

STATE OF MICHIGAN

Rick Snyder, Governor

DEPARTMENT OF TREASURY

R. Kevin Clinton, State Treasurer



Report on
Financial Statements

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

September 2013

TWIN CITIES AREA TRANSPORTATION AUTHORITY

BOARD OF TRUSTEES

Juanita Henry
Chairman

Richard Martin
Vice-Chairman

Herbert Singleton
Secretary

Matt Corbis
Trustee

Holly Lancaster
Trustee

Bill Purvis
Executive Director

CITY OF BENTON HARBOR POPULATION--2010
10,038

TAXABLE VALUATION--2012
\$117,140,413



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

March 31, 2014

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, the major fund and the aggregate remaining fund information of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Twin Cities Area Transportation 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, the major fund and the aggregate remaining fund information of the Twin Cities Area Transportation Authority, City of Benton Harbor, Michigan, as of September 30, 2013, 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 Twin Cities Area Transportation Authority's basic financial statements. The accompanying supplementary information in Schedules 1, 3, 4R, 4E, 5F, and 5S 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 in Schedule 2 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. With the exception of Schedule 4N marked "unaudited," the information on schedules 1, 2, 3, 4R, 4E, 5F, and 5S 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, 2, 3, 4R, 4E, 5F, and 5S is 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 Exhibits listed above 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 March 31, 2014, on our consideration of Twin Cities Area Transportation Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Twin Cities Area Transportation Authority's internal control over financial reporting and compliance.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit 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, 2013

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, 2013.

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

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 nonfinancial 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.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements.

Other Supplementary Information

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

The Authority as a Whole

The Authority's net position increased from \$1,446,667 to \$1,602,612 for the year ended September 30, 2013. This is a contrast to the previous year when the net position decreased \$211,712. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Authority's business-type activities.

**Table 1
Net Position of Business-Type Activities**

	<u>9/30/2012 Business-Type Activities</u>	<u>9/30/2013 Business-Type Activities</u>	<u>Variance</u>
Current and Other Assets	\$ 768,458	\$ 646,195	\$ (122,263)
Net Capital Assets	<u>840,541</u>	<u>1,007,317</u>	<u>166,776</u>
Total Assets	<u>1,608,999</u>	<u>1,653,512</u>	<u>44,513</u>
Current Liabilities	<u>162,332</u>	<u>50,900</u>	<u>(111,432)</u>
Total Liabilities	<u>162,332</u>	<u>50,900</u>	<u>(111,432)</u>
Net Position			
Net investment in Capital Assets	840,541	944,617	104,076
Restricted	<u>606,126</u>	<u>657,995</u>	<u>51,869</u>
Total Net Position	<u>\$ 1,446,667</u>	<u>\$ 1,602,612</u>	<u>\$ 155,945</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

Changes in Net Position

Changes in net position for the fiscal year ended September 30, 2013, compared to the prior fiscal year, are as follows:

