense	<u>2,530,071</u>
Operating Income (Loss)	<u>(2,179,030)</u>
Nonoperating Revenue	
Local Contributions	
Tax Levy	136,210
State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	666,851
Job Access Reverse Commute	179,037
Federal Operating Grants	
USDOT Operating Grant (Section 5307)	704,000
Job Access Reverse Commute	179,037
New Freedom Program--Mobility Management	75,000
State and Federal Grants--Prior Year Adjustments	16,078
Gain on Sale of Assets	977
Interest Earned	486
Other Non-Transit Revenues	<u>14,277</u>
Total Nonoperating Revenue	<u>1,971,953</u>
Income (Loss) Before Capital Contributions and Operating Transfers	(207,077)
Capital Contributions	
Federal Capital Grants	
Capital Grant (Section 5307)	20,020
Transfers In From Primary Government	<u>18,750</u>
Change in Net Assets	(168,307)
Total Net Assets--October 1, 2010	<u>1,826,696</u>
Total Net Assets--September 30, 2011	<u><u>\$ 1,658,389</u></u>

**The Notes to Financial Statements are an integral part of this statement**

**TWIN CITIES AREA TRANSPORTATION AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended September 30, 2011**

**EXHIBIT C**

Cash Flows From Operating Activities	
Cash Received From Customers	\$ 383,190
Cash Payments to Employees for Services and Benefits	(1,443,732)
Cash Payments to Suppliers for Goods and Services	<u>(982,402)</u>
Net Cash Provided by Operating Activities	<u>(2,042,944)</u>
Cash Flows From Noncapital Financing Activities	
State Grants	874,263
Federal Grants	935,282
State and Federal Grants--Prior Year Adjustments	16,078
Property Tax	226,181
Other Revenue	14,277
Transfers In From Primary Government	<u>18,750</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,084,831</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(20,020)
Capital Assets Purchased With State and Federal Grants	143,078
Sale of Fixed Assets	<u>977</u>
Net Cash Provided From Capital and Related Financing Activities	124,035
Cash Flows From Investing Activities	
Interest on Cash Equivalents	<u>486</u>
Net Cash Provided by Investing Activities	486
Net Decrease in Cash and Cash Equivalents	166,408
Cash and Cash Equivalents at Beginning of the Year	<u>189,296</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 355,704</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (2,179,030)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities (Noncash Items)	
Depreciation Expense	263,355
(Increase) Decrease in Accounts Receivable	32,149
(Increase) Decrease in Inventory	5,363
(Increase) Decrease in Prepaid Expenses	551
Increase (Decrease) in Accounts Payable	(172,030)
Increase (Decrease) in Other Accrued Liabilities	<u>6,698</u>
Net Cash Provided by Operating Activities	<u>\$ (2,042,944)</u>

**The Notes to Financial Statements are an integral part of this statement.**

# TWIN CITIES AREA TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2011

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Twin Cities Area Transportation Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Authority.

#### Reporting Entity

The Authority was incorporated in the State of Michigan on July 1, 1974 under Public Act 55 of 1963. The purpose of the Authority is to acquire, own, operate and manage a public transportation system within the boundaries of its participating municipalities. Currently, the City of Benton Harbor is the only participating municipality. The City has significant influence over the operation of the Authority and appoints the five-member Board of Trustees.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data was not included. Based on the above criteria, these financial statements present the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor; and for financial purposes within generally accepted accounting principles, an enterprise fund of the City of Benton Harbor.

#### Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets) report information of the activities of the Authority. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Authority's assets and liabilities with the difference being reported as either invested in capital assets or unrestricted net assets.

The Statement of Revenues, Expenses and Changes in Net Assets demonstrates the degree to which the operating expenses of a given function or segment is offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function or segment. Operating revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among operating revenues are reported instead as non-operating revenue.

