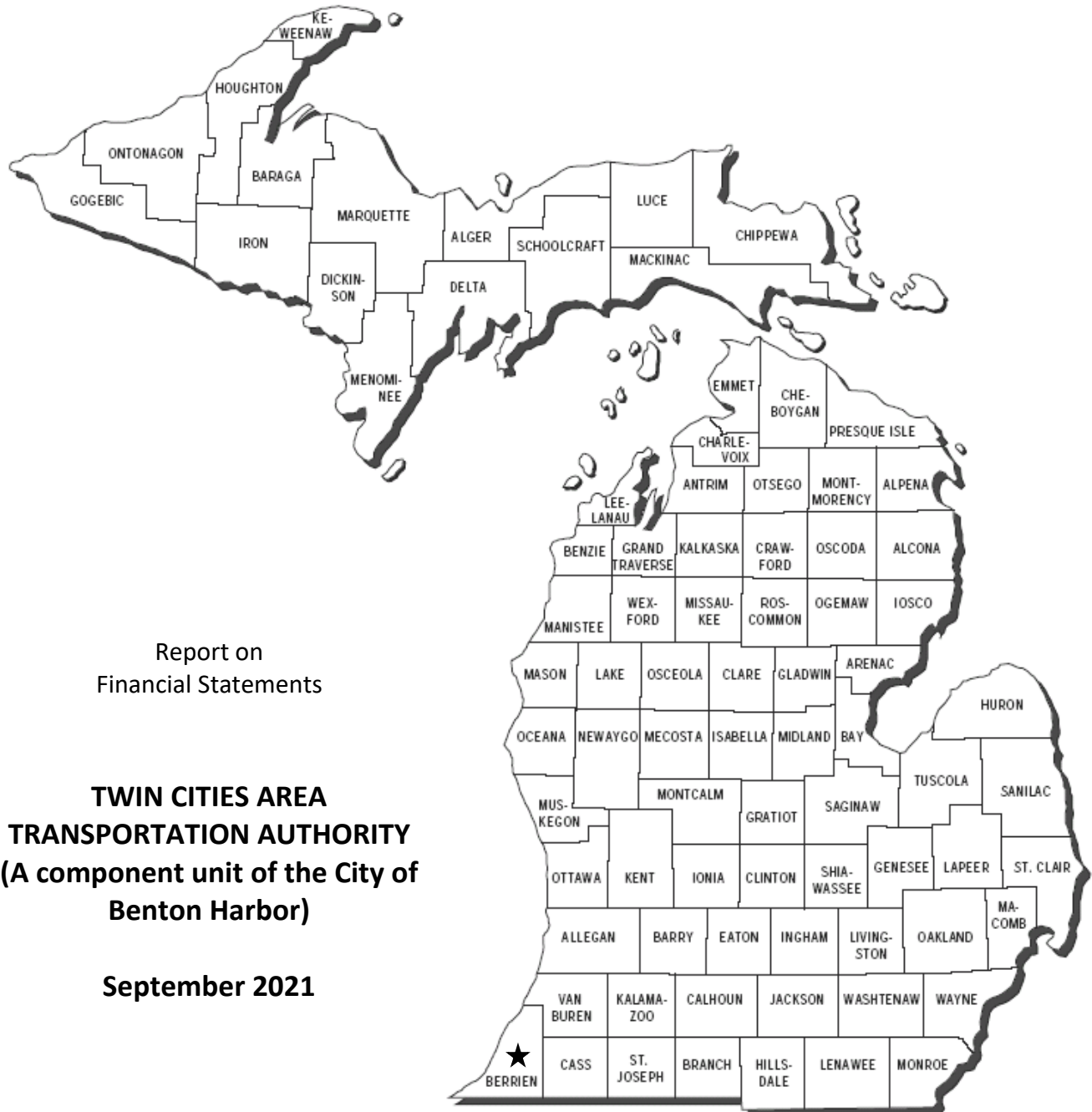


STATE OF MICHIGAN

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 2021

Community Engagement and Finance Division
Bureau of Local Government Services

TWIN CITIES AREA TRANSPORTATION AUTHORITY

BOARD OF TRUSTEES

June 6, 2022

Apollonia Williams
Chairman

Dorothy Parker
Vice-Chairman

Vacant
Treasurer

Vacant
Secretary

Jerry Edwards
Trustee

Angel Crayton
Executive Director

CITY OF BENTON HARBOR POPULATION--2020
9,103

TAXABLE VALUATION--2021
\$118,061,656



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 6, 2022

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, 2021, 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, 2021, 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 June 6, 2022, 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,

A handwritten signature in black ink, appearing to read "CJ Vaughn", with a long horizontal flourish extending to the right.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2021

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, 2021.

