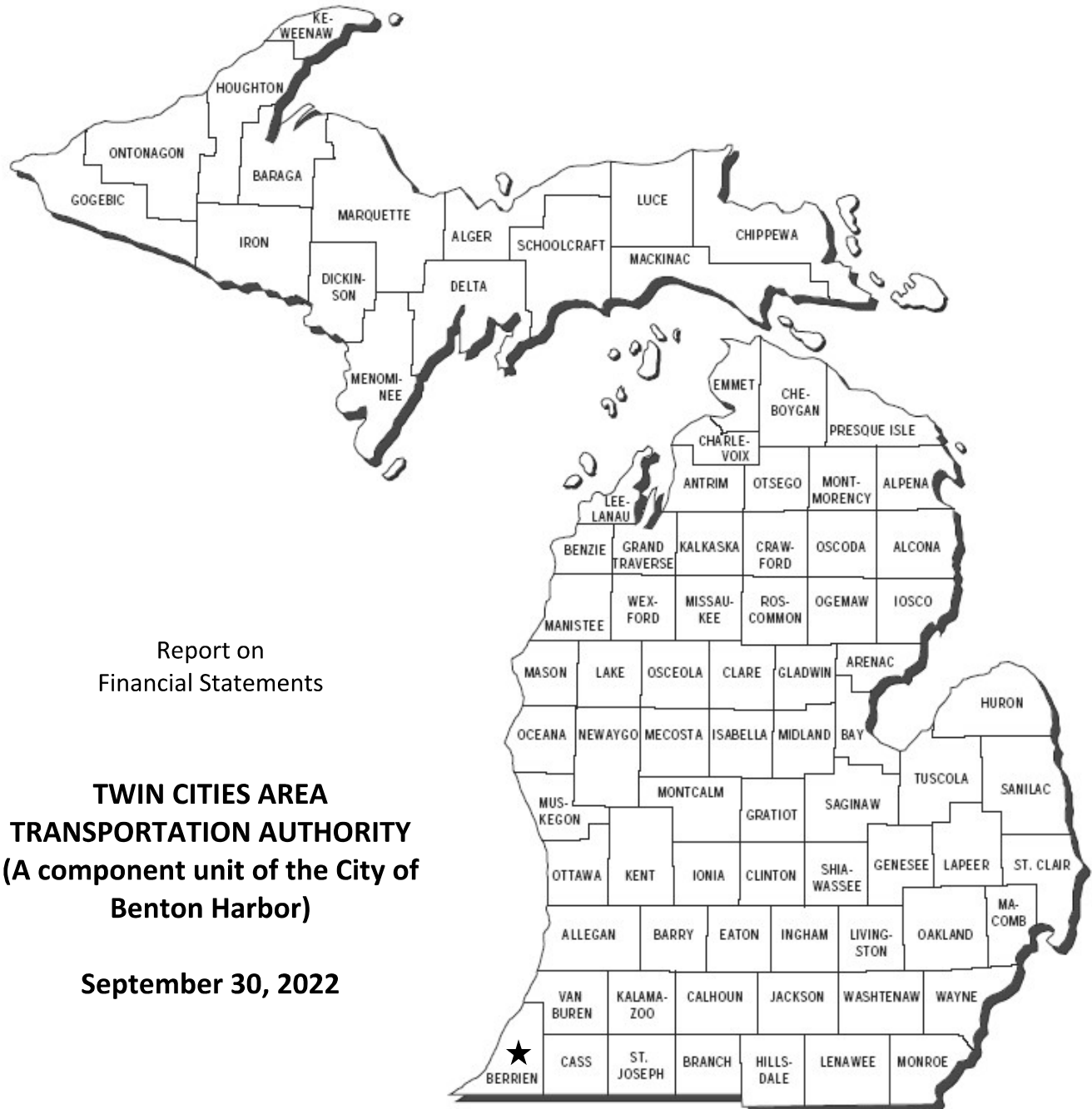


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



TWIN CITIES AREA TRANSPORTATION AUTHORITY

BOARD OF TRUSTEES

March 27, 2023

Apollonia Williams
Chairperson

Felicia Smith
Secretary

David Gray
Treasurer

Jerry Edwards
Trustee

Vacant
Trustee

Oliver Lindsay
Interim Executive Director

CITY OF BENTON HARBOR POPULATION--2020
9,103

TAXABLE VALUATION--2022
\$122,697,423



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

INDEPENDENT AUDITOR'S REPORT

March 27, 2023

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Authority, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary and related information presented in Schedules 1 through 5 and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary and related information presented in Schedules 1 through 5 and the schedule of expenditures of

March 27, 2023

federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, 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 effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

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TWIN CITIES AREA TRANSPORTATION AUTHORITY

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TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2022

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, 2022.

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 decreased from \$2,348,182 to \$2,222,676 for the year ended September 30, 2022. This is a contrary to the previous year when the net position increased \$209,482. 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, 2022

Table 1
Net Position of Business-Type Activities

	09/30/21 Business-Type Activities	09/30/22 Business-Type Activities	Variance
Current and Other Assets	\$ 1,176,623	\$ 1,309,860	\$ 133,237
Net Capital Assets	<u>1,385,025</u>	<u>1,091,084</u>	<u>(293,941)</u>
Total Assets	<u>2,561,648</u>	<u>2,400,944</u>	<u>(160,704)</u>
Current Liabilities	139,540	157,322	17,782
Noncurrent Liabilities	<u>73,926</u>	<u>20,946</u>	<u>(52,980)</u>
Total Liabilities	<u>213,466</u>	<u>178,268</u>	<u>(35,198)</u>
Net Position			
Net Investment in Capital Assets	1,385,025	1,091,084	(293,941)
Unrestricted	<u>963,157</u>	<u>1,131,592</u>	<u>168,435</u>
