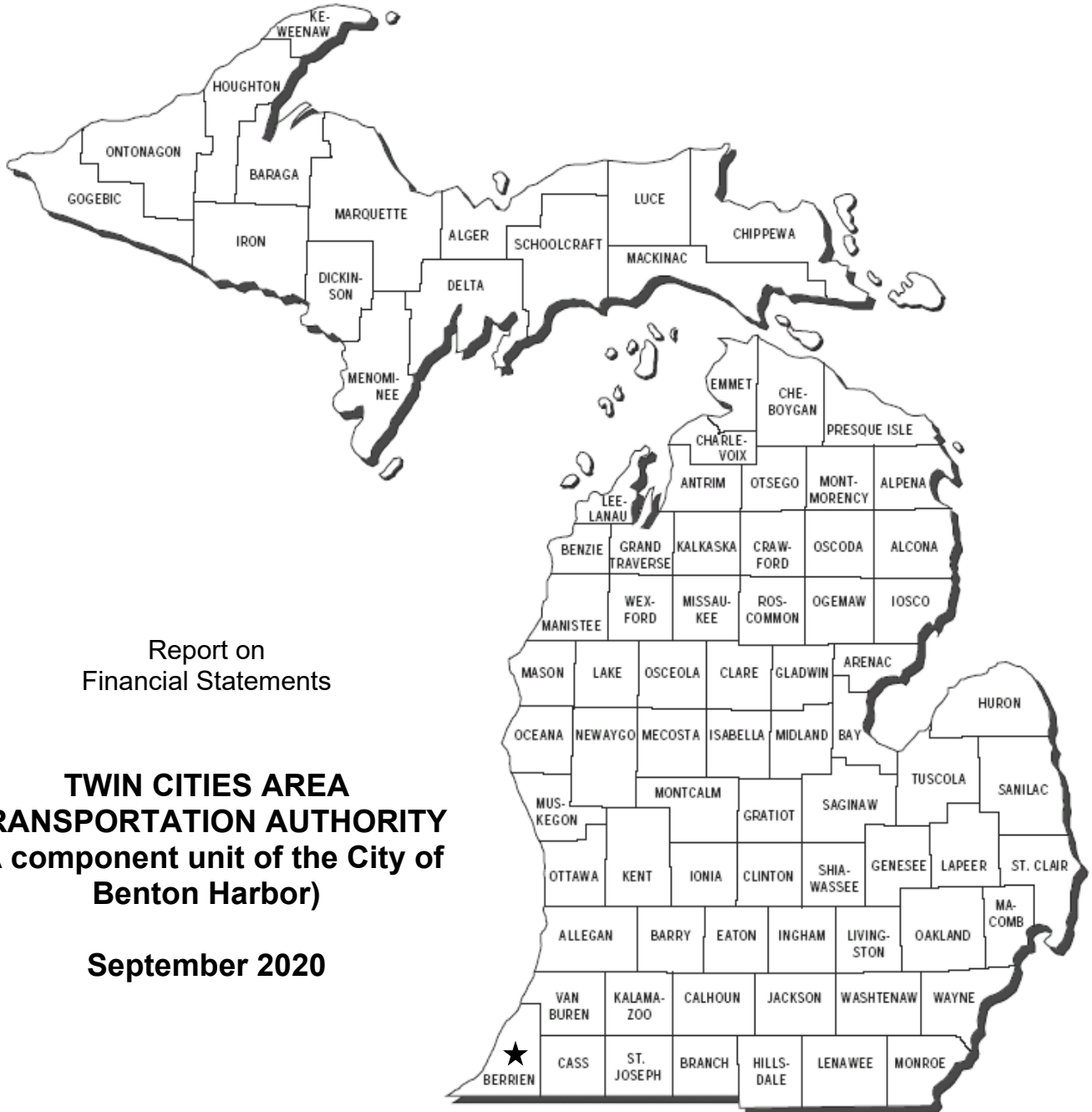


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on
Financial Statements

**TWIN CITIES AREA
TRANSPORTATION AUTHORITY**
(A component unit of the City of
Benton Harbor)

September 2020

TWIN CITIES AREA TRANSPORTATION AUTHORITY

BOARD OF TRUSTEES

May 3, 2021

James Childs
Chairman

Lisa Varrie
Secretary

Apollonia Williams
Treasurer

Jerry Edwards
Trustee

Dorothy Parker
Trustee

Paul Gillespie
Executive Director

CITY OF BENTON HARBOR POPULATION--2010
10,038

TAXABLE VALUATION--2019
\$116,587,950



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

May 3, 2021

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

Independent Auditor's Report

Dear Board Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of the Twin Cities Area Transportation Authority (Authority), a component unit of the City of Benton Harbor, Michigan, as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, as of September 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our 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 in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

With the exception of Schedule 4N-Regular and 4N-JARC marked "unaudited," the information on Schedules 1 through 5 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

The information presented Schedules 1 through 5 and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary and related information presented in Schedules 1 through Schedule 5 and the schedule of expenditures of federal awards are 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*, we have also issued our report dated May 3, 2021, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Twin Cities Area Transportation Authority's, a component unit of the City of Benton Harbor, Michigan, internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Sincerely,



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Community Engagement and Finance Division

TWIN CITIES AREA TRANSPORTATION AUTHORITY

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TWIN CITIES AREA TRANSPORTATION AUTHORITY

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TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2020

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, 2020.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibit A and B provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. 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 Position and the Statement of Activities

These two statements report the Authority's net position and changes in them. You 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. You will need to consider other non-financial factors, however, such as changes in the City of Benton Harbor's property tax base and the condition of Authority's capital assets, to assess the overall health of the Authority.

Other Supplementary Information

Other supplementary information includes Schedules 1-5F that are required to be included by the Michigan Department of Transportation.