**Table 2
Changes in Net Position of Business-Type Activities**

	<u>2012</u>	<u>2013</u>	<u>Variance</u>
Operating Revenue			
Passenger Fares	\$ 292,101	\$ 321,124	\$ 29,023
Special Transit Fares	49,890	20,505	(29,385)
Auxiliary Transportation Revenues	2,358	4,436	2,078
Nonoperating Revenue			
Local Contributions			
Tax Levy	148,986	106,323	(42,663)
State of Michigan Operating Grants			
Local Bus Operating Assistance (Act 51)	667,652	745,930	78,278
Job Access Reverse Commute	177,312	135,568	(41,744)
Federal Operating Grants			
USDOT Operating Grant (Section 5307)	680,000	700,000	20,000
Job Access Reverse Commute	177,313	135,568	(41,745)
New Freedom Program--Mobility Management	64,090	59,547	(4,543)
State and Federal Grants--Prior Year Adjustments	23,915	73,321	49,406
Interest Earned	355	247	(108)
Other	5,683	23,153	17,470
Total Revenue	<u>2,289,655</u>	<u>2,325,722</u>	<u>36,067</u>
Operating Expense			
Salaries and Wages	1,504,358	1,478,040	(26,318)
Depreciation	201,785	193,477	(8,308)
Other	813,096	845,960	32,864
Total Operating Expense	<u>2,519,239</u>	<u>2,517,477</u>	<u>(1,762)</u>
Income (Loss) Before Capital Contributions and Operating Transfers	(229,584)	(191,755)	37,829
Capital Contributions			
Federal and State Capital Grants			
Capital Grant (Section 5307)	17,862	347,700	329,838
Increase (Decrease) in Net Position	<u>(211,722)</u>	<u>155,945</u>	<u>367,667</u>
Ending Net Position	<u>\$ 1,446,667</u>	<u>\$ 1,602,612</u>	<u>\$ 155,945</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2013

Business-Type Activities

The Authority's business-type activities operating and non-operating revenues increased by \$36,067 or 1.58%. Capital contribution and transfer revenues increased by \$329,838, while expenses decreased less than 1% (\$1,766) as compared with the prior fiscal year. This increase in revenues was due to the increase of operating assistance provided by the Federal and state government used to fund daily activities.

Budgetary Highlights

Because of a reduction in the Job Access Reverse Commute (JARC) we have reduced part of the service which it funded. We are continuing part of the service. We are planning to cover the portion of the JARC we kept by reducing fuel cost by converting nine 2013 buses to dual fuel use, which is Liquid Propane and Gasoline. Any new buses purchased will have this dual fuel system.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2013, the Transit had \$1,007,317 invested in a broad range of capital assets, including land, buildings, buses and other vehicles, and equipment. This amount represents a net increase (including additions and deductions) of \$166,776.

Table 3
Capital Assets at Year-End

	<u>9/30/12</u>	<u>9/30/13</u>
Capital Assets Not Being Depreciated		
Land	\$ 62,700	\$ 62,700
Subtotal	<u>62,700</u>	<u>62,700</u>
Capital Assets being Depreciated		
Buildings	1,631,341	1,631,341
Buses	1,374,631	1,427,705
Other Vehicles	123,987	123,987
Equipment	<u>435,970</u>	<u>435,970</u>
Subtotal	3,565,929	3,619,003
Total Capital Assets	3,628,629	3,681,703
Total Accumulated Depreciation	<u>(2,788,088)</u>	<u>(2,674,386)</u>
Total Net Capital Assets	<u>\$ 840,541</u>	<u>\$ 1,007,317</u>

The Authority purchased six new buses this year totaling \$360,253. More detailed information about the Authority's capital assets is presented in Note E to the financial statements.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

Debt

The Authority has no debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

We are planning to maintain the 2012/2013 budget. The JARC grant has been reduced but we have also reduced part of the service JARC was funding.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
September 30, 2013**

EXHIBIT A

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 452,354
Accounts Receivable	13,063
Due From Primary Government	25,000
Due From State Government	25,456
Due From Federal Government	16,650
Inventory	38,142
Prepaid Expenses	<u>75,530</u>
Total Current Assets	<u>646,195</u>
Noncurrent Assets	
Capital Assets--Nondepreciating	62,700
Capital Assets--Depreciating	<u>944,617</u>
Total Noncurrent Assets	<u>1,007,317</u>
Total Assets	<u>1,653,512</u>

LIABILITIES

Current Liabilities	
Accounts Payable	37,699
Accrued Wages and Fringe Benefits	<u>13,201</u>
Total Current Liabilities	<u>50,900</u>

NET POSITION

Net Investment in Capital Assets	944,617
Unrestricted	<u>657,995</u>
Total Net Position	<u>\$ 1,602,612</u>