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 \$2,138,700 to \$2,348,182 for the year ended September 30, 2021. This is a similar to the previous year when the net position increased \$247,275. 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, 2021

Table 1
Net Position of Business-Type Activities

	09/30/20 Business-Type Activities	09/30/21 Business-Type Activities	Variance
Current and Other Assets	\$ 918,045	\$ 1,176,623	\$ 258,578
Net Capital Assets	<u>1,412,131</u>	<u>1,385,025</u>	<u>(27,106)</u>
Total Assets	<u>2,330,176</u>	<u>2,561,648</u>	<u>231,472</u>
Current Liabilities	131,243	139,540	8,297
Noncurrent Liabilities	<u>60,233</u>	<u>73,926</u>	<u>13,693</u>
Total Liabilities	<u>191,476</u>	<u>213,466</u>	<u>21,990</u>
Net Position			
Net Investment in Capital Assets	1,412,131	1,385,025	(27,106)
Unrestricted	<u>726,569</u>	<u>963,157</u>	<u>236,588</u>
Total Net Position	<u>\$ 2,138,700</u>	<u>\$ 2,348,182</u>	<u>\$ 209,482</u>

The Authority's business-type activities total net position increased by 10% or \$209,482. Total net investment in capital assets decreased \$27,106. During the year, the Authority purchased three new buses, performed building improvements, and purchased equipment totaling \$322,185, but this was offset by the continued depreciation of the Authority's capital assets and loss on disposal from a wrecked bus causing the decline. The increase in the unrestricted net position of \$236,588 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, 2021

Table 2
Changes in Net Position of Business-Type Activities

	2020	2021	Variance
Operating Revenue			
Passenger Fares	\$ 190,924	\$ 178,856	\$ (12,068)
Special Transit Fares	2,250	-	(2,250)
Non-operating Revenue			
Local Contributions			
Tax Levy	112,451	106,479	(5,972)
State of Michigan Operating Grants			
Local Bus Operating Assistance (Act 52)	749,853	801,151	51,298
Job Access Reverse Commute	373,382	386,009	12,627
New Freedom Program-Mobility Management	8,444	12,120	3,676
Local Community Stabilization Funds	20,500	35,493	14,993
Federal Operating Grants			
USDOT Operating Grant (Section 5307)	212,357	-	(212,357)
USDOT Operating Grant-CARES	828,835	1,169,985	341,150
New Freedom Program-Mobility Management	33,776	48,482	14,706
Family First Coronavirus Response	-	25,500	25,500
State and Federal Grants--Prior Year Adjustments	132,687	85,581	(47,106)
Interest Earned	646	28	(618)
Other Non-Transit Revenues	72,426	33,232	(39,194)
Gain/(Loss) of Sale of Capital Assets	-	(20,187)	(20,187)
Total Revenue	2,738,531	2,862,729	124,198
Operating Expense			
Salaries and Wages	1,706,999	1,831,689	124,690
Depreciation	335,550	320,505	(15,045)
Other	751,428	772,280	20,852
Total Operating Expense	2,793,977	2,924,474	130,497
Income (Loss) Before Capital Contributions	(55,446)	(61,745)	(6,299)
Capital Contributions			
Federal and State Capital Grants	302,721	271,227	(31,494)
Ending Net Position	\$ 2,138,700	\$ 2,348,182	\$ 209,482

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2021

Business-Type Activities

The Authority's business-type activities operating, and non-operating revenues increased by \$124,198 or 5% and capital contribution revenues decreased by \$31,494. Expenses increased \$130,497 or 5% as compared with the prior fiscal year. This increase in revenues was due to the increases in state operating assistance and 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 benefits as the Authority provided wage increases to encourage employee recruitment and retention.

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, 2021, the Transit had \$1,385,025 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 \$27,106.

Table 3
Capital Assets at Year-End

	9/30/20	9/30/21
Capital Assets Not Being Depreciated		
Land	\$ 80,715	\$ 80,715
Subtotal	80,715	80,715
Capital Assets being Depreciated		
Buildings	1,739,794	1,753,516
Buses	2,087,503	2,064,335
Other Vehicles	282,692	282,692
Equipment	540,153	597,287
Subtotal	4,650,142	4,697,830
Total Capital Assets	4,730,857	4,778,545
Total Accumulated Depreciation	(3,318,726)	(3,393,520)
Total Net Capital Assets	\$ 1,412,131	\$ 1,385,025

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2021

During the year, the Authority purchased three new buses, performed building improvements, and purchased equipment totaling \$322,185. More detailed information about the Authority's capital assets is presented in Note E to the financial statements. The Authority received \$271,227 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 2021-2022 fiscal year:

- Federal operating assistance is anticipated to decrease during the upcoming year as the Transit will no longer receive 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 2022.
- Financial Management Systems have been implemented to improve money management processing and minimize human error. Due to the high turnover and staffing shortage caused by COVID-19, the authority to working to recruit workers to improve internal processes.

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, Benton Harbor, Michigan 49023-0837.