The Authority as a Whole

The Authority's net position increased from \$1,891,425 to \$2,138,700 for the year ended September 30, 2020. This is a similar to the previous year when the net position increased \$677,237. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Authority's business-type activities.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Table 1
Net Position of Business-Type Activities

	09/30/19 Business-Type Activities	09/30/20 Business-Type Activities	Variance
Current and Other Assets	\$ 574,183	\$ 918,045	\$ 343,862
Net Capital Assets	<u>1,438,402</u>	<u>1,412,131</u>	<u>(26,271)</u>
Total Assets	<u>2,012,585</u>	<u>2,330,176</u>	<u>317,591</u>
Current Liabilities	70,119	131,243	61,124
Noncurrent Liabilities	<u>51,041</u>	<u>60,233</u>	<u>9,192</u>
Total Liabilities	<u>121,160</u>	<u>191,476</u>	<u>70,316</u>
Net Position			
Net Investment in Capital Assets	1,438,402	1,412,131	(26,271)
Unrestricted	<u>453,023</u>	<u>726,569</u>	<u>273,546</u>
Total Net Position	<u>\$ 1,891,425</u>	<u>\$ 2,138,700</u>	<u>\$ 247,275</u>

The Authority's business-type activities total net position increased by 13% or \$247,275. Total net investment in capital assets decreased \$26,271. During the year, the Authority purchased one new bus, a new wrecker, two staff cars and office equipment totaling \$309,281, but this was offset by the continued depreciation of the Authority's capital assets causing the decline. The increase in the unrestricted net position of \$273,546 was due the increased federal assistance received from the Coronavirus Aid, Relief, and Economic Security (CARES) that reimbursed the Authority at a higher rate of eligible expenses versus the standard federal operating assistance normally received.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Table 2
Changes in Net Position of Business-Type Activities

	2019	2020	Variance
Operating Revenue			
Passenger Fares	\$ 245,607	\$ 190,924	\$ (54,683)
Special Transit Fares	1,620	2,250	630
Auxiliary Transportation Revenues	21,222	-	(21,222)
Non-operating Revenue			
Local Contributions			
Tax Levy	102,551	112,451	9,900
State of Michigan Operating Grants			
Local Bus Operating Assistance (Act 51)	744,334	749,853	5,519
Job Access Reverse Commute	378,684	373,382	(5,302)
New Freedom Program--Mobility Management	4,201	8,444	4,243
Local Community Stabilization Funds	28,323	20,500	(7,823)
Federal Operating Grants			
USDOT Operating Grant (Section 5307)	867,455	212,357	(655,098)
USDOT Operating Grant--CARES		828,835	828,835
New Freedom Program--Mobility Management	16,806	33,776	16,970
State and Federal Grants--Prior Year Adjustments	19,858	132,687	112,829
Interest Earned	462	646	184
Other Non-Transit Revenues	49,668	72,426	22,758
Total Revenue	<u>2,480,791</u>	<u>2,738,531</u>	<u>257,740</u>
Operating Expense			
Salaries and Wages	1,659,079	1,706,999	47,920
Depreciation	372,392	335,550	(36,842)
Other	732,597	751,428	18,831
Total Operating Expense	<u>2,764,068</u>	<u>2,793,977</u>	<u>29,909</u>
Income (Loss) Before Capital Contributions	(283,277)	(55,446)	227,831
Capital Contributions			
Federal and State Capital Grants	976,729	302,721	(674,008)
Income (Loss) Before Extraordinary Items	693,452	247,275	(446,177)
Extraordinary Items			
Misappropriation of Assets	(16,215)	-	16,215
Increase (Decrease) in Net Position	<u>677,237</u>	<u>247,275</u>	<u>(429,962)</u>
Ending Net Position	<u>\$ 1,891,425</u>	<u>\$ 2,138,700</u>	<u>\$ 247,275</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Business-Type Activities

The Authority’s business-type activities operating, and non-operating revenues increased by \$257,740 or 10% and capital contribution revenues decreased by \$674,008. Expenses increased \$29,909 or 1% as compared with the prior fiscal year. This increase in revenues was due to the change in prior year adjustments and increase in federal operating assistance from the CARES funding that reimburses the Authority at a higher percentage than the standard federal operating assistance. The increase in expenses is primarily due to the increased salaries and additional other expenses to cover additional costs related to the coronavirus issues experienced last year.

Budgetary Highlights

TCATA’s tax revenues experienced a reduction of approximately \$30,000 of the millage money for Transportation being siphoned off by the Brownfield Authorities and other government and quasi-governmental processes. Federal operating assistance increased this past year as the Transit received additional federal assistance from the CARES grants provided to local units. This funding reimbursed the Authority at a higher than normal rate which helped the Authority adjust to the additional costs incurred last year due to the coronavirus.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2020, the Transit had \$1,412,131 invested in a broad range of capital assets, including land, buildings, buses and other vehicles, and equipment. This amount represents a net decrease (including additions and deductions) of \$26,271.

Table 3
Capital Assets at Year-End

	<u>9/30/19</u>	<u>9/30/20</u>
Capital Assets Not Being Depreciated		
Land	\$ 80,715	\$ 80,715
Subtotal	<u>80,715</u>	<u>80,715</u>
Capital Assets being Depreciated		
Buildings	1,739,794	1,739,794
Buses	2,017,162	2,087,503
Other Vehicles	166,067	282,692
Equipment	<u>523,439</u>	<u>540,153</u>
Subtotal	4,446,462	4,650,142
Total Capital Assets	4,527,177	4,730,857
Total Accumulated Depreciation	<u>(3,088,775)</u>	<u>(3,318,726)</u>
Total Net Capital Assets	<u>\$ 1,438,402</u>	<u>\$ 1,412,131</u>

During the year, the Authority purchased one new bus, a wrecker, two staff cars, and office equipment for \$309,280. More detailed information about the Authority’s capital assets is

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2020

presented in Note E to the financial statements. The Authority received \$302,721 in federal and state grants to assist in the purchasing of these capital assets.

The Authority has plans to continue to replace old equipment purchase further support vehicles using more federal and state grant funds that have already been approved for the Authority.

Debt

The Authority has no debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for the 2020-2021 fiscal year:

- Federal operating assistance is anticipated to increase during the upcoming year as the Transit continues to received CARES funding to operate the bus system.
- State operating assistance continues to be uncertain, with stagnant revenues coming into the comprehensive transportation fund.
- Operating expenses continue to grow, but the comprehensive transportation fund does not. This in turn reduces the percentage of reimbursement that the Authority receives from the Michigan Department of Transportation. The Authority is anticipating 38% of eligible expenses to be reimbursed by the Michigan Department of Transportation for the fiscal year ending 2021.