Total Net Position	<u>\$ 2,348,182</u>	<u>\$ 2,222,676</u>	<u>\$ (125,506)</u>

The Authority's business-type activities total net position decreased by 5% or \$125,506. Total net investment in capital assets decreased \$293,941. During the year, the Authority purchased equipment totaling \$17,607, but this was offset by the continued depreciation of the Authority's capital assets causing the decline. The increase in the unrestricted net position of \$168,435 was due the increased federal assistance received from the Coronavirus Aid, Relief, and Economic Security (CARES) and American Rescue Plan Act (ARPA) 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, 2022

Table 2
Changes in Net Position of Business-Type Activities

	2021	2022	Variance
Operating Revenue			
Passenger Fares	\$ 178,856	\$ 140,938	\$ (37,918)
Non-operating Revenue			
Local Contributions			
Tax Levy	106,479	116,805	10,326
State of Michigan Operating Grants			
Local Bus Operating Assistance (Act 52)	801,151	674,898	(126,253)
Job Access Reverse Commute	386,009	386,040	31
New Freedom Program-Mobility Management	12,120	7,750	(4,370)
Local Community Stabilization Funds	35,493	38,508	3,015
Federal Operating Grants			
USDOT Operating Grant (Section 5307)	-	36,688	36,688
USDOT Operating Grant-CARES&ARPA	1,169,985	936,864	(233,121)
New Freedom Program-Mobility Management	48,482	31,001	(17,481)
Family First Coronavirus Response	25,500	-	(25,500)
State and Federal Grants--Prior Year Adjustments	85,581	121,898	36,317
Interest Earned	28	171	143
Other Non-Transit Revenues	33,232	54,467	21,235
Gain/(Loss) of Sale of Capital Assets	(20,187)	-	20,187
Total Revenue	<u>2,862,729</u>	<u>2,546,028</u>	<u>(316,701)</u>
Operating Expense			
Salaries and Wages	1,831,689	1,598,034	(233,655)
Depreciation	320,505	311,548	(8,957)
Other	772,280	778,205	5,925
Total Operating Expense	<u>2,924,474</u>	<u>2,687,787</u>	<u>(236,687)</u>
Income (Loss) Before Capital Contributions	(61,745)	(141,759)	(80,014)
Capital Contributions			
Federal and State Capital Grants	<u>271,227</u>	<u>16,253</u>	<u>(254,974)</u>
Ending Net Position	<u>\$ 2,348,182</u>	<u>\$ 2,222,676</u>	<u>\$ (125,506)</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2022