# TWIN CITIES AREA TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2011

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial activities of the Authority are recorded in an enterprise fund. This fund accounts for operations: a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

#### Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for providing busing services. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of the busing services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989, in accounting and reporting for its proprietary operation.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

#### Inventories

Inventories of gas and parts are stated at the lower of cost (first-in, first-out) or market.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Authority's capital assets are recorded at cost. Costs relating to maintenance and repairs are charged to expense; whereas those for renewals and betterments, when material in amount, are capitalized. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of equipment is computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Operating Facility	2 to 20 years
Vehicles	3 to 7 years
Shop Equipment	3 to 10 years
Office Equipment	6 to 10 years

Property Taxes

Property taxes are levied each December 1 on the taxable valuation of properties located in the City of Benton Harbor as of the preceding December 31. The City of Benton Harbor's 2010 ad valorem tax was levied and collectible on December 1, 2010. It is the policy of the Authority to recognize revenue from the current tax levy in the 2010/2011 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Authority's operations.

The 2010 real and personal taxable valuation of Benton Harbor property, excluding \$18,262,516 Renaissance Zone, amounted to \$109,217,382. Ad valorem taxes of 1.2341 mills were levied for Authority operating purposes and the total amount collected and recognized as revenue was \$136,210.

Cash and Investments

For the purpose of the statement of cash flows, demand deposits and short-term investments with a maturity date of three (3) months or less when acquired are considered to be cash equivalents. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost which approximates fair value.



TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

The Authority operates on the fiscal year of the grantor, October 1 to September 30. The fiscal year differs from the June 30 fiscal year of the City of Benton Harbor.

NOTE B--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws 129.91 authorizes the county treasurer to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. The Authority has designated one bank for the deposit of the Authority's funds. The investment policy adopted by the Board is in accordance with Public Act 20 of 1943, as amended, and has authorized investment in the instruments described in the preceding paragraph. The Authority's deposits and investment policy are in accordance with statutory authority.

The risk disclosures for the Authority's deposits, as required by GASB Statement No. 40, are as follows:

	<u>Business-Type Activities</u>
Cash	\$ 355,472
Petty Cash	<u>230</u>
Total Deposits	<u><u>\$ 355,702</u></u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS (Continued)

The bank balance of the Authority's deposits is \$404,144, of which \$250,000 is covered by Federal depository insurance. The remaining \$154,144 is uncollateralized and uninsured.

Investments Authorized by the Authority's Investment Policy

The Authority's investment policy authorizes investment in all those that are authorized by law. The Authority did not have any investments in the fiscal year ended September 30, 2011.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy does not contain specific provisions to limit the Authority's exposure to interest rate risk.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investment policy does not contain specific provisions to limit the Authority's exposure to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer where the investment is 5% or greater.

The Authority's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over-concentration in a specific maturity, individual financial institution(s) or a specific class of securities.

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 does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the Authority's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the Authority's investment policy does contain a safekeeping and custody section 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 a local government's indirect investment in securities through the use of mutual funds or government investment pools. The Authority is not exposed to custodial credit risk for investments.

NOTE C--DUE FROM FEDERAL GOVERNMENT

The following amount was due at September 30, 2011:

Federal Operating Assistance for Fiscal Year 2010/11	\$ 120,210
Federal American Recovery and Reinvestment Act (MI-96-X017)	<u>19,231</u>
Total Due From Federal Government	<u><u>\$ 139,441</u></u>

NOTE D--DUE FROM PRIMARY GOVERNMENT

The City of Benton Harbor owes the Authority \$6,250 of the annual subsidy in the fiscal year ended September 30, 2011.

NOTE E--DUE FROM STATE GOVERNMENT

The following amount was due at September 30, 2011:

State Operating Assistance for Fiscal Year 2010/11	\$ 11,644
New Freedom Program (MI-57-X010-01)	11,354
Job Access Reverse Commute (MI-37-X037-01)	<u>97,161</u>
Total Due From State	<u><u>\$ 120,159</u></u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2011