TWIN CITIES AREA TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
September 30, 2021

EXHIBIT A

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 341,905
Accounts Receivable	32,801
Due From State Government	202,461
Due From Federal Government	561,245
Inventory	11,922
Prepaid Expenses	26,289

Total Current Assets	<u>1,176,623</u>
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Non-current Assets

Capital Assets--Non-depreciating	80,715
Capital Assets--Depreciating	<u>1,304,310</u>

Total Non-current Assets	<u>1,385,025</u>
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Total Assets	<u>2,561,648</u>
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LIABILITIES

Current Liabilities

Accounts Payable	70,929
Accrued Wages and Fringe Benefits	<u>68,611</u>

Total Current Liabilities	<u>139,540</u>
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Long-Term Liabilities

Vested Employee Benefits--Due In One Year	59,300
Vested Employee Benefits--Due In More Than Year	<u>14,626</u>

Total Long-Term Liabilities	<u>73,926</u>
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Total Liabilities	<u>213,466</u>
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NET POSITION

Net Investment in Capital Assets	1,385,025
Unrestricted	<u>963,157</u>

Total Net Position	<u><u>\$ 2,348,182</u></u>
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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, 2021

EXHIBIT B

Operating Revenue	
Passenger Fares	\$ 178,856
Total Operating Revenue	178,856
Operating Expense	2,924,474
Total Operating Expense	2,924,474
Operating Income (Loss)	(2,745,618)
Non-operating Revenue	
Local Contributions	
Tax Levy	106,479
State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	801,151
Job Access Reverse Commute	386,009
New Freedom Program--Mobility Management	12,120
Local Community Stabilization Funds	35,493
Federal Operating Grants	
USDOT Operating Grant--CARES	1,169,985
New Freedom Program--Mobility Management	48,482
Family First Coronavirus Response	25,500
State and Federal Grants--Prior Year Adjustments	85,581
Interest Earned	28
Other Non-Transit Revenues	33,232
Gain/(Loss) of Sale of Capital Assets	(20,187)
Total Non-operating Revenue	2,683,873
Income (Loss) Before Capital Contributions	(61,745)
Capital Contributions	
State Capital Grants	54,245
Federal Capital Grants	216,982
Total Capital Contributions	271,227
Change in Net Position	209,482
Total Net Position--Beginning	2,138,700
Total Net Position--Ending	\$ 2,348,182

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, 2021

EXHIBIT C

Cash Flows From Operating Activities	
Cash Received From Customers	\$ 177,937
Cash Payments to Employees for Services and Benefits	(1,788,679)
Cash Payments to Suppliers for Goods and Services	(784,478)
Net Cash Provided by Operating Activities	<u>(2,395,220)</u>
Cash Flows From Non-capital Financing Activities	
State Grants	1,317,342
Federal Grants	1,276,043
State and Federal Grants--Prior Year Adjustments	85,581
Property Tax	106,479
Other Revenue	18,105
Net Cash Provided by Non-capital Financing Activities	<u>2,803,550</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(322,185)
Capital Assets Purchased With State and Federal Grants	25,382
Sale of Capital Assets	8,600
Net Cash Provided From Capital and Related Financing Activities	<u>(288,203)</u>
Cash Flows From Investing Activities	
Interest on Cash Equivalents	28
Net Cash Provided by Investing Activities	<u>28</u>
Net Increase in Cash and Cash Equivalents	120,155
Cash and Cash Equivalents at Beginning of the Year	<u>221,750</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 341,905</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (2,745,618)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities (Non-cash Items)	
Depreciation Expense	320,505
(Increase) Decrease in Accounts Receivable	(919)
(Increase) Decrease in Inventory	(9,930)
(Increase) Decrease in Prepaid Expenses	18,752
Increase (Decrease) in Accounts Payable	(21,020)
Increase (Decrease) in Other Accrued Liabilities	43,010
Net Cash Provided by Operating Activities	<u><u>\$ (2,395,220)</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, 2021

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, 2021

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 bus 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 bus 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, 2021

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 2020 ad valorem tax was levied and collectible on December 1, 2020. It is the policy of the Authority to recognize revenue from the current tax levy in the 2020/2021 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Authority's operations.

The 2020 real and personal taxable valuation of Benton Harbor property amounted to \$118,061,656. Ad valorem taxes of 1.1844 mills were levied for Authority operating purposes and the total amount collected and recognized as revenue was \$106,479.

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, 2021

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 \$341,905 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 \$395,918, of which \$250,000 is covered by Federal depository insurance and the remaining \$145,918 is uncollateralized. The Authority also maintains \$239 in imprest cash.