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, 2013

EXHIBIT B

Operating Revenue	
Passenger Fares	\$ 321,124
Special Transit Fares	20,505
Auxiliary Transportation Revenues	<u>4,436</u>
Total Operating Revenue	<u>346,065</u>
Operating Expense	<u>2,517,477</u>
Total Operating Expense	<u>2,517,477</u>
Operating Income (Loss)	<u>(2,171,412)</u>
Nonoperating Revenue	
Local Contributions	
Tax Levy	106,323
State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	745,930
Job Access Reverse Commute	135,568
Federal Operating Grants	
USDOT Operating Grant (Section 5307)	700,000
Job Access Reverse Commute	135,568
New Freedom Program--Mobility Management	59,547
State and Federal Grants--Prior Year Adjustments	73,321
Interest Earned	247
Other Non-Transit Revenues	<u>23,153</u>
Total Nonoperating Revenue	<u>1,979,657</u>
Income (Loss) Before Capital Contributions	(191,755)
Capital Contributions	
State Capital Grants	69,500
Federal Capital Grants (Section 5307)	<u>278,200</u>
Change in Net Position	155,945
Total Net Position--October 1, 2012	<u>1,446,667</u>
Total Net Position--September 30, 2013	<u><u>\$ 1,602,612</u></u>

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2013

EXHIBIT C

Cash Flows From Operating Activities	
Cash Received From Customers	\$ 356,346
Cash Payments to Employees for Services and Benefits	(1,565,561)
Cash Payments to Suppliers for Goods and Services	<u>(910,133)</u>
Net Cash Provided by Operating Activities	<u>(2,119,348)</u>
Cash Flows From Noncapital Financing Activities	
State Grants	985,121
Federal Grants	1,071,645
State and Federal Grants--Prior Year Adjustments	73,321
Property Tax	81,323
Other Revenue	<u>23,153</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,234,563</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(360,253)
Capital Assets Purchased With State and Federal Grants	<u>347,700</u>
Net Cash Provided From Capital and Related Financing Activities	(12,553)
Cash Flows From Investing Activities	
Interest on Cash Equivalents	<u>247</u>
Net Cash Provided by Investing Activities	247
Net Decrease in Cash and Cash Equivalents	102,909
Cash and Cash Equivalents at Beginning of the Year	<u>349,445</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 452,354</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (2,171,412)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities (Noncash Items)	
Depreciation Expense	193,477
(Increase) Decrease in Accounts Receivable	10,281
(Increase) Decrease in Inventory	(15,805)
(Increase) Decrease in Prepaid Expenses	(24,457)
Increase (Decrease) in Accounts Payable	(23,911)
Increase (Decrease) in Other Accrued Liabilities	<u>(87,521)</u>
Net Cash Provided by Operating Activities	<u><u>\$ (2,119,348)</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, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Authority was incorporated in the State of Michigan on July 1, 1974 under Public Act 55 of 1963. The purpose of the Authority is to acquire, own, operate and manage a public transportation system within the boundaries of its participating municipalities. Currently, the City of Benton Harbor is the only participating municipality. The City has significant influence over the operation of the Authority and appoints the six-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 Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor; and for financial purposes within generally accepted accounting principles, an enterprise fund of the City of Benton Harbor.

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net 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 assets.

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, 2013

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

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2013

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

Capital Assets

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

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

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

Property Taxes

Property taxes are levied each December 1 on the taxable valuation of properties located in the City of Benton Harbor as of the preceding December 31. The City of Benton Harbor's 2011 ad valorem tax was levied and collectible on December 1, 2012. It is the policy of the Authority to recognize revenue from the current tax levy in the 2011/2012 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Authority's operations.

The 2012 real and personal taxable valuation of Benton Harbor property, excluding \$1,070,078 Renaissance Zone, amounted to \$116,070,335. Ad valorem taxes of 1.2311 mills were levied for Authority operating purposes and the total amount collected and recognized as revenue was \$106,323.