Business-Type Activities

The Authority's business-type activities operating, and non-operating revenues decreased by \$316,701 or 11% and capital contribution revenues decreased by \$254,974. Expenses decreased \$236,687 or 8% as compared with the prior fiscal year. This decrease in revenues was due to the decreases in state and federal operating assistance that reimburses the Authority based on the amount of the expenses which decreased. The decrease in expenses is primarily due to decreased salaries and benefits as the Authority overall staffing level was lower than the prior year, especially for administrative employees.

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 and state operating assistance decreased this past year as the Transit's decreased payroll was taken into consideration.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2022, the Transit had \$1,091,084 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 \$293,941.

Table 3
Capital Assets at Year-End

	9/30/21	9/30/22
Capital Assets Not Being Depreciated		
Land	\$ 80,715	\$ 80,715
Subtotal	80,715	80,715
Capital Assets being Depreciated		
Buildings	1,753,516	1,732,425
Buses	2,064,335	2,064,335
Other Vehicles	282,692	282,692
Equipment	597,287	552,437
Subtotal	4,697,830	4,631,889
Total Capital Assets	4,778,545	4,712,604
Total Accumulated Depreciation	(3,393,520)	(3,621,520)
Total Net Capital Assets	\$ 1,385,025	\$ 1,091,084

During the year, the Authority purchased equipment totaling \$17,607. More detailed information about the Authority's capital assets is presented in Note E to the financial statements. The

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2022

Authority received \$16,253 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 2022-2023 fiscal year:

- Federal operating assistance is anticipated to decrease during the upcoming year as the Transit will no longer receive COVID related 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 35% of eligible expenses to be reimbursed by the Michigan Department of Transportation for the fiscal year ending 2023.

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, 2022

EXHIBIT A

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 492,076
Accounts Receivable	9,330
Due From State Government	53,051
Due From Federal Government	711,717
Inventory	4,030
Prepaid Expenses	39,656

Total Current Assets	<u>1,309,860</u>
----------------------	------------------

Non-current Assets

Capital Assets--Non-depreciating	80,715
Capital Assets--Depreciating	<u>1,010,369</u>

Total Non-current Assets	<u>1,091,084</u>
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Total Assets	<u>2,400,944</u>
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LIABILITIES

Current Liabilities

Accounts Payable	109,309
Accrued Wages and Fringe Benefits	<u>48,013</u>

Total Current Liabilities	<u>157,322</u>
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Long-Term Liabilities

Vested Employee Benefits--Due In One Year	15,710
Vested Employee Benefits--Due In More Than Year	<u>5,236</u>

Total Long-Term Liabilities	<u>20,946</u>
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Total Liabilities	<u>178,268</u>
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NET POSITION

Net Investment in Capital Assets	1,091,084
Unrestricted	<u>1,131,592</u>

Total Net Position	<u><u>\$ 2,222,676</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, 2022

EXHIBIT B

Operating Revenue	
Passenger Fares	\$ 140,938
Total Operating Revenue	<u>140,938</u>
Operating Expense	<u>2,687,787</u>
Total Operating Expense	<u>2,687,787</u>
Operating Income (Loss)	<u>(2,546,849)</u>
Non-operating Revenue	
Local Contributions	
Tax Levy	116,805
State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	674,898
Job Access Reverse Commute	386,040
New Freedom Program--Mobility Management	7,750
Local Community Stabilization Funds	38,508
Federal Operating Grants	
USDOT Operating Grant--CARES	280,098
USDOT Operating Grant--ARP	656,766
USDOT Operating Grant--Section 5307	36,688
New Freedom Program--Mobility Management	31,001
State and Federal Grants--Prior Year Adjustments	121,898
Interest Earned	171
Other Non-Transit Revenues	<u>54,467</u>
Total Non-operating Revenue	<u>2,405,090</u>
Income (Loss) Before Capital Contributions	(141,759)
Capital Contributions	
State Capital Grants	3,251
Federal Capital Grants	<u>13,002</u>
Total Capital Contributions	<u>16,253</u>
Change in Net Position	(125,506)
Total Net Position--Beginning	<u>2,348,182</u>
Total Net Position--Ending	<u>\$ 2,222,676</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, 2022