NOTE C--DUE FROM FEDERAL GOVERNMENT

The following amount was due September 30, 2021:

Federal Operating Assistance--Section 5307--CARES	\$ 364,884
Federal Capital Assistance--Section 5339 (MI-2019-002-00)	(1,574)
Federal Capital Assistance--Section 5307 (MI-2019-002-00)	3,108
Federal Capital Assistance--Section 5307 (MI-2020-035-00)	<u>194,827</u>
Total Due From Federal Government	<u>\$ 561,245</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE D--DUE FROM STATE GOVERNMENT

The following amount was due September 30, 2021:

State Operating Assistance for Fiscal Year 2018/19	\$ (12,541)
State Operating Assistance for Fiscal Year 2020/21	8,406
New Freedom (2017-0133/P14)	60,602
Job Access Reverse Commute (2017-0133/P15)	96,510
Federal Capital Assistance--Section 5307 (MI-2019-002-00)	777
Federal Capital Assistance--Section 5307 (MI-2020-035-00)	48,707
Total Due From State	<u>\$ 202,461</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</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</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	21,498	7,776	1,753,516
Buses	2,087,503	243,553	266,721	2,064,335
Other Vehicles	282,692	-	-	282,692
Equipment	540,153	57,134	-	597,287
Subtotal	<u>4,650,142</u>	<u>322,185</u>	<u>274,497</u>	<u>4,697,830</u>
Less Accumulated Depreciation for				
Building	1,640,565	13,908	7,776	1,646,697
Buses	1,130,247	209,962	237,935	1,102,274
Other Vehicles	136,006	42,277	-	178,283
Equipment	411,908	54,358	-	466,266
Subtotal	<u>3,318,726</u>	<u>320,505</u>	<u>245,711</u>	<u>3,393,520</u>
Net Capital Assets Being Depreciated	<u>1,331,416</u>	<u>1,680</u>	<u>28,786</u>	<u>1,304,310</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 1,412,131</u>	<u>\$ 1,680</u>	<u>\$ 28,786</u>	<u>\$ 1,385,025</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE F--LONG-TERM DEBT

The long-term debt of the Authority may be summarized as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Vested Employee Benefits	\$ 60,671	\$ 70,828	\$ (58,203)	\$ 73,296	\$ 59,300
Total	<u>\$ 60,671</u>	<u>\$ 70,828</u>	<u>\$ (58,203)</u>	<u>\$ 73,296</u>	<u>\$ 59,300</u>

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, 2021, the accrued vacation time liability is \$53,555.

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, 2021, the accumulated sick time liability is \$20,371.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2021

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 2021 amounted to \$75.

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2021

NOTE I--TAX ABATEMENTS (Continued)

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 2021 amounted to \$13,628.

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 2021 amounted to \$27,405.

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 2021 amounted to \$33,901.

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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

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.

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.

LOCAL REVENUES

For the Fiscal Year Ended September 30, 2021

LOCAL REVENUES	
Line Haul - Farebox (Urban - Small)	\$ 15,162
Demand Response - Farebox (Urban - Small)	148,113
Line Haul - Farebox (JARC)	15,581
Other Auxillary Trans Revenues	30,250
Other Non-Transit Revenues	2,982
Taxes Levied Directly for/by Transit Agency	106,479
Interest Income	<u>28</u>
Total Local Revenues	<u><u>\$ 318,595</u></u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended September 30, 2021

SCHEDULE 2

	Federal ALN 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	\$ 3,885	\$ 3,108	\$ 777	\$ -	\$ 305,043	\$ 103,072
Capital Assistance--Section 5339	20.526	MI-2019-002-00	176,940	23,808	19,046	4,762	-	106,210	46,922
Capital Assistance--Section 5307	20.507	MI-2020-035-00	262,500	243,534	194,828	48,706	-	-	18,966
COVID-19-Operating Assistance--Section 5307--CARES	20.507	MI-2020-026-00	2,378,918	1,169,985	1,169,985	-	-	828,835	380,098
COVID-19-Capital Assistance--Section 5307--CARES	20.507	MI-2020-026-00	100,000	-	-	-	-	-	100,000
Total Operating Assistance			3,330,358	1,441,212	1,386,967	54,245	-	1,240,088	649,058
US Department of Transportation									
Passed through Michigan Department of Transportation									
New Freedom Program--Section 5317	20.513	MI-2020-068-00	75,000	60,602	48,482	12,120	-	-	14,398
Job Access Reverse Commute	N/A	2017-0133/P15	386,040	386,009	-	386,009	-	-	31
Operating Assistance--Act 51	N/A	N/A	801,151	801,151	-	801,151	-	-	-
Total Capital Assistance			1,262,191	1,247,762	48,482	1,199,280	-	-	14,429
Total Department of Transportation			<u>\$ 4,592,549</u>	<u>\$ 2,688,974</u>	<u>\$ 1,435,449</u>	<u>\$ 1,253,525</u>	<u>\$ -</u>	<u>\$ 1,240,088</u>	<u>\$ 663,487</u>
US Department of Treasury									
Direct Pass Through US Department of Treasury									
COVID-19-Family First Coronavirus Response	21.019	N/A	\$ 25,500	\$ 25,500	\$ 25,500	\$ -	\$ -	\$ -	\$ -
Total Department of Treasury			<u>\$ 25,500</u>	<u>\$ 25,500</u>	<u>\$ 25,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Awards			<u>\$ 4,618,049</u>	<u>\$ 2,714,474</u>	<u>\$ 1,460,949</u>	<u>\$ 1,253,525</u>	<u>\$ -</u>	<u>\$ 1,240,088</u>	<u>\$ 663,487</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING AND CONTRACT EXPENSES
 For the Fiscal Year Ended September 30, 2021