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, 2013

NOTE B--DEPOSITS AND INVESTMENTS

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

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

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

	<u>Business-Type Activities</u>
Cash	\$ 452,124
Petty Cash	<u>230</u>
Total Deposits	<u>\$ 452,354</u>

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 \$524,779, of which \$250,000 is covered by Federal depository insurance. The remaining \$274,779 is uncollateralized and uninsured.

Investments Authorized by the Authority's Investment Policy

The Authority's investment policy authorizes investment in all those that are authorized by law. The Authority did not have any investments in the fiscal year ended September 30, 2013.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

NOTE C--DUE FROM FEDERAL GOVERNMENT

The following amount was due at September 30, 2013:

Federal Operating Assistance for Fiscal Year 2012/13	\$ 16,650
Total Due From Federal Government	<u>\$ 16,650</u>

NOTE D--DUE FROM STATE GOVERNMENT

The following amount was due at September 30, 2013:

State Operating Assistance for Fiscal Year 2012/13	\$ 53,134
New Freedom Program (MI-57-X010-03)	16,268
Job Access Reverse Commute (MI-37-X047)	<u>(43,946)</u>
Total Due From State	<u>\$ 25,456</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2013

NOTE E--CAPITAL ASSETS

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

<u>Business-Type Activities</u>	Beginning Balance 10/01/12	Increases	Decreases	Ending Balance 09/30/13
Capital Assets Not Being Depreciated				
Land	\$ 62,700	\$ -	\$ -	\$ 62,700
Subtotal	<u>62,700</u>	<u>-</u>	<u>-</u>	<u>62,700</u>
Capital Assets Being Depreciated				
Building	1,631,341	-	-	1,631,341
Buses	1,374,631	360,253	307,179	1,427,705
Other Vehicles	123,987	-	-	123,987
Equipment	435,970	-	-	435,970
Subtotal	<u>3,565,929</u>	<u>360,253</u>	<u>307,179</u>	<u>3,619,003</u>
Less Accumulated Depreciation for				
Building	1,489,719	14,448	-	1,504,167
Buses	926,814	146,253	307,179	765,888
Other Vehicles	113,285	9,168	-	122,453
Equipment	258,270	23,608	-	281,878
Subtotal	<u>2,788,088</u>	<u>193,477</u>	<u>307,179</u>	<u>2,674,386</u>
Net Capital Assets Being Depreciated	<u>777,841</u>	<u>166,776</u>	<u>-</u>	<u>944,617</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 840,541</u>	<u>\$ 1,050,569</u>	<u>\$ 313,941</u>	<u>\$ 1,007,317</u>

Depreciation expense included as eligible only includes assets purchased with local funds where the useful life of the asset has been approved by the Office of Passenger Transportation.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2013

NOTE F--ACCRUED EMPLOYEE BENEFITS

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

Vacation Leave

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

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

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

Up to one hundred twenty (120) hours of vacation may be accumulated. 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.

Sick Leave

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

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

NOTE G--POST-EMPLOYMENT BENEFITS

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

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2013

NOTE H--RISK MANAGEMENT (Continued)

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--CONTINGENCIES

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

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

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

NOTE K--COST ALLOCATION PLAN

The Authority has one cost allocation plan where the methodology has been approved by the Bureau of Passenger Transportation (BPT) and MDOT. The cost allocation is for the line haul route for the Job Access Reverse Commute program. The total charges of \$392,178 related to line haul routes funded by other Federal grants and the related grant revenue was included as an ineligible expense in Schedule 4E and Schedule 5.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2013

NOTE L--NONFINANCIAL DATA

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

NOTE M--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 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--CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year, the Authority adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989, that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure.

The Authority also adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position. The statement impacts the format and reporting of the balance sheet at the government-wide level and also the fund level.