CONTACTING THE AUTHORITY'S FINANCIAL 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 POSITION
 September 30, 2020

EXHIBIT A

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 221,750
Accounts Receivable	16,755
Due From State Government	235,547
Due From Federal Government	396,960
Inventory	1,992
Prepaid Expenses	45,041

Total Current Assets 918,045

Non-current Assets

Capital Assets--Non-depreciating	80,715
Capital Assets--Depreciating	<u>1,331,416</u>

Total Non-current Assets 1,412,131

Total Assets 2,330,176

LIABILITIES

Current Liabilities

Accounts Payable	91,949
Accrued Wages and Fringe Benefits	<u>39,294</u>

Total Current Liabilities 131,243

Long-Term Liabilities

Vested Employee Benefits--Due In One Year	30,000
Vested Employee Benefits--Due In More Than Year	<u>30,233</u>

Total Long-Term Liabilities 60,233

Total Liabilities 191,476

NET POSITION

Net Investment in Capital Assets	1,412,131
Unrestricted	<u>726,569</u>

Total Net Position \$ 2,138,700

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 POSITION
For the Fiscal Year Ended September 30, 2020

EXHIBIT B

Operating Revenue	
Passenger Fares	\$ 190,924
Auxiliary Transportation Revenues	<u>2,250</u>
Total Operating Revenue	<u>193,174</u>
Operating Expense	<u>2,793,977</u>
Total Operating Expense	<u>2,793,977</u>
Operating Income (Loss)	<u>(2,600,803)</u>
Non-operating Revenue	
Local Contributions	
Tax Levy	112,451
State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	749,853
Job Access Reverse Commute	373,382
New Freedom Program--Mobility Management	8,444
Local Community Stabilization Funds	20,500
Federal Operating Grants	
USDOT Operating Grant	212,357
USDOT Operating Grant--CARES	828,835
New Freedom Program--Mobility Management	33,776
State and Federal Grants--Prior Year Adjustments	132,687
Interest Earned	646
Other Non-Transit Revenues	<u>72,426</u>
Total Non-operating Revenue	<u>2,545,357</u>
Income (Loss) Before Capital Contributions	(55,446)
Capital Contributions	
State Capital Grants	60,552
Federal Capital Grants	<u>242,169</u>
Total Capital Contributions	<u>302,721</u>
Change in Net Position	247,275
Total Net Position--October 1, 2019	<u>1,891,425</u>
Total Net Position--September 30, 2020	<u><u>\$ 2,138,700</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, 2020

EXHIBIT C

Cash Flows From Operating Activities	
Cash Received From Customers	\$ 193,825
Cash Payments to Employees for Services and Benefits	(1,668,854)
Cash Payments to Suppliers for Goods and Services	<u>(707,522)</u>
Net Cash Provided by Operating Activities	<u>(2,182,551)</u>
Cash Flows From Non-capital Financing Activities	
State Grants	982,269
Federal Grants	832,550
State and Federal Grants--Prior Year Adjustments	132,687
Property Tax	112,451
Other Revenue	<u>57,303</u>
Net Cash Provided by Non-capital Financing Activities	<u>2,117,260</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(309,281)
Capital Assets Purchased With State and Federal Grants	<u>469,473</u>
Net Cash Provided From Capital and Related Financing Activities	160,192
Cash Flows From Investing Activities	
Interest on Cash Equivalents	<u>646</u>
Net Cash Provided by Investing Activities	646
Net Increase in Cash and Cash Equivalents	95,547
Cash and Cash Equivalents at Beginning of the Year	<u>126,203</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 221,750</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating Income (Loss)	\$ (2,600,803)
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities (Non-cash Items)	
Depreciation Expense	335,550
(Increase) Decrease in Accounts Receivable	651
(Increase) Decrease in Inventory	7,031
(Increase) Decrease in Prepaid Expenses	4,704
Increase (Decrease) in Accounts Payable	74,391
Increase (Decrease) in Other Accrued Liabilities	<u>(4,075)</u>
Net Cash Provided by Operating Activities	<u><u>\$ (2,182,551)</u></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, 2020

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Twin Cities Area Transportation Authority (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. 61, "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 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 Position and the Statement of Revenues, Expenses and Changes in Net Position) report information of the activities of the Authority. There is only one fund reported in the government-wide financial statements.

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

The Statement of Revenues, Expenses and Changes in Net Position 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, 2020

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.

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.

Cash and Cash Equivalents

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.

Inventories

Inventories of fuel 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, 2020

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 \$2,500. 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 2019 ad valorem tax was levied and collectible on December 1, 2019. It is the policy of the Authority to recognize revenue from the current tax levy in the 2019/2020 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Authority's operations.

The 2019 real and personal taxable valuation of Benton Harbor property amounted to \$116,587,950. Ad valorem taxes of 1.1867 mills were levied for Authority operating purposes and the total amount collected and recognized as revenue was \$112,451.

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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2020

NOTE B--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws 129.91 authorizes the Authority 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.

At year end, the Authority's bank deposits (checking accounts) of \$221,750 are reported in the basic financial statements.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority's deposits may not be recovered. The Authority does not have a deposit policy for custodial credit risk. The bank balance of the Authority's deposits is \$456,918, of which \$250,000 is covered by Federal depository insurance and the remaining \$206,918 is uncollateralized. The Authority also maintains \$230 in imprest cash.

NOTE C--DUE FROM FEDERAL GOVERNMENT

The following amount was due at September 30, 2020:

Federal Operating Assistance for Fiscal Year 2018/19	\$ 23,584
Federal Operating Assistance for Fiscal Year 2019/20	<u>373,376</u>
Total Due From Federal Government	<u>\$ 396,960</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2020

NOTE D--DUE FROM STATE GOVERNMENT

The following amount was due at September 30, 2020:

State Operating Assistance for Fiscal Year 2018/19	\$ (14,115)
State Operating Assistance for Fiscal Year 2019/20	133,593
New Freedom (2017-0133/P10)	19,559
Job Access Reverse Commute (2017-0133/P11)	<u>96,510</u>
Total Due From State	<u>\$ 235,547</u>

NOTE E--CAPITAL ASSETS

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

<u>Business-Type Activities</u>	<u>Beginning Balance 10/01/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 09/30/20</u>
Capital Assets Not Being Depreciated				
Land	\$ 80,715	\$ -	\$ -	\$ 80,715
Subtotal	<u>80,715</u>	<u>-</u>	<u>-</u>	<u>80,715</u>
Capital Assets Being Depreciated				
Building	1,739,794	-	-	1,739,794
Buses	2,017,162	70,341	-	2,087,503
Other Vehicles	166,067	222,225	105,600	282,692
Equipment	<u>523,439</u>	<u>16,714</u>	<u>-</u>	<u>540,153</u>
Subtotal	<u>4,446,462</u>	<u>309,280</u>	<u>105,600</u>	<u>4,650,142</u>
Less Accumulated Depreciation for				
Building	1,625,651	14,914	-	1,640,565
Buses	985,983	249,864	105,600	1,130,247
Other Vehicles	126,561	9,445	-	136,006
Equipment	<u>350,580</u>	<u>61,328</u>	<u>-</u>	<u>411,908</u>
Subtotal	<u>3,088,775</u>	<u>335,551</u>	<u>105,600</u>	<u>3,318,726</u>
Net Capital Assets Being Depreciated	<u>1,357,687</u>	<u>(26,271)</u>	<u>-</u>	<u>1,331,416</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 1,438,402</u>	<u>\$ (26,271)</u>	<u>\$ -</u>	<u>\$ 1,412,131</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2020

NOTE F--ACCRUED EMPLOYEE BENEFITS

Vacation Leave

Full-time union and non-union employees earn paid vacation for each full calendar quarter of work. The accrual rate is in accordance with the following schedule.