NOTE F--CAPITAL ASSETS

Capital asset activity of the Authority for the current fiscal year was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance 10/01/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 09/30/11</u>
Capital Assets Not Being Depreciated				
Land	\$ 62,700			\$ 62,700
Subtotal	<u>62,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>62,700</u>
Capital Assets Being Depreciated				
Building	1,693,426	18,889	80,974	1,631,341
Buses	1,374,631			1,374,631
Other Vehicles	123,987			123,987
Equipment	<u>555,478</u>	<u>1,131</u>	<u>138,948</u>	<u>417,661</u>
Subtotal	<u>3,747,522</u>	<u>20,020</u>	<u>219,922</u>	<u>3,547,620</u>
Less Accumulated Depreciation for				
Building	1,541,405	14,841	80,974	1,475,272
Buses	557,610	214,243		771,853
Other Vehicles	94,949	9,168		104,117
Equipment	<u>348,907</u>	<u>25,103</u>	<u>138,948</u>	<u>235,062</u>
Subtotal	<u>2,542,871</u>	<u>263,355</u>	<u>219,922</u>	<u>2,586,304</u>
Net Capital Assets Being Depreciated	<u>1,204,651</u>	<u>(243,335)</u>	<u>-</u>	<u>961,316</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 1,267,351</u>	<u>\$ 1,050,569</u>	<u>\$ 313,941</u>	<u>\$ 1,024,016</u>

The depreciation expense reported in Exhibits 4E and 5 equals the ineligible depreciation reported. Therefore, the depreciation assurance regarding approval of useful life is not required.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2011

NOTE G--ACCRUED EMPLOYEE BENEFITS

Accrued employee benefits for vacation and sick leave are as follows:

Vacation Leave

Employees with five years or less of continuous, full-time employment earn up to 80 hours of vacation leave time each year.

Employees with more than five years but less than eight years of continuous, full time employment earn up to 100 hours of vacation leave each year.

Employees with more than eight years of continuous, full-time employment earn up to 120 hours of vacation leave each year.

Unused vacation leave is lost at the end of each calendar year and accumulates at the beginning of the year.

Sick Leave

Sick leave is earned at 20 hours per quarter with no maximum accumulation and is not payable at separation. Employees may use up to two days of accumulated sick leave per year as personal leave days with the approval of the director or his designated assistant.

The Authority does not record accrued liabilities for vacation, sick and personal leave in its financial statements.

NOTE H-- POSTEMPLOYMENT BENEFITS

The Authority does not offer any pension or other post-employment benefits. Therefore, no expenses are recorded.

NOTE I--RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Authority has purchased commercial insurance for business auto repairs, commercial general liability, commercial inland marine (radio and TV), commercial property (building and contents), computerized business equipment, workers' compensation and medical benefit claims. The Authority participates in the Michigan Transit Pool for claims relating to auto and general liability. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2011

NOTE I--RISK MANAGEMENT (Continued)

The Michigan Transit Insurance Pool (Pool) was created pursuant to the provisions of Public Act 35 of 1951 and was incorporated under the Michigan Nonprofit Corporation Act, being MCL Sections 450.2101 et seq., as the Michigan Transit Pool, Inc. The Pool is to provide administrative loss protection programs for the members, to pool losses and claims, to jointly purchase commercial services, including claims adjusting, data processing, risk management consulting, loss prevention, legal and related services. The Michigan Transit Insurance Pool is a separate legal and administrative entity. Settled claims for the Pool have not exceeded the amount of insurance coverage in any of the past three years.

NOTE J--TRANSFER IN--PRIMARY GOVERNMENT

During the fiscal year ended September 30, 2011, the City of Benton Harbor appropriated \$18,750 to the Authority as an annual subsidy.

NOTE K--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 Authority. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

NOTE L--EXPLANATION OF INELIGIBLE EXPENSES ACCORDING TO MDOT'S BUREAU OF PASSENGER TRANSPORTATION REVENUE & EXPENSE MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). All Auxiliary Transportation Revenue and Non-Transportation Revenue have been subtracted out as ineligible expenses. There was no capital money used to pay for operating expenses and, therefore, are not included in total expenses to be reimbursed with State Formula Funds. Audit costs are the only costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87. The Authority did not incur expenses associated with revenue account number 40615 Advertising and, therefore, no expenses are subtracted out as ineligible on the OAR Schedule 4E or on Schedule 5.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2011

NOTE M--COST ALLOCATION PLAN

The Authority has one cost allocation plan where the methodology has been approved by the Bureau of Passenger Transportation (BPT) and MDOT. The cost allocation is for the line haul route for the Job Access Reverse Commute program. The total charges of \$433,074 related to line haul routes funded by other Federal grants and the related grant revenue was included as an ineligible expense in Schedule 4E and Schedule 5.