The Authority also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

TWIN CITIES AREA TRANSPORTATION AUTHORITY
LOCAL REVENUES
For the Fiscal Year Ended September 30, 2013

SCHEDULE 1

LOCAL REVENUES

Farebox	\$ 321,124
Contract Fares	20,505
Concessions	3,236
Other Non-Transit Revenues	23,153
Taxes Levied Directly for/by Transit Agency	106,323
Interest Income	<u>247</u>
Total Local Revenues	<u>\$ 474,588</u>

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (1, 2)
For the Fiscal Year Ended September 30, 2013**

SCHEDULE 2

	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditures	Amount Remaining
				Total	Federal	State		
US Department of Transportation								
Direct Pass Through US Department of Transportation								
Operating Assistance--Section 5307	20.507	MI-90-X662-00	\$ 700,000	\$ 700,000 (3)	\$ 700,000	\$ -	\$ -	\$ -
Capital Assistance--Section 5307	20.507	MI-95-X091/P5	173,750	173,750	139,000	34,750	-	-
Capital Assistance--Section 5307	20.507	MI-90-X763/P6	173,750	173,750	139,000	34,750	-	-
Total Operating Assistance			1,047,500	1,047,500	978,000	69,500	-	-
US Department of Transportation								
Passed through Michigan Department of Transportation								
Job Access Reverse Commute	20.516	MI-37-X047/P3	388,644	271,136	135,568	135,568	-	117,508
New Freedom Program--Section 5317	20.521	MI-57-X010-03/P4	75,000	59,547	59,547	-	-	15,453
Total Capital Assistance			463,644	330,683	195,115	135,568	-	132,961
Michigan Department of Transportation								
Operating Assistance--Act 51	N/A	N/A	745,930	745,930 (4)	-	745,930	-	-
Total Department of Transportation			\$ 2,257,074	\$2,124,113	\$ 1,173,115	\$ 950,998	\$ -	\$ 132,961

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended September 30, 2013

1. The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all Federal and State awards programs of the Authority. Federal and State awards received directly from Federal or State agencies, as well as Federal or State awards passed through other government agencies are included on the schedule.
2. The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting which is described in Note A of the Authority's basic financial statements.
3. Maximum Section 5307 operating assistance revenue can be 50% of Net Eligible Expenses as presented in Schedule 5F, not to exceed the local match or contract limit. The Federal Section 5307 operating assistance of \$700,000 was recognized based on the contract limit.
4. State operating assistance of \$745,930 was recognized based on the net eligible cost computation presented as Schedule 5S. The actual revenue to be received from the State is uncertain because the revenue is based on a fixed amount of state-wide available funding. It could be as low as \$288,947, which is the 1997 floor; or as high as \$1,162,790, which is the statutory cap of 60% of eligible operating expenses. MDOT will recalculate the State operating assistance percentage in Schedule 5S based on state-wide eligible expenses after the year is closed out.

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING AND CONTRACT EXPENSES
 For the Fiscal Year Ended September 30, 2013**

SCHEDULE 3

<u>Expenses</u>	<u>Nonurban State Operating FY 2013*</u>	<u>Nonurban Operating JARC</u>	<u>Total</u>
Labor	\$ 787,059	\$ 166,068	\$ 953,127
Fringe Benefits	433,482	91,431	524,913
Services	301,878	50,197	352,075
Materials and Supplies	281,715	59,123	340,838
Utilities	34,703	7,212	41,915
Casualty and Liability Costs	73,755	14,075	87,830
Taxes and Fees	851	173	1,024
Miscellaneous	12,970	2,751	15,721
Leases and Rentals	5,409	1,148	6,557
Depreciation	193,477	-	193,477
Total Expenses	<u>\$ 2,125,299</u>	<u>\$ 392,178</u>	<u>\$ 2,517,477</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, 2013**