- Employees with five years or less of continuous, full-time employment earn up to 80 hours per year.
- Employees with more than five years but less than eight years of continuous, full-time employment earn up to 100 hours per year.
- Employees with more than eight years of continuous, full-time employment earn up to 120 hours of vacation leave each year.

Union employees may accumulate up to one hundred twenty (120) hours of vacation and non-union employees may accumulate up to two hundred forty (240) hours. When this maximum is reached, the Employer, at its option, may require the employee to use additional accrued vacation or may pay the employee for additional vacation accrued.

Any accrued vacation shall be paid upon separation for any employee who has completed one (1) or more full years of continuous, full time employment. As of September 30, 2020, the accrued vacation time liability is \$42,193.

Sick Leave

Full-time union and non-union employees earn two- and one-half days of paid sick leave for each full calendar quarter of completed service. Sick leave may be accumulated without limitation. For union employees, no payment shall be made for unused accumulated sick leave at separation from employment. For non-union employees, no payment shall be made for unused accumulated sick leave at separation from employment except for retirement. Upon retirement from the Authority, the retiring employee shall be paid 10% of remaining sick time per ten years of service. As of September 30, 2020, the accumulated sick time liability is \$18,040.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2020

NOTE H--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.

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 I--TAX ABATEMENTS

The City of Benton Harbor (City) provides tax abatements under several different programs that affect the tax revenue of the Authority:

Industrial property tax abatements are granted in the State of Michigan under Public Act 198 to promote economic development, creation of jobs, and new or improved facilities. The Industrial Facilities Tax (IFT) Exemption must be approved by both the City (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for up to 12 years. A certificate may be revoked, and taxes recaptured for non-compliance with the terms of the agreement. Property taxes abated by the City under this program affecting the Authority for fiscal year 2020 amounted to \$80.

A business or multi-family residential facility can apply for a Commercial Rehabilitation Exemption under Public Act 210 if making substantial improvements to a facility. Once approved by the City and the State of Michigan, the taxable value of the property is frozen for a period of up to 10 years. The program is designed to increase commercial activity, create/retain employment, and revitalize urban areas. The taxpayer must complete the rehabilitation project within the time period specified by the written agreement. The City may revoke the exemption and recover the taxes for non-compliance. Property taxes abated by the City under this program affecting the Authority for fiscal year 2020 amounted to \$13,395.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2020

NOTE I--TAX ABATEMENTS (Continued)

To incentivize new or expanded businesses, Public Act 328 allows for Personal Property Tax Exemptions for qualified businesses located within eligible distressed communities. The exemption must be approved by the City Commission and the State Treasurer. Once approved, the taxpayer is exempt from personal property tax on new investments after the date of the exemption. The City can recapture the taxes if the business defaults on the terms of the written agreement. Property taxes abated by the City under this program affecting the Authority for fiscal year 2020 amounted to \$25,463.

The City encourages environmental cleanup and economic development through its Brownfield Redevelopment Plan under Public Act 318. A developer performs redevelopment and cleanup activities at a site that is obsolete or blighted. The increased tax revenues resulting from the increase in taxable value are captured by the City and used to repay the developer for qualifying expenses. There is no provision for recovery of abated taxes because the developer is only paid for eligible expenses on a reimbursement-basis. Property taxes abated by the City under this program affecting the Authority for fiscal year 2020 amounted to \$32,052.

NOTE J--COST ALLOCATION PLAN

The Authority has two cost allocation plans where the methodology has been approved by the Bureau of Passenger Transportation (BPT) and MDOT. The cost allocations are for the New Freedom program and for the Job Access Reverse Commute program. The cost allocation plans were adhered to in the preparation of the financial statements.

NOTE K--NON-FINANCIAL METHODOLOGY

The methodology used for compiling mileage on Operating Assistance Schedule 4N-Regular and Schedule 4N-JARC 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. After review, the methodology for the Authority's process appears to be adequate and reliable. Schedule 4N-Regular and 4N-JARC is presented as an "unaudited" schedule and, accordingly, we do not express an opinion on the information.

NOTE L--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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2020

NOTE M--DEPRECIATION

Depreciation expense included as eligible only includes assets purchased with local funds where the useful life of the asset was determined pursuant to Appendix A of the Local Public Transit Revenue and Expense Manual.

NOTE N--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 O--POSTEMPLOYMENT BENEFITS

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

NOTE P--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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY
LOCAL REVENUES
For the Fiscal Year Ended September 30, 2020

SCHEDULE 1

<u>LOCAL REVENUES</u>	
Line Haul - Farebox (Urban - Small)	\$ 19,617
Demand Response - Farebox (Urban - Small)	150,664
Line Haul - Farebox (JARC)	20,643
Advertising	2,250
Other Auxillary Trans Revenues	64,500
Other Non-Transit Revenues	6,976
Taxes Levied Directly for/by Transit Agency	112,451
Interest Income	<u>646</u>
Total Local Revenues	<u><u>\$ 377,747</u></u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended September 30, 2020

SCHEDULE 2

	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expend.	Amount Remaining	
				Total	Federal	State			Local
US Department of Transportation									
Direct Pass Through US Department of Transportation									
Capital Assistance--Section 5307	20.507	MI-2019-002-00	\$ 412,000	\$ 226,431	\$ 181,137	\$ 45,294	\$ -	\$ 78,612	\$ 106,957
Capital Assistance--Section 5339	20.526	MI-2019-002-00	176,940	5,949	4,759	1,190	-	100,261	70,730
Operating Assistance--Section 5307	20.507	MI-2019-002-01	1,116,500	212,357	212,357	-	-	767,455	136,688
Operating Assistance--Section 5307--CARES	20.507	MI-2020-026-00	2,378,918	828,835	828,835	-	-	-	1,550,083
Capital Assistance--Section 5307--CARES	20.507	MI-2020-026-00	100,000	-	-	-	-	-	100,000
			<u>4,184,358</u>	<u>1,273,572</u>	<u>1,227,088</u>	<u>46,484</u>	<u>-</u>	<u>946,328</u>	<u>1,964,458</u>
US Department of Transportation									
Passed through Michigan Department of Transportation									
Capital Assistance--Section 5339	20.526	MI-34-0003-03	111,858	70,341	56,273	14,068	-	-	41,517
New Freedom Program--Section 5317	20.513	MI-2019-037-00	75,000	42,220	33,776	8,444	-	-	32,780
Job Access Reverse Commute	N/A	2017-0133/P11	386,040	373,382	-	373,382	-	-	12,658
Operating Assistance--Act 51	N/A	N/A	749,853	749,853	-	749,853	-	-	-
			<u>1,322,751</u>	<u>1,235,796</u>	<u>90,049</u>	<u>1,145,747</u>	<u>-</u>	<u>-</u>	<u>86,955</u>
Total Capital Assistance									
Total Department of Transportation			<u>\$ 5,507,109</u>	<u>\$ 2,509,368</u>	<u>\$ 1,317,137</u>	<u>\$ 1,192,231</u>	<u>\$ -</u>	<u>\$ 946,328</u>	<u>\$ 2,051,413</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING AND CONTRACT EXPENSES
 For the Fiscal Year Ended September 30, 2020