SCHEDULE 3

<u>Expenses</u>	<u>Non-urban State Operating FY 2021*</u>	<u>Non-urban Operating JARC</u>	<u>New Freedom</u>	<u>Total</u>
Labor	\$ 1,150,300	\$ 138,192	\$ -	\$ 1,288,492
Fringe Benefits	435,406	107,791	-	543,197
Services	209,568	61,872	60,602	332,042
Materials and Supplies	225,853	57,780	-	283,633
Utilities	28,746	7,447	-	36,193
Casualty and Liability Costs	69,304	22,653	-	91,957
Taxes and Fees	373	97	-	470
Miscellaneous	38,992	2,643	-	41,635
Interest	185	48	-	233
Leases and Rentals	11,837	3,067	-	14,904
Depreciation	320,505	-	-	320,505
Total Expenses	<u>\$ 2,491,069</u>	<u>\$ 401,590</u>	<u>\$ 60,602</u>	<u>\$ 2,953,261</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, 2021

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	\$ 15,162	\$ 148,113	\$ 163,275
406:	Auxiliary Trans Revenues			
40699	Other Auxillary Trans Revenues	-	30,250	30,250
407:	Gains from the Sale of Capital Assets			
40760	Gains from the Sale of Capital Assets	-	8,600	8,600
408:	Local Revenue			
40800	Taxes Levied Directly for/by Transit Agency	106,479	-	106,479
411:	State Formula and Contracts			
41101	State Operating Assistance	139,974	661,177	801,151
41199	Local Community Stabilization Funds	35,493	-	35,493
413:	Federal Contracts			
41361	CARES Act	83,050	1,086,935	1,169,985
41362	Family First Coronavirus Response Act	-	25,500	25,500
414:	Other Revenue			
41400	Interest Income	-	28	28
440:	Non-Transit Revenues			
44000	Other Non-Transit Revenue (Refunds)	-	2,982	2,982
TOTAL REVENUES		<u>\$ 380,158</u>	<u>\$ 1,963,585</u>	<u>\$ 2,343,743</u>

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>LINE HAUL</u>	<u>DEMAND RESPONSE</u>	<u>TOTAL</u>
501:	Labor			
50101	Operators' Salaries and Wages	\$ 118,277	\$ 561,063	\$ 679,340
50102	Other Salaries and Wages	60,934	290,549	351,483
50103	Dispatchers' Salaries and Wages	21,007	98,470	119,477
502:	Fringe Benefits			
50200	Fringe Benefits	74,166	361,240	435,406
503:	Services			
50302	Advertising Fees	59	284	343
50305	Audit Cost	2,075	10,073	12,148
50399	Other Services	40,914	156,163	197,077
504:	Materials and Supplies			
50401	Fuel and Lubricants	23,600	114,575	138,175
50402	Tires and Tubes	2,584	12,546	15,130
50499	Other Materials and Supplies	12,391	60,157	72,548
505:	Utilities			
50500	Utilities	4,910	23,836	28,746
506:	Insurance			
50603	Liability Insurance	9,955	48,327	58,282
50699	Other Insurance	1,883	9,139	11,022
507:	Taxes and Fees			
50700	Taxes and Fees	64	309	373
509:	Miscellaneous Expenses			
50902	Travel, Meetings and Training	1,279	6,211	7,490
50903	Association Dues and Subscriptions	464	2,251	2,715
50909	Loss on Disposal of Asset	-	28,787	28,787
511:	Interest Expense			
51102	Interest on Short-Term Debt	32	153	185
512:	Operating Leases and Rentals			
51200	Operating Leases and Rentals	2,022	9,815	11,837
513:	Depreciation			
51300	Depreciation	-	320,505	320,505
TOTAL EXPENSES		376,616	2,114,453	2,491,069
540:	Ineligible Expenses			
54000	Ineligible Prior Year Refunds and Credits	-	2,982	2,982
509:	Miscellaneous Expenses			
50909	Loss on Disposal of Asset		28,787	28,787
550:	Ineligible Expenses			
55007	Ineligible Depreciation	-	299,389	299,389
TOTAL INELIGIBLE EXPENSES		-	331,158	331,158
TOTAL ELIGIBLE EXPENSES		\$ 376,616	\$ 1,783,295	\$ 2,159,911

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--REGULAR SERVICE
 NON-FINANCIAL DATA--UNAUDITED
 For the Fiscal Year Ended September 30, 2021