SCHEDULE 4R

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	\$ 21,407	\$ 299,717	\$ 321,124
40200	Contract Fares	-	20,505	20,505
406:	Auxiliary Trans Revenues			
40610	Concessions	-	3,236	3,236
40615	Advertising	-	1,200	1,200
407:	NonTrans Revenues			
40710	Other Non-Transit Revenue (Refunds)	-	23,153	23,153
408:	Local Revenue			
40800	Taxes Levied Directly for/by Transit Agency	100,547	5,776	106,323
411:	State Formula and Contracts			
41101	State Operating Assistance	74,631	671,299	745,930
41110	Line-Item Municipal Credit (Prior Year Adjustments)	-	73,321	73,321
41119	Other MDOT Contracts--New Freedom Program/Mobility Management	-	59,547	59,547
41199	Other MDOT Contracts--Job Access Reverse Commute	-	135,568	135,568
413:	Federal Contracts			
41302	Federal Section 5307	-	700,000	700,000
41399	Other MDOT Contracts--Job Access Reverse Commute	-	135,568	135,568
414:	Other Revenue			
41400	Interest Income	-	247	247
TOTAL REVENUES		<u>\$ 196,585</u>	<u>\$2,129,137</u>	<u>\$ 2,325,722</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--EXPENSES--REGULAR SERVICE
 For the Fiscal Year Ended September 30, 2013

SCHEDULE 4E

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>OPERATIONS LINE HAUL</u>	<u>OPERATIONS DEMAND RESPONSE</u>	<u>MAINTENANCE LINE HAUL</u>	<u>MAINTENANCE DEMAND RESPONSE</u>	<u>ADMINISTRATION LINE HAUL</u>	<u>ADMINISTRATION DEMAND RESPONSE</u>	<u>TOTAL</u>
501:	Labor							
50101	Operators' Salaries and Wages	\$ 39,796	\$ 555,118	\$ -	\$ -	\$ -	\$ -	\$ 594,914
50102	Other Salaries and Wages	2,861	28,444	7,851	66,501	14,486	96,575	216,718
50103	Dispatchers' Salaries and Wages	-	141,495	-	-	-	-	141,495
502:	Fringe Benefits							
50200	Other Salaries and Wages	35,152	348,909	5,207	43,669	11,992	79,984	524,913
503:	Services							
50302	Advertising Fees	-	-	-	-	717	4,783	5,500
50305	Audit Cost	-	-	-	-	1,175	7,465	8,640
50399	Other Services	623	10,152	26,443	223,305	2,213	75,199	337,935
504:	Materials and Supplies							
50401	Fuel and Lubricants	27,535	255,399	-	2,890	-	3,346	289,170
50402	Tires and Tubes	2,262	22,488	-	-	-	-	24,750
50499	Other Materials and Supplies	92	912	1,272	10,780	1,796	12,066	26,918
505:	Utilities							
50500	Utilities	1,446	14,380	2,360	19,994	488	3,247	41,915
506:	Insurance							
50603	Liability Insurance	6,798	72,107	-	-	-	-	78,905
50699	Other Insurance	-	-	-	-	909	8,016	8,925
507:	Taxes and Fees							
50700	Taxes and Fees	-	-	-	-	134	890	1,024
509:	Miscellaneous Expenses							
50902	Travel, Meetings and Training	355	3,530	44	370	849	5,662	10,810
50903	Association Dues and Subscriptions	-	-	-	-	97	646	743
50999	Other Miscellaneous Expenses	128	1,276	-	-	364	2,400	4,168

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--EXPENSES--REGULAR SERVICE
 For the Fiscal Year Ended September 30, 2013

SCHEDULE 4E
 (CONTINUED)