SCHEDULE 3

<u>Expenses</u>	<u>Non-urban State Operating FY 2020*</u>	<u>Non-urban Operating JARC</u>	<u>New Freedom</u>	<u>Total</u>
Labor	\$ 991,596	\$ 173,901	\$ 42,220	\$ 1,207,717
Fringe Benefits	412,745	86,537	-	499,282
Services	228,414	57,317	-	285,731
Materials and Supplies	214,446	46,080	-	260,526
Utilities	29,141	6,347	-	35,488
Casualty and Liability Costs	133,299	22,685	-	155,984
Taxes and Fees	106	20	-	126
Miscellaneous	4,096	878	-	4,974
Interest	60	561	-	621
Leases and Rentals	6,504	1,474	-	7,978
Depreciation	335,550	-	-	335,550
Total Expenses	<u>\$ 2,355,957</u>	<u>\$ 395,800</u>	<u>\$ 42,220</u>	<u>\$ 2,793,977</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, 2020

SCHEDULE 4R-REGULAR

REVENUE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>LINE HAUL</u>	<u>DEMAND RESPONSE</u>	<u>TOTAL</u>
401:	Farebox Revenue			
40100	Passenger Fares	\$ 19,617	\$ 150,664	\$ 170,281
406:	Auxiliary Trans Revenues			
40615	Advertising	-	2,250	2,250
40699	Other Auxillary Trans Revenues	-	64,500	64,500
407:	Gains from the Sale of Capital Assets			
40760	Gains from the Sale of Capital Assets	-	950	950
408:	Local Revenue			
40800	Taxes Levied Directly for/by Transit Agency	112,451	-	112,451
411:	State Formula and Contracts			
41101	State Operating Assistance	81,159	668,694	749,853
41110	Line-Item Municipal Credit (Prior Year Adjustments)	-	132,687	132,687
41199	Local Community Stabilization Funds	20,500	-	20,500
413:	Federal Contracts			
41302	Federal Section 5307	-	212,357	212,357
41360	CARES Act Lost Revenue Replacement	-	62,434	62,434
41361	CARES Act	-	766,401	766,401
414:	Other Revenue			
41400	Interest Income	-	646	646
440:	Non-Transit Revenues			
44000	Other Non-Transit Revenue (Refunds)	-	6,976	6,976
TOTAL REVENUES		<u>\$ 233,727</u>	<u>\$ 2,068,559</u>	<u>\$ 2,302,286</u>

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>OPER. LINE HAUL</u>	<u>OPER. DEMAND RESPONSE</u>	<u>MAINT. LINE HAUL</u>	<u>MAINT. DEMAND RESPONSE</u>	<u>ADMIN. LINE HAUL</u>	<u>ADMIN. DEMAND RESPONSE</u>	<u>TOTAL</u>
501:	Labor							
50101	Operators' Salaries and Wages	\$ 50,673	\$ 531,598	\$ -	\$ -	\$ -	\$ -	\$ 582,271
50102	Other Salaries and Wages	10,418	84,611	11,890	82,203	23,070	124,676	336,868
50103	Dispatchers' Salaries and Wages	-	72,457	-	-	-	-	72,457
502:	Fringe Benefits							
50200	Other Salaries and Wages	34,421	276,888	3,506	23,849	11,674	62,407	412,745
503:	Services							
50302	Advertising Fees	-	-	-	-	282	1,562	1,844
50305	Audit Cost	-	-	-	-	2,970	14,979	17,949
50399	Other Services	2,369	17,821	11,678	81,250	21,719	73,784	208,621
504:	Materials and Supplies							
50401	Fuel and Lubricants	5,050	123,843	405	2,771	175	926	133,170
50402	Tires and Tubes	1,856	14,880	-	-	-	-	16,736
50499	Other Materials and Supplies	1,109	9,327	5,037	33,918	2,394	12,755	64,540
505:	Utilities							
50500	Utilities	390	3,111		21,242		4,398	29,141
506:	Insurance							
50603	Liability Insurance	13,377	112,003	-	-	1,257	6,662	133,299
507:	Taxes and Fees							
50700	Taxes and Fees	-	-	-	-	16	90	106
509:	Miscellaneous Expenses							
50902	Travel, Meetings and Training	131	1,053	-	-	283	1,512	2,979
50903	Association Dues and Subscriptions	-	-	-	-	171	916	1,087
50999	Other Miscellaneous Expenses	1	10	-	-	-	19	30
511:	Interest Expense							
51102	Interest on Short-Term Debt	-	-	-	-	65	496	561
512:	Operating Leases and Rentals							
51200	Operating Leases and Rentals	449	3,556	293	1,964	38	204	6,504
513:	Depreciation							
51300	Depreciation	-	318,802	-	2,929	-	13,819	335,550
TOTAL EXPENSES		120,244	1,569,960	32,809	250,126	64,114	319,205	2,356,458
540:	Ineligible Expenses							
54000	Ineligible Prior Year Refunds and Credits	-	-	-	-	-	6,976	6,976
550:	Ineligible Expenses							
55007	Ineligible Depreciation	-	296,834	-	2,929	-	12,883	312,646
TOTAL INELIGIBLE EXPENSES		-	296,834	-	2,929	-	19,859	319,622
TOTAL ELIGIBLE EXPENSES		\$ 120,244	\$ 1,273,126	\$ 32,809	\$ 247,197	\$ 64,114	\$ 299,346	\$ 2,036,836