EXHIBIT C

Cash Flows From Operating Activities	
Cash Received From Customers	\$ 134,159
Cash Payments to Employees for Services and Benefits	(1,671,612)
Cash Payments to Suppliers for Goods and Services	<u>(745,300)</u>
Net Cash Provided by Operating Activities	<u>(2,282,753)</u>
Cash Flows From Non-capital Financing Activities	
State Grants	1,211,150
Federal Grants	672,256
State and Federal Grants--Prior Year Adjustments	121,898
Property Tax	116,805
Other Revenue	<u>84,717</u>
Net Cash Provided by Non-capital Financing Activities	<u>2,206,826</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(17,607)
Capital Assets Purchased With State and Federal Grants	<u>243,534</u>
Net Cash Provided From Capital and Related Financing Activities	225,927
Cash Flows From Investing Activities	
Interest on Cash Equivalents	<u>171</u>
Net Cash Provided by Investing Activities	171
Net Increase in Cash and Cash Equivalents	150,171
Cash and Cash Equivalents at Beginning of the Year	<u>341,905</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 492,076</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (2,546,849)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities (Non-cash Items)	
Depreciation Expense	311,548
(Increase) Decrease in Accounts Receivable	(6,779)
(Increase) Decrease in Inventory	7,892
(Increase) Decrease in Prepaid Expenses	(13,367)
Increase (Decrease) in Accounts Payable	38,380
Increase (Decrease) in Other Accrued Liabilities	<u>(73,578)</u>
Net Cash Provided by Operating Activities	<u>\$ (2,282,753)</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, 2022

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, 2022

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

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2022

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, 2021. It is the policy of the Authority to recognize revenue from the current tax levy in the 2021/2022 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Authority's operations.

The 2021 real and personal taxable valuation of Benton Harbor property amounted to \$122,697,423. Ad valorem taxes of 1.1812 mills were levied for Authority operating purposes and the total amount collected and recognized as revenue was \$116,805.

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, 2022

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 two banks 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 \$492,076 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 \$492,674, of which \$389,024 is covered by Federal depository insurance and the remaining \$103,650 is uncollateralized. The Authority also maintains \$50 in imprest cash.

NOTE C--DUE FROM FEDERAL GOVERNMENT

The following amount was due September 30, 2022:

Federal Operating Assistance--Section 5307--CARES (MI-2022-026-00)	\$ 3,727
Federal Operating Assistance--Section 5307--ARPA (MI-2022-022-00)	656,766
Federal Operating Assistance--Section 5307 (MI-2019-002-01-02)	36,688
Federal Capital Assistance Assistance--Section 5307 (MI-2019-002-00)	16,110
Federal Capital Assistance Assistance--Section 5339 (MI-2019-002-00)	<u>(1,574)</u>
Total Due From Federal Government	<u>\$ 711,717</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2022

NOTE D--DUE FROM STATE GOVERNMENT

The following amount was due September 30, 2022:

State Operating Assistance for Fiscal Year 2021/2022	\$ (86,239)
New Freedom (MI-2021-055-00)	38,751
Job Access Reverse Commute (2022-0141/P2)	96,511
Federal Capital Assistance--Section 5307 (MI-2019-002-00)	4,028
Total Due From State	<u>\$ 53,051</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	1,753,516	-	21,091	1,732,425
Buses	2,064,335	-	-	2,064,335
Other Vehicles	282,692	-	-	282,692
Equipment	597,287	17,607	62,457	552,437
Subtotal	<u>4,697,830</u>	<u>17,607</u>	<u>83,548</u>	<u>4,631,889</u>
Less Accumulated Depreciation for				
Building	1,646,697	12,249	21,091	1,637,855
Buses	1,102,274	204,118	-	1,306,392
Other Vehicles	178,283	42,277	-	220,560
Equipment	466,266	52,904	62,457	456,713
Subtotal	<u>3,393,520</u>	<u>311,548</u>	<u>83,548</u>	<u>3,621,520</u>
Net Capital Assets Being Depreciated	<u>1,304,310</u>	<u>(293,941)</u>	<u>-</u>	<u>1,010,369</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 1,385,025</u>	<u>\$ (293,941)</u>	<u>\$ -</u>	<u>\$ 1,091,084</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2022

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	\$ 73,296	\$ 95,092	\$ (147,442)	\$ 20,946	\$ 15,710
Total	<u>\$ 73,296</u>	<u>\$ 95,092</u>	<u>\$ (147,442)</u>	<u>\$ 20,946</u>	<u>\$ 15,710</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, 2022, the accrued vacation time liability is \$14,665.

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, 2022, the accumulated sick time liability is \$6,281.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2022

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 2022 amounted to \$67.

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, 2022

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 2022 amounted to \$13,539.

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 2022 amounted to \$28,501.

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 \$34,426.

NOTE J--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 allocations are 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, 2022

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 PTMS CODES 406 & 407

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

NOTE O--POSTEMPLOYMENT BENEFITS

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

NOTE P--CONTINGENCIES

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY
LOCAL REVENUES
For the Fiscal Year Ended September 30, 2022

SCHEDULE 1

LOCAL REVENUES	
Line Haul - Farebox (Urban - Small)	\$ 35,529
Demand Response - Farebox (Urban - Small)	89,009
Line Haul - Farebox (JARC)	16,400
Other Non-Transit Revenues	23,710
Taxes Levied Directly for/by Transit Agency	116,805
Interest Income	<u>171</u>
Total Local Revenues	<u>\$ 281,624</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended September 30, 2022

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	\$ 16,253	\$ 13,002	\$ 3,251	\$ -	\$ 86,819	
Capital Assistance--Section 5339	20.526	MI-2019-002-00	176,940	-	-	-	-	46,922	
Operating Assistance--Section 5307	20.507	MI-2019-002-00	1,116,500	36,688	36,688	-	-	-	
Capital Assistance--Section 5307	20.507	MI-2020-035-00	262,500	-	-	-	-	18,966	
COVID-19-Operating Assistance--Section 5307--CARES	20.507	MI-2020-026-00	2,278,918	280,098	280,098	-	-	-	
COVID-19-Capital Assistance--Section 5307--CARES	20.507	MI-2020-026-00	100,000	-	-	-	-	100,000	
COVID-19-Operating Assistance--Section 5307--ARPA	20.507	MI-2022-022-00	656,766	656,766	656,766	-	-	-	
Total Operating Assistance									
			5,003,624	989,805	986,554	3,251	-	252,707	
US Department of Transportation									
Passed through Michigan Department of Transportation									
New Freedom Program--Section 5317	20.513	MI-2021-055-00	75,000	38,751	31,001	7,750	-	36,249	
Job Access Reverse Commute	N/A	2022-0141/P2	386,040	386,040	-	386,040	-	-	
Operating Assistance--Act 51	N/A	N/A	674,898	674,898	-	674,898	-	-	
Total Capital Assistance									
			1,135,938	1,099,689	31,001	1,068,688	-	36,249	
Total Department of Transportation									
			\$6,139,562	\$2,089,494	\$1,017,555	\$1,071,939	\$ -	\$ 288,956	

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING AND CONTRACT EXPENSES
 For the Fiscal Year Ended September 30, 2022