NOTE N--NONFINANCIAL DATA

The methodology used for compiling mileage on Operating Assistance Schedule 4N is based on the Authority's daily procedures and recorded in accordance with Michigan Department of Transportation's Local Public Transit Revenue and Expense Manual. We did not review the methodology for the Authority's process. Schedule 4N is presented as an "unaudited" schedule and, accordingly, we do not express an opinion on the information.

NOTE O--CAPITAL USED TO PAY FOR OPERATING

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

NOTE P--EXPENSES ASSOCIATED WITH 406 & 407

All expenses associated with 40610 – Concessions, 40615 – Advertising, and 40699 – Other Auxiliary Transportation Revenues are subtracted out as ineligible. There are no expenses related to the 407, and therefore, no expenses need to be subtracted out as ineligible.

NOTE Q--SUBSEQUENT EVENTS

In February 2012, the Emergency Manager of the City of Benton Harbor replaced all members of the Board. The Emergency Manager will chair the new Board.

**TWIN CITIES AREA TRANSPORTATION AUTHORITY**  
**LOCAL REVENUES**  
**For the Fiscal Year Ended September 30, 2011**

**SCHEDULE 1**

**LOCAL REVENUES**

---

Farebox	\$ 292,439
Contract Fares	52,472
Concessions	3,014
Advertising	2,250
Other Auxillary Trans Revenues	866
Gains From Sales of Capital Assets	977
Other Non-Transit Revenues	14,275
Taxes Levied Directly for/by Transit Agency	136,210
Local Operating Assistance	18,750
Interest Income	<u>486</u>
Total Local Revenues	<u><u>\$ 521,739</u></u>



**TWIN CITIES AREA TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (1, 2)  
For the Fiscal Year Ended September 30, 2011**

**SCHEDULE 2**

	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditures	Amount Remaining	
				Total	Federal	State			Local
US Department of Transportation									
Direct Pass Through US Department of Transportation									
Operating Assistance--Section 5307	20.507	MI-90-X640-00	\$ 704,000	\$ 704,000 (3)	\$ 704,000				
America Recovery and Reinvestment Act	20.507	MI-96-X017	780,000	20,020	20,020				
			<u>1,484,000</u>	<u>724,020</u>	<u>724,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>742,118</u>	<u>17,862</u>
Total Operating Assistance									
US Department of Transportation									
Passed through Michigan Department of Transportation									
Job Access Reverse Commute	20.516	MI-2007-0297/Z7	388,644	358,074	179,037	179,037			30,570
New Freedom Program--Section 5317	20.521	MI-2007-0297/Z8	75,000	75,000	75,000				-
			<u>463,644</u>	<u>433,074</u>	<u>254,037</u>	<u>179,037</u>	<u>-</u>	<u>-</u>	<u>30,570</u>
Total Capital Assistance									
Michigan Department of Transportation									
Operating Assistance--Act 51	N/A	N/A	666,851	666,851 (4)		666,851			-
			<u>\$ 2,614,495</u>	<u>\$ 1,823,945</u>	<u>\$ 978,057</u>	<u>\$ 845,888</u>	<u>\$ -</u>	<u>\$ 742,118</u>	<u>\$ 48,432</u>

**The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this statement.**

TWIN CITIES AREA TRANSPORTATION AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Fiscal Year Ended September 30, 2011

1. The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all Federal and State awards programs of the Authority. Federal and State awards received directly from Federal or State agencies, as well as Federal or State awards passed through other government agencies are included on the schedule.
2. The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting which is described in Note A of the Authority's basic financial statements.
3. Maximum Section 5307 operating assistance revenue can be 50% of Net Eligible Expenses as presented in Schedule 5F, not to exceed the local match or contract limit. The Federal Section 5307 operating assistance of \$704,000 was recognized based on the contract limit.
4. State operating assistance of \$666,851 was recognized based on the net eligible cost computation presented as Schedule 5S. The actual revenue to be received from the State is uncertain because the revenue is based on a fixed amount of state-wide available funding. It could be as low as \$288,947, which is the 1997 floor; or as high as \$1,013,351, which is the statutory cap of 60% of eligible operating expenses. MDOT will recalculate the State operating assistance percentage in Schedule 5S based on state-wide eligible expenses after the year is closed out.