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>OPERATIONS LINE HAUL</u>	<u>OPERATIONS DEMAND RESPONSE</u>	<u>MAINTENANCE LINE HAUL</u>	<u>MAINTENANCE DEMAND RESPONSE</u>	<u>ADMINISTRATION LINE HAUL</u>	<u>ADMINISTRATION DEMAND RESPONSE</u>	<u>TOTAL</u>
512:	Operating Leases and Rentals							
51200	Operating Leases and Rentals	522	5,190	66	463	36	280	6,557
513:	Depreciation							
51300	Depreciation	-	177,520	-	2,940	-	13,017	193,477
TOTAL EXPENSES		<u>117,570</u>	<u>1,636,920</u>	<u>43,243</u>	<u>370,912</u>	<u>35,256</u>	<u>313,576</u>	<u>2,517,477</u>
540:	Ineligible Expenses							
54000	Ineligible Prior Year Refunds and Credits	-	23,153	-	-	-	-	23,153
550:	Ineligible Expenses							
55000	Ineligible Job Access Reverse Commute Fares	9,147	21,618	-	-	-	-	30,765
55007	Ineligible Depreciation	-	176,630	-	2,940	-	13,017	192,587
55010	Other Ineligible Expense--Vending Expense	-	-	-	-	364	1,942	2,306
570:	Ineligible Expenses							
57099	Other Ineligible FSL (New Freedom Program/Mobility Management)	-	-	-	-	-	59,547	59,547
57099	Other Ineligible FSL (Job Access Reverse Commute)	63,528	117,508	24,166	30,183	15,818	19,932	271,135
TOTAL INELIGIBLE EXPENSES		<u>72,675</u>	<u>338,909</u>	<u>24,166</u>	<u>33,123</u>	<u>16,182</u>	<u>94,438</u>	<u>579,493</u>
TOTAL ELIGIBLE EXPENSES		<u>\$ 44,895</u>	<u>\$ 1,298,011</u>	<u>\$ 19,077</u>	<u>\$ 337,789</u>	<u>\$ 19,074</u>	<u>\$ 219,138</u>	<u>\$1,937,984</u>

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--REGULAR SERVICE
 NONFINANCIAL DATA--UNAUDITED
 For the Fiscal Year Ended September 30, 2013**

SCHEDULE 4N

NONFINANCIAL SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Weekday Line Haul</u>	<u>Weekday Demand Response</u>	<u>Saturday Line Haul</u>	<u>Saturday Demand Response</u>	<u>TOTAL</u>
<u>Public Service</u>						
610	Vehicle Hours	4,048	33,390	416	2,908	40,762
611	Vehicle Miles*	55,862	371,952	5,741	14,229	447,784
615	Passengers--Regular	13,135	77,213	1,745	12,447	104,540
616	Passengers--Elderly	5,363	16,804	596	3,104	25,867
617	Passengers--Persons w/Disabilities	8,468	38,905	1,007	3,972	52,352
621	Total Line-Haul Passengers	26,966	-	3,348	-	30,314
622	Total Demand-Response Passengers	-	132,922	-	19,523	152,445
625	Days Operated	253	253	52	52	610

<u>Vehicle Information</u>	<u>Quantity</u>	
652	Number of Personnel Vehicles in Service	2
653	Total Line-Haul Vehicles	2
654	Line-Haul Vehicles w/Lifts	2
655	Total Demand-Response Vehicles	19
656	Demand-Response Vehicles	18
658	Total Transit Vehicles	21

<u>Miscellaneous Information</u>	<u>Quantity LH</u>	<u>Quantity DR</u>
601	Number of Routes (Line Haul Only)	-
602	Total Route Miles (Line Haul Only)	-
660	Diesel/Gasoline Gallons Consumed	60,874
661	Total Transit Agency Employees	41
662	Total Revenue Vehicle Operators	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 CALCULATION--STATE
 For the Fiscal Year Ended September 30, 2013**