SCHEDULE 4N-REGULAR

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	
Public Service								
610	Vehicle Hours	6,718	22,623	469	1,866	-	-	31,676
611	Vehicle Miles*	84,324	243,648	5,897	21,515	-	-	355,384
615	Unlinked Passenger Trips--Regular	8,442	34,556	1,044	3,506	-	-	47,548
616	Unlinked Passenger Trips--Elderly	3,666	2,776	525	412	-	-	7,379
617	Unlinked Passenger Trips--Persons w/Disabilities	8,261	15,049	956	1,593	-	-	25,859
618	Unlinked Passenger Trips--Elderly Persons w/Disabilities	38	3,541	-	550	-	-	4,129
621	Total Line-Haul Unlinked Passenger Trips	20,407	-	2,525	-	-	-	22,932
622	Total Demand-Response Unlinked Passenger Trips	-	55,922	-	6,061	-	-	61,983
625	Days Operated	254	254	52	52	-	-	612
Vehicle Information		Quantity						
653	Total Line-Haul Vehicles	3						
654	Line-Haul Vehicles w/Lifts	3						
655	Total Demand-Response Vehicles	25						
656	Demand-Response Vehicles w/Lifts	25						
658	Total Transit Vehicles	28						
Miscellaneous Information		Quantity LH	Quantity DR					
601	Number of Routes (Line Haul Only)	2	-					
602	Total Route Miles (Line Haul Only)	28	-					
659	LPG or CNG Gallons Equivalent Consumed	14,395	-					
660	Diesel/Gasoline Gallons Consumed	30,453	-					
661	Total Transit Agency Employees	4	30					
662	Total Revenue Vehicle Operators	3	18					

*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, 2021

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	\$ 15,581	\$ -	\$ 15,581
411:	State Formula and Contracts			
41199	Other MDOT Contracts--Job Access Reverse Commute	386,009	-	386,009
TOTAL REVENUES		<u>\$ 401,590</u>	<u>\$ -</u>	<u>\$ 401,590</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--
 EXPENSES--JOB ACCESS REVERSE COMMUTE
 For the Fiscal Year Ended September 30, 2021

SCHEDULE 4E-JARC

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>LINE HAUL</u>	<u>DEMAND RESPONSE</u>	<u>TOTAL</u>
501:	Labor			
50101	Operators' Salaries and Wages	\$ 13,909	\$ -	\$ 13,909
50102	Other Salaries and Wages	92,421	-	92,421
50103	Dispatchers' Salaries and Wages	31,862	-	31,862
502:	Fringe Benefits			
50200	Other Salaries and Wages	107,791	-	107,791
503:	Services			
50302	Advertising Fees	89	-	89
50305	Audit Cost	3,147	-	3,147
50399	Other Services	58,636	-	58,636
504:	Materials and Supplies			
50401	Fuel and Lubricants	35,066	-	35,066
50402	Tires and Tubes	3,920	-	3,920
50499	Other Materials and Supplies	18,794	-	18,794
505:	Utilities			
50500	Utilities	7,447	-	7,447
506:	Insurance			
50603	Liability Insurance	18,921	-	18,921
50699	Other Insurance	3,732	-	3,732
507:	Taxes and Fees			
50700	Taxes and Fees	97	-	97
509:	Miscellaneous Expenses			
50902	Travel, Meetings and Training	1,940	-	1,940
50903	Association Dues & Subscriptions	703	-	703
511:	Interest Expense			
51102	Interest on Short-Term Debt	48	-	48
512:	Operating Leases and Rentals			
51200	Operating Leases and Rentals	3,067	-	3,067
TOTAL EXPENSES		401,590	-	401,590
550:	Ineligible Expenses			
55000	Ineligible Job Access Reverse Commute Fares	15,581	-	15,581
TOTAL INELIGIBLE EXPENSES		15,581	-	15,581
TOTAL ELIGIBLE EXPENSES		\$ 386,009	\$ -	\$ 386,009

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--JOB ACCESS REVERSE COMMUTE
 NON-FINANCIAL DATA--UNAUDITED
 For the Fiscal Year Ended September 30, 2021

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	7,286	-	983	-	-	-	8,269
611	Vehicle Miles*	125,272	-	16,645	-	-	-	141,917
615	Unlinked Passenger Trips--Regular	10,561	-	1,359	-	-	-	11,920
616	Unlinked Passenger Trips--Elderly	2,374	-	284	-	-	-	2,658
617	Unlinked Passenger Trips--Persons w/Disabilities	5,410	-	783	-	-	-	6,193
618	Unlinked Passenger Trips--Elderly Persons w/Disabilities	22	-	-	-	-	-	22
621	Total Line-Haul Unlinked Passenger Trips	18,367	-	2,426	-	-	-	20,793
625	Days Operated	254	-	52	-	-	-	306
<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	25						
656	Demand-Response Vehicles with Lifts	27						
<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	22,598	-					
660	Diesel/Gasoline Gallons Consumed	4,820	-					
661	Total Transit Agency Employees	34	-					
662	Total Revenue Vehicle Operators	21	-					