NON-FINANCIAL SCHEDULE REPORT

CODE	DESCRIPTION	Weekday	Weekday	Saturday	Saturday	Sunday	Sunday	TOTAL
		Line Haul	Demand Response	Line Haul	Demand Response	Line Haul	Demand Response	
<u>Public Service</u>								
610	Vehicle Hours	5,152	27,131	468	2,605	-	-	35,356
611	Vehicle Miles*	66,447	281,349	6,335	25,006	-	-	379,137
615	Unlinked Passenger Trips--Regular	11,210	44,603	1,331	5,224	-	-	62,368
616	Unlinked Passenger Trips--Elderly	4,239	4,612	507	581	-	-	9,939
617	Unlinked Passenger Trips--Persons w/Disabilities	9,865	19,147	1,146	1,960	-	-	32,118
618	Unlinked Passenger Trips--Elderly Persons w/Disabilities	16	3,744	-	389	-	-	4,149
621	Total Line-Haul Unlinked Passenger Trips	25,330	-	2,984	-	-	-	28,314
622	Total Demand-Response Unlinked Passenger Trips	-	72,106	-	8,154	-	-	80,260
625	Days Operated	252	252	52	52	-	-	608
<u>Vehicle Information</u>								
		<u>Quantity</u>						
653	Total Line-Haul Vehicles	3						
654	Line-Haul Vehicles w/Lifts	3						
655	Total Demand-Response Vehicles	23						
656	Demand-Response Vehicles w/Lifts	22						
658	Total Transit Vehicles	26						
<u>Miscellaneous Information</u>								
		<u>Quantity LH</u>	<u>Quantity DR</u>					
601	Number of Routes (Line Haul Only)	3	-					
602	Total Route Miles (Line Haul Only)	28	-					
659	LPG or CNG Gallons Equivalent Consumed	11,767	49,531					
660	Diesel/Gasoline Gallons Consumed	2,996	12,611					
661	Total Transit Agency Employees	4	40					
662	Total Revenue Vehicle Operators	3	14					
802	PDO Accidents w/Damage Equal To or Greater Than \$25,000	1	-					

*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 REPORT--
 REVENUES--JOB ACCESS REVERSE COMMUTE
 For the Fiscal Year Ended September 30, 2020

SCHEDULE 4R-JARC

REVENUE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>LINE HAUL</u>	<u>DEMAND RESPONSE</u>	<u>TOTAL</u>
401:	Farebox Revenue			
40100	Passenger Fares	\$ 20,643	\$ -	\$ 20,643
411:	State Formula and Contracts			
41199	Other MDOT Contracts--Job Access Reverse Commute	373,382	-	373,382
TOTAL REVENUES		<u>\$ 394,025</u>	<u>\$ -</u>	<u>\$ 394,025</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--
 EXPENSES--JOB ACCESS REVERSE COMMUTE
 For the Fiscal Year Ended September 30, 2020

EXPENSE SCHEDULE REPORT

CODE	DESCRIPTION	OPER. LINE HAUL	OPER. DEMAND RESPONSE	MAINT. LINE HAUL	MAINT. DEMAND RESPONSE	ADMIN. LINE HAUL	ADMIN. DEMAND RESPONSE	TOTAL
501:	Labor							
50101	Operators' Salaries and Wages	\$ 91,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,404
50102	Other Salaries and Wages	18,948	-	18,511	-	29,126	-	66,585
50103	Dispatchers' Salaries and Wages	15,912	-	-	-	-	-	15,912
502:	Fringe Benefits							
50200	Other Salaries and Wages	65,271	-	5,842	-	15,424	-	86,537
503:	Services							
50302	Advertising Fees	-	-	-	-	316	-	316
50305	Audit Cost	-	-	-	-	4,821	-	4,821
50399	Other Services	4,416	-	18,975	-	28,789	-	52,180
504:	Materials and Supplies							
50401	Fuel and Lubricants	27,959	-	655	-	239	-	28,853
50402	Tires and Tubes	3,574	-	-	-	-	-	3,574
50499	Other Materials and Supplies	1,697	-	8,748	-	3,208	-	13,653
505:	Utilities							
50500	Utilities	770	-	4,619	-	958	-	6,347
506:	Insurance							
50603	Liability Insurance	20,971	-	-	-	1,714	-	22,685
507:	Taxes and Fees							
50700	Taxes and Fees	-	-	-	-	20	-	20
509:	Miscellaneous Expenses							
50902	Travel, Meetings and Training	251	-	-	-	378	-	629
50903	Association Dues & Subscriptions	-	-	-	-	239	-	239
50999	Other Miscellaneous Expenses	3	-	-	-	7	-	10
511:	Interest Expense							
51102	Interest on Short-Term Debt	-	-	-	-	60	-	60
512:	Operating Leases and Rentals							
51200	Operating Leases and Rentals	902	-	520	-	52	-	1,474
TOTAL EXPENSES		252,078	-	57,870	-	85,351	-	395,299
550:	Ineligible Expenses							
55000	Ineligible Job Access Reverse Commute Fares	-	-	-	-	20,643	-	20,643
TOTAL INELIGIBLE EXPENSES		-	-	-	-	20,643	-	20,643
TOTAL ELIGIBLE EXPENSES		\$ 252,078	\$ -	\$ 57,870	\$ -	\$ 64,708	\$ -	\$ 374,656

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--JOB ACCESS REVERSE COMMUTE
 NON-FINANCIAL DATA--UNAUDITED
 For the Fiscal Year Ended September 30, 2020

SCHEDULE 4N-JARC

NON-FINANCIAL SCHEDULE REPORT

CODE	DESCRIPTION	Weekday	Weekday	Saturday	Saturday	Sunday	Sunday	TOTAL
		Line Haul	Demand Response	Line Haul	Demand Response	Line Haul	Demand Response	
<u>Public Service</u>								
610	Vehicle Hours	7,490	-	988	-	-	-	8,478
611	Vehicle Miles*	127,209	-	17,666	-	-	-	144,875
615	Unlinked Passenger Trips--Regular	13,212	-	1,870	-	-	-	15,082
616	Unlinked Passenger Trips--Elderly	2,878	-	417	-	-	-	3,295
617	Unlinked Passenger Trips--Persons w/Disabilities	6,499	-	909	-	-	-	7,408
618	Unlinked Passenger Trips--Elderly Persons w/Disabilities	9	-	3	-	-	-	12
621	Total Line-Haul Unlinked Passenger Trips	22,598	-	3,199	-	-	-	25,797
625	Days Operated	252	-	52	-	-	-	304
<u>Vehicle Information</u>		<u>Quantity</u>						
653	Total Line-Haul Vehicles	2						
654	Line-Haul Vehicles w/Lifts	2						
655	Total Demand-Response Vehicles	21						
656	Demand-Response Vehicles with Lifts	23						
<u>Miscellaneous Information</u>		<u>Quantity LH</u>	<u>Quantity DR</u>					
601	Number of Routes (Line Haul Only)	4	-					
602	Total Route Miles (Line Haul Only)	30	-					
659	LPG or CNG Gallons Equivalent Consumed	23,423	-					
660	Diesel/Gasoline Gallons Consumed	5,963	-					
661	Total Transit Agency Employees	44	-					
662	Total Revenue Vehicle Operators	4	-					

*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.