SCHEDULE 5S

	<u>Nonurban</u>						
Total Operating Expenses	<u>\$2,517,477</u>						
Less: Ineligible Expenses							
Depreciation	192,587						
Ineligible Prior Year Refunds and Credits	23,153						
Other Revenue	30,765						
Vending Machines	2,306						
Line Haul Funded by Other Federal Grants	<u>330,682</u>						
Total Ineligible Expenses Per R&E Manual	<u>\$ 579,493</u>						
Total State Eligible Expenses	<u><u>\$1,937,984</u></u>						
<table border="0" style="width: 100%;"> <tbody> <tr> <td style="width: 70%;">Eligible Expenses for State Reimbursement</td> <td style="text-align: right;">\$1,937,984</td> </tr> <tr> <td>Reimbursement Percentage</td> <td style="text-align: right;"><u>38.49%</u></td> </tr> <tr> <td>State Operating Assistance</td> <td style="text-align: right;"><u>\$ 745,930</u></td> </tr> </tbody> </table>		Eligible Expenses for State Reimbursement	\$1,937,984	Reimbursement Percentage	<u>38.49%</u>	State Operating Assistance	<u>\$ 745,930</u>
Eligible Expenses for State Reimbursement	\$1,937,984						
Reimbursement Percentage	<u>38.49%</u>						
State Operating Assistance	<u>\$ 745,930</u>						

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE CALCULATION--FEDERAL
 For the Fiscal Year Ended September 30, 2013**

SCHEDULE 5F

	<u>Urban</u>
Total Operating Expenses	\$2,517,477
Less: Ineligible Expenses	
Depreciation	\$ 192,587
Ineligible Prior Year Refunds and Credits	23,153
Other Revenue	30,765
Vending Machines	2,306
Line Haul Funded by Other Federal Grants	<u>330,682</u>
Total Ineligible Expenses According to R&E Manual	<u>579,493</u>
Total Federal Eligible Expenses	<u>1,937,984</u>
Less Farebox and Other Revenues	
Farebox	<u>(341,629)</u>
Total Farebox and Other Revenues	<u>(341,629)</u>
Net Project Cost	<u>1,596,355</u>
Maximum Amount of Reimbursement (Net Project Cost x 50%)	<u>798,178</u>
FTA Fund Available	<u>700,000</u>
FTA Funds Requested	<u>\$ 700,000</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

March 31, 2014

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

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

Dear Board Members:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the major fund and the aggregate remaining fund information of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Twin Cities Area Transportation Authority's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

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

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

Compliance and Other Matters

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

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 Twin Cities Area Transportation 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 Twin Cities Area Transportation 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.



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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

March 31, 2014

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

RE: Independent Auditor's Report on Compliance For Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133

Dear Board Members:

Report on Compliance for Each Major Federal Program

We have audited the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Twin Cities Area Transportation Authority's major federal programs for the year ended September 30, 2013. The Twin Cities Area Transportation Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Twin Cities Area Transportation 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Twin Cities Area Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Twin Cities Area Transportation Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Twin Cities Area Transportation 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 fiscal year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Twin Cities Area Transportation 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 Twin Cities Area Transportation 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Twin Cities Area Transportation Authority's internal control over compliance.

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

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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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



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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

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March 31, 2014

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, the major fund and the aggregate remaining fund information of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, for the fiscal year ended September 30, 2013, and have issued our report thereon dated January 16, 2014. Professional standards require that we provide you with information related to our audit.

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

As stated in the engagement letter dated May 2, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Other information in Documents Containing Audited Financial Statements

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters February 11, 2014, with management.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Twin Cities Area Transportation Authority are described in Note A to the financial statements. As described in Note O to the financial statements, the Twin Cities Area Transportation Authority changed accounting policies related to fund balance descriptions by adopting Statement of Governmental Accounting Standards (GASB Statement) Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB 65, *Items Previously Reported as Assets and Liabilities* in the current year. This change in accounting principle had no effect on the Statement of Net Position. We noted no transactions entered into by the Twin Cities Area Transportation Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of the depreciation is based on the straight-line method for all other capital assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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



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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013**

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? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

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

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

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013**

Section II--Financial Statement Findings

No matters were reported.

Section III--Federal Award Findings and Questioned Costs

No matters were reported.