*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--NEW FREEDOM
 For the Fiscal Year Ended September 30, 2021

SCHEDULE 4R-NF

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	\$ -	\$ 12,120	\$ 12,120
413:	Federal Contracts			
41399	Other MDOT Contracts--New Freedom Program	-	48,482	48,482
TOTAL REVENUES		<u>\$ -</u>	<u>\$ 60,602</u>	<u>\$ 60,602</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--EXPENSES--NEW FREEDOM
 For the Fiscal Year Ended September 30, 2021

SCHEDULE 4E-NF

EXPENSE SCHEDULE REPORT		
<u>CODE</u>	<u>DESCRIPTION</u>	<u>TOTAL</u>
503:	Services	
503990	Other Services	\$ 60,602
TOTAL EXPENSES		\$ 60,602

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE CALCULATION--STATE
 For the Fiscal Year Ended September 30, 2021

SCHEDULE 5S

	<u>Non-urban</u>
Total Operating Expenses	<u>\$ 2,953,261</u>
Less: Ineligible Expenses	
Depreciation	299,389
Loss on Disposal of Asset	28,787
Ineligible Prior Year Refunds and Credits	2,982
Other Revenue-JARC Fares	15,581
Line Haul Funded by Other State and Federal Grants	
Job Access Reverse Commute Program	386,009
New Freedom Program	60,602
Family First Coronavirus Response Act	<u>25,500</u>
Total Ineligible Expenses Per R&E Manual	<u>\$ 818,850</u>
Total State Eligible Expenses	<u><u>\$ 2,134,411</u></u>
Eligible Expenses for State Reimbursement	\$ 2,134,411
Reimbursement Percentage	<u>37.5350%</u>
State Operating Assistance	<u><u>\$ 801,151</u></u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE CALCULATION--FEDERAL
 For the Fiscal Year Ended September 30, 2021

SCHEDULE 5F

	<u>October 1, 2020- September 30, 2021</u>
Total Operating Expenses	\$ 2,953,261
Less: Ineligible Expenses	
Depreciation	299,389
Loss on Disposal of Asset	28,787
Ineligible Prior Year Refunds and Credits	2,982
Other Revenue-JARC Fares	15,581
Job Access Reverse Commute Program	386,009
New Freedom Program	60,602
Family First Coronavirus Response Act	<u>25,500</u>
Total Ineligible Expenses According to R&E Manual	<u>818,850</u>
Total Federal Eligible Expenses	<u><u>\$ 2,134,411</u></u>
Eligible expenses for Federal reimbursement	\$ 2,134,411
x Reimbursement percentage	<u>100%</u>
Subtotal	2,134,411
Less Farebox Revenue	(163,275)
Less State Operating Assistance	<u>(801,151)</u>
Federal Operating Assistance Available	<u><u>\$ 1,169,985</u></u>



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 6, 2022

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, 2021, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 6, 2022.

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,

June 6, 2022

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 2021-001 and 2021-002 to be material weaknesses.

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 instances of non-compliance that are required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs listed as Findings 2021-003 and 2021-004.

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



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 6, 2022

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, 2021, and have issued our report thereon dated June 6, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you March 7, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended September 30, 2021. 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. All significant transactions have been recognized in the financial statements in the proper period.

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

affecting them may differ significantly from those expected. The most sensitive estimate affecting the business-type activities in the government-wide statements relates to depreciation.

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.

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

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 June 6, 2022.

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.

June 6, 2022

Other Matters

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

We were engaged to report on Schedules 1 through 5, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, except for those schedules marked as "unaudited."

Restriction on Use

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

June 6, 2022

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, 2021. 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, 2021.

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 one instance of non-compliance related to federal programs that is required to be reported under *Government Auditing Standards* as Finding 2021-004.

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.

June 6, 2022

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 'CJ Vaughn', with a long horizontal flourish extending to the right.

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, 2021

<u>Federal Agency/Cluster/Program Title</u>	<u>ALN 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	\$ 3,108	\$ -
Capital Assistance--Section 5339	20.526	MI-2019-002-00	19,046	-
Capital Assistance--Section 5307	20.507	MI-2020-035-00	194,828	-
COVID-19-Operating Assistance-- Section 5307--CARES	20.507	MI-2020-026-00	<u>1,169,985</u>	<u>-</u>
Subtotal--Federal Transit Cluster			1,386,967	-
Passed through Michigan Department of Transportation				
New Freedom Program--Section 5317	20.513	MI-2019-037-00	<u>48,482</u>	<u>-</u>
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>\$ 1,435,449</u>	<u>\$ -</u>
US DEPARTMENT OF TREASURY-Direct				
COVID-19-Family First Coronavirus Response	21.019	N/A	<u>\$ 25,500</u>	<u>\$ -</u>
Total U.S. Department of Treasury			<u>\$ 25,500</u>	<u>\$ -</u>
Total Federal Awards			<u>\$ 1,460,949</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, 2021

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, 2021. 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, 2021

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?