REVENUE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>LINE HAUL</u>	<u>DEMAND RESPONSE</u>	<u>TOTAL</u>
411:	State Formula and Contracts			
41119	Other MDOT Contracts--New Freedom Program	\$ -	\$ 8,444	\$ 8,444
413:	Federal Contracts			
41399	Other MDOT Contracts--New Freedom Program	-	33,776	33,776
TOTAL REVENUES		<u>\$ -</u>	<u>\$ 42,220</u>	<u>\$ 42,220</u>

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>TOTAL</u>
503:	Services	
503990	Other Services	\$ 42,220
TOTAL EXPENSES		\$ 42,220

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE CALCULATION--STATE
 For the Fiscal Year Ended September 30, 2020

SCHEDULE 5S

	<u>Non-urban</u>
Total Operating Expenses	<u>\$ 2,793,977</u>
Less: Ineligible Expenses	
Depreciation	312,646
Ineligible Prior Year Refunds and Credits	6,976
Other Revenue-JARC Fares	20,643
Line Haul Funded by Other State and Federal Grants	<u>415,602</u>
Total Ineligible Expenses Per R&E Manual	<u>\$ 755,867</u>
Total State Eligible Expenses	<u>\$ 2,038,110</u>
Eligible Expenses for State Reimbursement	\$ 2,038,110
Reimbursement Percentage	<u>36.7916%</u>
State Operating Assistance	<u>\$ 749,853</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE CALCULATION--FEDERAL
 For the Fiscal Year Ended September 30, 2020

SCHEDULE 5F

	October 1, 2019- January 19, 2020	January 20, 2020- September 30, 2020	Total Urban
Total Operating Expenses	\$ 765,450	\$ 2,028,527	\$ 2,793,977
Less: Ineligible Expenses			
Depreciation	92,507	220,139	312,646
Ineligible Prior Year Refunds and Credits	1,563	5,413	6,976
Other Revenue-JARC Fares	5,292	15,351	20,643
Job Access Reverse Commute Program	84,760	288,622	373,382
New Freedom Program	-	42,220	42,220
Total Ineligible Expenses According to R&E Manual	<u>184,122</u>	<u>571,745</u>	<u>755,867</u>
Total Federal Eligible Expenses	<u>\$ 581,328</u>	<u>\$ 1,456,782</u>	<u>\$ 2,038,110</u>
Eligible expenses for Federal reimbursement x Reimbursement percentage	<u>\$ 581,328</u> 50%	<u>\$ 1,456,782</u> 100%	
Subtotal	290,664	1,456,782	
Less Farebox Revenue	(78,307)	(91,974)	
Less State Operating Assistance	-	(535,973)	
Federal Operating Assistance Available	<u>\$ 212,357</u>	<u>\$ 828,835</u>	



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

May 3, 2021

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

Independent Auditor's Report

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 Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of the Twin Cities Area Transportation Authority (Authority), a component unit of the City of Benton Harbor, Michigan as of and for the fiscal year ended September 30, 2020, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 3, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs listed as Findings 2020-001 through 2020-003 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's responses and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Community Engagement and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

May 3, 2021

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 and the major fund of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, for the fiscal year ended September 30, 2020, and have issued our report thereon dated May 3, 2021. Professional standards require that we provide you with 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 October 22, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Twin Cities 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.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a

whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters March 11, 2021, with management.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Twin Cities Area Transportation Authority are described in Note A to the financial statements. We noted no transactions entered into by the Twin Cities 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 the depreciation is based on the straight-line method for all other capital assets. We evaluated the key factors and assumptions used to develop the 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, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 3, 2021.

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 Cities 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 Cities 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 Cities Area Transportation Authority Board, management of the Twin Cities 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.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Community Engagement and Finance Division



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

May 3, 2021

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

Independent Auditor's Report

RE: Independent Auditors' Report on Compliance for Each Major Federal Program and Internal Control over Compliance Required by the Uniform Guidance

Report on Compliance with Each Major Federal Program

We have audited the Twin Cities Area Transportation Authority's (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, 2020. The Authority's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our 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 each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, non-compliance 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 non-compliance 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. The results of our tests disclosed no instances of non-compliance related to federal programs that are required to be disclosed.

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 material weaknesses or significant deficiencies. We identified deficiencies in internal control over compliance that we consider to be material weaknesses.

May 3, 2021

The purposes of this report on internal control over compliance is solely to describe the scope of our 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.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cary Jay Vaughn', is centered on the page.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Community Engagement and Finance Division

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended September 30, 2020

<u>Federal Agency/Cluster/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Federal Expenditures</u>	<u>Passed- Through to Subrecipients</u>
US DEPARTMENT OF TRANSPORTATION-Direct				
Transit Cluster				
Capital Assistance--Section 5307	20.507	MI-2019-002-00	\$ 181,137	\$ -
Capital Assistance--Section 5339	20.526	MI-2019-002-00	4,759	-
Operating Assistance--Section 5307	20.507	MI-2019-002-01	212,357	-
Operating Assistance--Section 5307--CARES	20.507	MI-2020-026-00	828,835	-
Subtotal--Federal Transit Cluster			1,227,088	-
Passed through Michigan Department of Transportation				
Capital Assistance--Section 5339	20.526	MI-34-0003-03	56,273	-
New Freedom Program--Section 5317	20.513	MI-2019-037-00	33,776	-
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>\$ 1,317,137</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO THE SCHEDULE OF FEDERAL EXPENDITURES
For the Fiscal Year Ending September 30, 2020

NOTE 1--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Twin Cities Area Transportation Authority (Authority) under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the 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, changes in net position, or cash flows of the Authority. The Authority's reporting entity is defined in Note A of the Authority's financial statement audit report.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note A to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

For purposes of charging indirect costs to federal awards, the Authority has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X 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 section 2 CFR section 200.5160(a) of the Compliance Supplement? Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.507, 20.526

Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2020

Auditee qualified as low-risk auditee? _____ Yes X No

Section II--Financial Statement Findings

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

MATERIAL WEAKNESS

Preparation of Financial Statements in Accordance
with GAAP (Repeat Comment)

Finding 2020-001

Condition: As is the case with many smaller and medium sized entities, the Twin Cities Transportation Authority (Authority) has historically relied on its independent external auditors to assist in the preparation of the financial statements, footnotes, and Schedule of Expenses for Federal Awards as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Authority's internal controls.

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

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2020

MATERIAL WEAKNESS (continued)

Recommendation: We recommend that the Authority's Board evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determine if it is in the best interest of the Authority to outsource this duty to its external auditors. If the Authority continues to rely on its external auditors to prepare the financial statements, we recommend the board designate a responsible Authority official to carefully review the draft financial statements including the notes, prior to approving them and accepting responsibility for their content and presentation.