**TWIN CITIES AREA TRANSPORTATION AUTHORITY  
 OPERATING AND CONTRACT EXPENSES  
 For the Fiscal Year Ended September 30, 2011**

**SCHEDULE 3**

<u>Expenses</u>	<u>Nonurban State Operating FY 2011*</u>	<u>Nonurban Operating JARC</u>	<u>Total</u>
Labor	\$ 848,145	\$ 142,194	\$ 990,339
Fringe Benefits	382,375	77,716	460,091
Services	280,708	57,304	338,012
Materials and Supplies	279,043	56,976	336,019
Utilities	46,899	9,250	56,149
Casualty and Liability Costs	46,678	9,219	55,897
Taxes and Fees	742	112	854
Miscellaneous	17,725	3,723	21,448
Leases and Rentals	6,597	1,310	7,907
Depreciation	263,355		263,355
Total Expenses	<u>\$ 2,172,267</u>	<u>\$ 357,804</u>	<u>\$ 2,530,071</u>

\*The expenses incurred for the State operating assistance are the same as the expenses incurred for the Section 5307 Federal operating assistance.

**TWIN CITIES AREA TRANSPORTATION AUTHORITY  
 OPERATING ASSISTANCE REPORT--REVENUES--REGULAR SERVICE  
 For the Fiscal Year Ended September 30, 2011**

**SCHEDULE 4R**

**REVENUE SCHEDULE REPORT**

<u>CODE</u>	<u>DESCRIPTION</u>	<u>LINE HAUL</u>	<u>DEMAND RESPONSE</u>	<u>TOTAL</u>
<b>401:</b>	<b>Farebox Revenue</b>			
40100	Passenger Fares	\$ 23,244	\$ 269,195	\$ 292,439
40200	Contract Fares		52,472	52,472
<b>406:</b>	<b>Auxiliary Trans Revenues</b>			
40610	Concessions		3,014	3,014
40615	Advertising		2,250	2,250
40699	Other Auxillary Trans Revenues		866	866
<b>407:</b>	<b>NonTrans Revenues</b>			
40760	Gains From Sales of Capital Assets		977	977
40710	Other Non-Transit Revenue (Refunds)		14,275	14,275
<b>408:</b>	<b>Local Revenue</b>			
40800	Taxes Levied Directly for/by Transit Agency	95,540	40,670	136,210
<b>409:</b>	<b>Local Revenue</b>			
40910	Local Operating Assistance		18,750	18,750
<b>411:</b>	<b>State Formula and Contracts</b>			
41101	State Operating Assistance	73,646	593,205	666,851
41110	Line-Item Municipal Credit (Prior Year Adjustments)		16,078	16,078
41119	Other MDOT Contracts--New Freedom Program/Mobility Management		75,000	75,000
41199	Other MDOT Contracts--Job Access Reverse Commute	81,432	97,605	179,037
<b>413:</b>	<b>Federal Contracts</b>			
41302	Federal Section 5307	12,682	691,318	704,000
41399	Other MDOT Contracts--Job Access Reverse Commute	81,431	97,606	179,037
<b>414:</b>	<b>Other Revenue</b>			
41400	Interest Income		486	486
<b>TOTAL REVENUES</b>		<b>\$ 367,975</b>	<b>\$1,973,767</b>	<b>\$ 2,341,742</b>

TWIN CITIES AREA TRANSPORTATION AUTHORITY  
 OPERATING ASSISTANCE REPORT--EXPENSES--REGULAR SERVICE  
 For the Fiscal Year Ended September 30, 2011