 X Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.507, 20.526

Federal Transit Cluster

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

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

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 2021-001

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).

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

MATERIAL WEAKNESS (Continued)

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.

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 Angel Crayton, 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 due to the technical skills that are required to do the work. This was the case in this year's report of FY 2021, 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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

MATERIAL WEAKNESS (Continued)

Segregation of Incompatible Duties (Repeat Comment)

Finding 2021-002

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.

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 Angel Crayton, 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 FY 2020 and early FY 2021. 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.

In the last year, TCATA has gone through the federal Triennial Review process. TCATA immediately developed a plan to correct the findings/recommendations noted in the Triennial Review. The TCATA management team and stakeholders are working with consultants to assist in the areas of deficiencies. 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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

MATERIAL WEAKNESS (Continued)

TCATA recognizes the need to engage external technical assistance to resolve these issues and have redesigned the financial policies and procedures to improve the financial process. We will continue to make improvements as capacity is built on the leadership team. TCATA will continue to work with the Bridging Mobility Gaps Team from UofM and the ARPA funding to hire a public transit professional to assist with addressing all three findings of this report.

In addition, TCATA is working with Hungerford Nichols CPA to review accounts on a monthly, quarterly and/or annual basis.

STATUTORY NONCOMPLIANCE

Violation of Open Meetings Act

Finding 2021-003

Condition: The Authority held two closed meetings during the December 15, 2021, meeting and did not disclose the purpose of the closed meetings.

Criteria: MCL 15.267 states the purpose or purposes for calling a closed session shall be entered into the minutes of the meeting at which the vote is taken.

MCL 15.268 further states a public body may meet in a closed session only for the following purposes:

1. To consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against, or to consider a periodic personnel evaluation of, a public officer, employee, staff member, or individual agent, if the named individual requests a closed hearing. An individual requesting a closed hearing may rescind the request at any time, in which case the matter at issue must be considered after the rescission only in open sessions.
2. For strategy and negotiation sessions connected with the negotiation of a collective bargaining agreement if either negotiating party requests a closed hearing.
3. To consider the purchase or lease of real property up to the time an option to purchase or lease that real property is obtained.
4. To consult with its attorney regarding trial or settlement strategy in connection with specific pending litigation, but only if an open meeting would have a detrimental financial effect on the litigating or settlement position of the public body.
5. To review and consider the contents of an application for employment or appointment to a public office if the candidate requests that the application remain confidential. However, except as otherwise provided in this subdivision, all interviews by a public body

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

STATUTORY NONCOMPLIANCE (Continued)

for employment or appointment to a public office must be held in an open meeting pursuant to this act.

Cause: The Authority did not know to document the purpose of the closed meetings or may have fully understood the restrictions on the closed meetings.

Effect: The Authority has violated the Open Meetings Act.

Directive: We direct the Authority to document the specific purpose of closed meetings held in the future and that meetings are only held for the statutorily allowed reasons listed.

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

It was not the intention of the authority to violate the Open Meetings Act. The authority will download Open Meetings Act handbooks for the board/team. The authority will also designate a team member to review the minutes to ensure that all minutes are well documented.

Section III—Federal Award Findings and Questioned Costs

Echo Documentation Deficient

Finding 2021-004

Condition: The Authority was unable to sufficiently document that it had the proper information to track its ECHO requests. As an example, TCATA was unable to sufficiently document that it had the proper information to track the underlying transaction amount of \$275,335 in its February 2021 ECHO request for Award MI-2020-026. The attached documentation provided for only \$179,224 to be requested for a difference to \$96,911.

Criteria: Per 2 CFR Part 200.302 (b)(4) Financial Management, the financial management system of each non-Federal entity must provide effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.

Further, 2 CFR Part 200.303, Internal Controls, requires the non-Federal entity must (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

should comply with guidance in 'Standards for Internal Control in the Federal Government,' issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Cause: The Authority requested an amount that did not agree with its own calculations for the amount to be reimbursed.

Effect: The Authority is noncompliant with 2 CFR 200. Also, while the amount overdrawn was still considered to be earned before the fiscal year ended and did not need to be repaid, the Authority would have had to return an excess received had there not been additional eligible expenses for the additional amount received.

Directive: We direct the Authority to implement procedures to ensure that each ECHO request has accurate documentation to support the request for reimbursements being made. Further, we direct the Authority to establish an internal control process over the procedure to ensure such documentation is created, reviewed, and approved by an additional person knowledgeable of the process.

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

The Authority has contracted an outside accounting firm and consultant to assist with the process and to provide guidance. All draws are being properly supported. The Executive Director is very involved with the draw process and is ensuring proper federal procedures are being followed.

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 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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

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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 adjusting journal entries and accounting for federal aid programs.

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 was removed as the Authority has contracted an independent accounting firm to review and reconcile the accounts of the Authority.