Management's Response--Corrective Action Plan: Contact person is Paul Gillespie, Executive Director, 275 East Wall Street, P.O. Box 837, Benton Harbor, Michigan 49023. Telephone (269) 927-2268.

As noted, TCATA has historically relied upon its external auditors to prepare its financial statements in accordance with GAAP. This was the case in this year's report of FY 2020 and we expect it to be the case in the current FY 2021.

In FY 2020, TCATA experienced some turnover and replacement in its financial staff. The previous accountant was let go in the Spring of 2020. For the second half of the year, the accounting function at the agency was handled on an interim basis by a person who previously held the position. The disruption caused by the Coronavirus limited our recruitment of a replacement as well as the training opportunities for our current staff. At the beginning of FY 2021, a new staff person was hired with an MS in Accounting for the role of Finance Director. Our Grant Manager has also completed her BS in Accounting in the past year. We believe we have made significant improvement in the size and capabilities of our Financial staff. However, we believe for FY 2021 we will be using our longtime external auditor to prepare our financial statements in accordance with GAAP. The Finance Director will be designated the responsible TCATA officer to carefully review the draft financial statements including the notes, prior to approving them and accepting responsibility for their content and presentation.

Segregation of Incompatible Duties (Repeat Comment)

Finding 2020-002

Condition: The Authority has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include adjusting journal entries and accounting for federal aid programs.

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Authority. A key element of internal control is the segregation of incompatible duties within the accounting function.

Cause: This condition is a result of the limited size of the Authority's accounting staff.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2020

MATERIAL WEAKNESS (continued)

Effect: As a result of this condition, the Authority is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected and corrected by management on a timely basis.

Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Management's Response--Corrective Action Plan: Contact person is Paul Gillespie, Executive Director, 275 East Wall Street, P.O. Box 837, Benton Harbor, Michigan 49023. Telephone (269) 927-2268.

As noted in the response to the previous finding, TCATA experienced turnover and replacement of its financial staff in FY2020 and early FY2021. In addition, we have continued to rely upon the work of our former Director and now Consultant. The transitioning of the responsibilities of the former Director to the Executive Director, Finance Manager, and Grant/Procurement Manager is an ongoing process.

TCATA has in the last few months gone through our federal Triennial Review process. Deficiencies have been identified that will need to be resolved by TCATA management. Among those deficiencies are a lack of clear job descriptions of key financial staff; missing, insufficient, or out-of-date financial operating procedures; and outstanding audit deficiencies.

TCATA recognizes that we need to engage external technical assistance to resolve these issues and redesign our financial policies and procedures. We will over the course of 2021 use CARES and ARPA funding to hire a public transit consultant to help assist use in addressing all three finding of this report.

In addition, TCATA will research and if found appropriate engage the services of an independent outside auditing firm to review our accounts on a quarterly or annual basis.

Reconciliation of Key Balance Sheet Accounts (Repeat Comment)

Finding 2019-003

Condition: The Authority has balance sheet accounts that are only reconciled at year end as part of the audit. These areas include cash, due from state and federal agencies regarding the operating and capital assistance grants, prepaid expenses, capital asset accounts and related accumulated depreciation accounts, and payroll withholding accounts. Accordingly, the Authority's ability to prepare financial statements with reconciled balance sheet accounts is based, at least in part, on its

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2020

reliance on its external auditors, who cannot by definition be considered a part of the Authority's internal controls.

MATERIAL WEAKNESS (continued)

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Authority. A key element of internal control is the monitoring and reconciling of financial data within the accounting function.

Cause: This condition is a result of the lack of documented control policies and procedures at the Authority.

Effect: As a result of this condition, the Authority is susceptible to misstatements (whether caused by error or fraud) that may occur and not be prevented or detected and corrected by management on a timely basis.

Recommendation: We recommend developing policies and procedures for reconciling all balance sheet accounts to subsidiary reports. These policies and procedures should require involvement of a second responsible person as part of the review/monitoring process.

Management's Response--Corrective Action Plan: Contact person is Paul Gillespie, Executive Director, 275 East Wall Street, P.O. Box 837, Benton Harbor, Michigan 49023. Telephone (269) 927-2268.

As part of the corrective action TCATA plans to undertake in response to the Triennial Review findings, we will be re-writing or revising many of our written financial policies and procedures. We will address this material weakness by developing clear policies and procedures for reconciling balance sheet accounts to subsidiary reports. The duties and responsibilities of a second responsible person will be addressed and defined.

Section III—Federal Award Findings and Questioned Costs

None

Section IV--Summary Schedule of Prior Audit Findings

Material Weakness

2019-001 – Preparation of Governmental Financial Statements

Condition/Finding: As is the case with many smaller and medium sized entities, the Authority has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2020

Authority's internal controls. In addition, we proposed, and management approved, material journal entries to properly record capital assets, accounts receivable, accounts payable, and revenues.

Current Year Status: This finding will be carried forward to the current year.

2019-002 – Segregation of Incompatible Duties

Condition/Finding: The Authority has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include cash reconciliation, cash receipting, accounts payable, adjusting journal entries, and payroll.

Current Year Status: This finding will be carried forward to the current year.

2019-003 – Reconciliation of Key Balance Sheet Accounts

Condition/Finding: The Authority has balance sheet accounts that are only reconciled at year end as part of the audit. These areas include accounts payable, accrued wages, accounts receivable, inventory, and due from state and federal agencies. Accordingly, the Authority's ability to prepare financial statements with reconciled balance sheet accounts is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Authority's internal controls.

Current Year Status: This finding will be carried forward to the current year.

2019-004 - Capital Assets

Condition/Finding: The Authority does not maintain adequate internal controls for capital assets and a capital asset listing provided did not reconcile with the Authority's general ledger.

Current Year Status: This finding will be deleted as the capital asset list was maintained.

2019-005 – Line of Credit

Condition/Finding: The Authority obtained a \$250,000 line of credit from a local financial institution. During the fiscal year, the Authority borrowed \$100,000 from the line of credit.

Current Year Status: This finding will be deleted as the line of credit was repaid and closed.

2019-006 – Procurement and Suspension and Debarment

Condition/Finding: The Authority purchased six capital assets using Federal Section 5307 and Section 5309 funding. For the six capital assets purchased, all qualify as "small purchases" per

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2020

the Code of Federal Regulations (CFR). The Authority did not verify that the six vendors used were not on the debarment list. For five of the assets purchased, the Authority maintained no procurement documentation which is noncompliant with Federal requirements. By not performing the procurement procedures and maintaining related documentation, the Authority is also not complying with its own Procurement Policy.

Current Year Status: This finding will be deleted as the Authority verified vendors were not on the debarment list, procurement procedures were followed, and related documentation was completed and maintained.