SCHEDULE 4E

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>OPERATIONS LINE HAUL</u>	<u>OPERATIONS DEMAND RESPONSE</u>	<u>MAINTENANCE LINE HAUL</u>	<u>MAINTENANCE DEMAND RESPONSE</u>	<u>ADMINISTRATION LINE HAUL</u>	<u>ADMINISTRATION DEMAND RESPONSE</u>	<u>TOTAL</u>
<b>501:</b>	<b>Labor</b>							
50101	Operators' Salaries and Wages	\$ 96,121	\$ 507,186					\$ 603,307
50102	Other Salaries and Wages	3,183	15,985	\$ 13,943	\$ 63,246	\$ 24,611	\$ 94,438	215,406
50103	Dispatchers' Salaries and Wages	11,741	159,885					171,626
<b>502:</b>	<b>Fringe Benefits</b>							
50200	Other Salaries and Wages	61,483	307,428	7,706	34,865	10,070	38,539	460,091
<b>503:</b>	<b>Services</b>							
50302	Advertising Fees	2	3			150	577	732
50305	Audit Cost					778	9,733	10,511
50399	Other Services	805	4,065	41,977	188,241	19,968	71,713	326,769
<b>504:</b>	<b>Materials and Supplies</b>							
50401	Fuel and Lubricants	48,930	236,635	144	179	306	389	286,583
50402	Tires and Tubes	4,374	20,225					24,599
50499	Other Materials and Supplies		422	1,916	8,680	2,902	10,917	24,837
<b>505:</b>	<b>Utilities</b>							
50500	Utilities	4,956	24,806	4,090	18,387	812	3,098	56,149
<b>506:</b>	<b>Insurance</b>							
50603	Liability Insurance	7,763	38,843					46,606
50699	Other Insurance					1,968	7,323	9,291
<b>507:</b>	<b>Taxes and Fees</b>							
50700	Taxes and Fees					165	689	854
<b>509:</b>	<b>Miscellaneous Expenses</b>							
50902	Travel, Meetings and Training	166	809	121	536	2,199	8,582	12,413
50903	Association Dues and Subscriptions	5	10			787	2,751	3,553
50999	Other Miscellaneous Expenses	178	871			920	3,513	5,482

TWIN CITIES AREA TRANSPORTATION AUTHORITY  
 OPERATING ASSISTANCE REPORT--EXPENSES--REGULAR SERVICE  
 For the Fiscal Year Ended September 30, 2011

SCHEDULE 4E  
 (CONTINUED)

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>OPERATIONS LINE HAUL</u>	<u>OPERATIONS DEMAND RESPONSE</u>	<u>MAINTENANCE LINE HAUL</u>	<u>MAINTENANCE DEMAND RESPONSE</u>	<u>ADMINISTRATION LINE HAUL</u>	<u>ADMINISTRATION DEMAND RESPONSE</u>	<u>TOTAL</u>
<b>512:</b>	<b>Operating Leases and Rentals</b>							
51200	Operating Leases and Rentals	759	3,801	405	2,942			7,907
<b>513:</b>	<b>Depreciation</b>							
51300	Depreciation		244,074		2,940		16,341	263,355
<b>TOTAL EXPENSES</b>		<u>240,466</u>	<u>1,565,048</u>	<u>70,302</u>	<u>320,016</u>	<u>65,636</u>	<u>268,603</u>	<u>2,530,071</u>
<b>550:</b>	<b>Ineligible Expenses</b>							
55007	Ineligible Depreciation		244,074		2,940		16,341	263,355
55008	Other Ineligible Expenses--Refunds and Farebox Job Access Reverse Commute					7,981	24,773	32,754
55009	Ineligible Percent of Association Dues					25	165	190
55010	Other Ineligible Expense--Vending Expense					578	3,855	4,433
<b>570:</b>	<b>Ineligible Expenses</b>							
57099	Other Ineligible FSL (New Freedom Program/Mobility Management)					6,750	68,250	75,000
57099	Other Ineligible FSL (Job Access Reverse Commute)	115,694	121,371	29,658	37,179	24,207	29,965	358,074
<b>TOTAL INELIGIBLE EXPENSES</b>		<u>115,694</u>	<u>365,445</u>	<u>29,658</u>	<u>40,119</u>	<u>39,541</u>	<u>143,349</u>	<u>733,806</u>
<b>TOTAL ELIGIBLE EXPENSES</b>		<u>\$ 124,772</u>	<u>\$ 1,199,603</u>	<u>\$ 40,644</u>	<u>\$ 279,897</u>	<u>\$ 26,095</u>	<u>\$ 125,254</u>	<u>\$ 1,796,265</u>

**TWIN CITIES AREA TRANSPORTATION AUTHORITY  
 OPERATING ASSISTANCE REPORT--REGULAR SERVICE  
 NONFINANCIAL DATA--UNAUDITED  
 For the Fiscal Year Ended September 30, 2011**

**SCHEDULE 4N**

**NONFINANCIAL SCHEDULE REPORT**

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Weekday Line Haul</u>	<u>Weekday Demand Response</u>	<u>Saturday Line Haul</u>	<u>Saturday Demand Response</u>	<u>TOTAL</u>
<b><u>Public Service</u></b>						
610	Vehicle Hours	7,548	37,487	658	3,315	49,008
611	Vehicle Miles*	141,836	454,533	10,488	22,545	629,402
615	Passengers--Regular	12,146	98,248	1,566	11,026	122,986
616	Passengers--Elderly	6,560	17,703	751	1,983	26,997
617	Passengers--Persons w/Disabilities	9,991	34,047	1,143	3,185	48,366
621	Total Line-Haul Passengers	28,697		3,460		32,157
622	Total Demand-Response Passengers		149,998		16,194	166,192
625	Days Operated	258	258	49	51	616

**Vehicle Information**

	<u>Quantity</u>	
653	Total Line-Haul Vehicles	3
654	Line-Haul Vehicles w/Lifts	3
655	Total Demand-Response Vehicles	22
656	Demand-Response Vehicles	20
658	Total Transit Vehicles	25

**Miscellaneous Information**

	<u>Quantity LH</u>	<u>Quantity DR</u>	
601	Number of Routes (Line Haul Only)	2	
602	Total Route Miles (Line Haul Only)	25	
660	Diesel/Gasoline Gallons Consumed	23,725	74,227
661	Total Transit Agency Employees	42	42
662	Total Revenue Vehicle Operators	2	17

\*Mileage is computed from daily logs maintained by the Authority and then entered into the Operating Assistance Report using the codes above as required by the Local Public Transit Revenue and Expense Manual issued by the Michigan Department of Transportation.

**TWIN CITIES AREA TRANSPORTATION AUTHORITY  
 OPERATING ASSISTANCE CALCULATION--STATE  
 For the Fiscal Year Ended September 30, 2011**

**SCHEDULE 5S**

	<u><b>Nonurban</b></u>
Total Operating Expenses	<u>\$2,530,071</u>
Less: Ineligible Expenses	
Depreciation	263,355
Other Revenue	32,754
Dues and Subscriptions	190
Vending Machines	4,433
Line Haul Funded by Other Federal Grants	<u>433,074</u>
Total Ineligible Expenses Per R&E Manual	<u>\$ 733,806</u>
<b>Total State Eligible Expenses</b>	<b><u><u>\$1,796,265</u></u></b>

Eligible Expenses for State Reimbursement	\$1,796,265
Reimbursement Percentage	<u>37.1243%</u>
State Operating Assistance	<u>\$ 666,851</u>



**TWIN CITIES AREA TRANSPORTATION AUTHORITY  
 OPERATING ASSISTANCE CALCULATION--FEDERAL  
 For the Fiscal Year Ended September 30, 2011**

**SCHEDULE 5F**

	<u>Urban</u>
Total Operating Expenses	<u>\$2,530,071</u>
Less: Ineligible Expenses	
Depreciation	\$ 263,355
Other Revenue	32,754
Dues and Subscriptions	190
Vending Machines	4,433
Line Haul Funded by Other Federal Grants	<u>433,074</u>
Total Ineligible Expenses According to R&E Manual	<u>733,806</u>
<b>Total Federal Eligible Expenses</b>	<u>1,796,265</u>
Less Farebox and Other Revenues	
Farebox	(344,911)
Nontransportation Revenues	<u>(3,116)</u>
Total Farebox and Other Revenues	<u>(348,027)</u>
Net Project Cost	<u>1,448,238</u>
Maximum Amount of Reimbursement (Net Project Cost x 50%)	<u>724,119</u>
FTA Fund Available	<u>704,000</u>
FTA Funds Requested	<u><u>\$ 704,000</u></u>



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

March 15, 2012

Board of Trustees  
Twin Cities Area Transportation Authority  
275 East Wall Street  
P.O. Box 837  
Benton Harbor, Michigan 49023-0837

RE: Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of the Financial Statements Performed  
in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the business-type activities of the Twin City Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, as of and for the fiscal year ended September 30, 2011, which collectively comprise the Twin City Area Transportation Authority's basic financial statements and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Twin City Area Transportation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Twin City Area Transportation Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Twin City Area Transportation Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did not identify any deficiencies in internal control over financial reporting that would be considered to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information of the Twin City Area Transportation Authority Board of Trustees, management and others within the Twin City Area Transportation Authority, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

March 15, 2012

Board of Trustees  
Twin Cities Area Transportation Authority  
275 East Wall Street  
P.O. Box 837  
Benton Harbor, Michigan 49023-0837

RE: Report on Compliance With Requirements Applicable to Each Major Program and on  
Internal Control Over Compliance in Accordance With OMB Circular A-133

Dear Board Members:

Compliance

We have audited the compliance of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Twin Cities Area Transportation Authority's major Federal programs for the year ended September 30, 2011. The Twin Cities Area Transportation Authority's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Twin Cities Area Transportation Authority's management. Our responsibility is to express an opinion on the Twin Cities Area Transportation Authority's compliance based on our audit.

We conducted our 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Twin Cities Area Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Twin Cities Area Transportation Authority's compliance with those requirements.

In our opinion, the Twin Cities Area Transportation Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended September 30, 2011.

Internal Control Over Compliance

Management of the Twin Cities Area Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Twin Cities Area Transportation Authority's internal control over compliance with requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Twin Cities Area Transportation Authority's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Twin Cities Area Transportation Authority's Board of Trustees, management and others within the Twin Cities Area Transportation Authority, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

March 15, 2012

Board of Trustees  
Twin Cities Area Transportation Authority  
275 East Wall Street  
P.O. Box 837  
Benton Harbor, Michigan 49023-0837

RE: Report to Those Charged With Governance

Dear Board Members:

We have audited the financial statements of the business-type activities of the Twin City Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, as of and for the fiscal year ended September 30, 2011, which collectively comprise the Twin City Area Transportation Authority's basic financial statements and have issued our report thereon dated March 15, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated August 31, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Twin City Area Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement.

As part of obtaining reasonable assurance about whether the Twin City Area Transportation Authority's financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts and grants, 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 our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Twin City Area Transportation Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 applicable to each of its major Federal programs for the purpose of expressing an opinion on the Twin City Area Transportation Authority's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Twin City Area Transportation Authority's compliance with those requirements.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Twin City Area Transportation Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Twin City Area Transportation Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures to specifically identify such matters.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 21, 2012.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Twin City Area Transportation Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending September 30, 2011. We noted no transactions entered into by the Twin City Area Transportation Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because

of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of depreciation is based on the straight-line method in accordance with Generally Accepted Accounting Principles. We evaluated the key factors and assumptions used to develop the estimated depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

#### Difficulties Encountered in Performing the Audit

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

#### Corrected and Uncorrected Misstatements

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

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 15, 2012.

#### Management Consultations with Other Independent Accountants

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



Other Audit Findings or Issues

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

This information is intended solely for the use of the Twin City Area Transportation Authority's Board Members and management of the Twin City Area Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

**TWIN CITIES AREA TRANSPORTATION AUTHORITY**

**Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011**

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

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X No
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

*Federal Awards*

Internal Control Over Major Programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X No

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes X No

Identification of Major Programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.507	Federal Transit: Urbanized Area Formula Program--Capital and Operating Assistance

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes X No

**TWIN CITIES AREA TRANSPORTATION AUTHORITY**

**Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011**

**Section II--Financial Statement Findings**

No matters were reported.

**Section III--Federal Award Findings and Questioned Costs**

No matters were reported.