SCHEDULE 3

<u>Expenses</u>	Non-urban State Operating FY 2022*	Non-urban Operating JARC	New Freedom	Total
Labor	\$ 988,771	\$ 199,824	\$ -	\$ 1,188,595
Fringe Benefits	311,395	98,044	-	409,439
Services	293,317	23,706	38,751	355,774
Materials and Supplies	194,432	46,137	-	240,569
Utilities	44,400	10,550	-	54,950
Casualty and Liability Costs	91,490	21,671	-	113,161
Miscellaneous	11,243	2,508	-	13,751
Depreciation	311,548	-	-	311,548
Total Expenses	<u>\$ 2,246,596</u>	<u>\$ 402,440</u>	<u>\$ 38,751</u>	<u>\$ 2,687,787</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, 2022

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	\$ 35,529	\$ 89,009	\$ 124,538
407:	Gains from the Sale of Capital Assets			
40760	Other NonTrans Revenue (Sale of Scrap)	-	507	507
408:	Local Revenue			
40800	Taxes Levied Directly for/by Transit Agency	116,805	-	116,805
409:	Local Revenue			
40999	Other Local Contracts & Reimbursements (U of M Contract)	-	30,250	30,250
411:	State Formula and Contracts			
41101	State Operating Assistance	134,975	539,923	674,898
41199	Local Community Stabilization Funds	38,508	-	38,508
413:	Federal Contracts			
41302	Federal Section 5307 Operating (operating funds only)	12,149	24,539	36,688
41361	CARES Act	63,164	216,934	280,098
41363	ARP Act	135,305	521,461	656,766
414:	Other Revenue			
41400	Interest Income	-	171	171
440:	Non-Transit Revenues			
44000	Other Non-Transit Revenue (Refunds)	-	23,710	23,710
TOTAL REVENUES		<u>\$ 536,435</u>	<u>\$ 1,446,504</u>	<u>\$ 1,982,939</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--EXPENSES--REGULAR SERVICE
 For the Fiscal Year Ended September 30, 2022

SCHEDULE 4E-REGULAR

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	\$ 123,990	\$ 498,702	\$ 622,692
50102	Other Salaries and Wages	68,864	196,333	265,197
50103	Dispatchers' Salaries and Wages	26,196	74,686	100,882
502:	Fringe Benefits			
50200	Fringe Benefits	107,486	203,909	311,395
503:	Services			
50302	Advertising Fees	322	919	1,241
50399	Other Services	66,019	226,057	292,076
504:	Materials and Supplies			
50401	Fuel and Lubricants	35,163	100,250	135,413
50402	Tires and Tubes	3,472	9,900	13,372
50499	Other Materials and Supplies	11,964	33,683	45,647
505:	Utilities			
50500	Utilities	11,566	32,834	44,400
506:	Insurance			
50603	Liability Insurance	23,759	67,731	91,490
509:	Miscellaneous Expenses			
50902	Travel, Meetings and Training	1,770	5,046	6,816
50903	Association Dues and Subscriptions	978	3,449	4,427
513:	Depreciation			
51300	Depreciation	-	311,548	311,548
TOTAL EXPENSES		481,549	1,765,047	2,246,596
540:	Ineligible Expenses			
54000	Ineligible Prior Year Refunds and Credits	-	23,710	23,710
550:	Ineligible Expenses			
55007	Ineligible Depreciation	-	293,033	293,033
55009	Ineligible Percent of Association Dues	-	685	685
TOTAL INELIGIBLE EXPENSES		-	317,428	317,428
TOTAL ELIGIBLE EXPENSES		\$ 481,549	\$ 1,447,619	\$ 1,929,168

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--REGULAR SERVICE
 NON-FINANCIAL DATA--UNAUDITED
 For the Fiscal Year Ended September 30, 2022

SCHEDULE 4N-REGULAR

NON-FINANCIAL SCHEDULE REPORT

CODE	DESCRIPTION	Weekday		Saturday		Sunday	
		Weekday Line Haul	Weekday Demand Response	Saturday Line Haul	Saturday Demand Response	Sunday Line Haul	Sunday Demand Response
Public Service							
610	Vehicle Hours	5,764	19,436	438	1,867	-	-
611	Vehicle Miles*	67,797	220,001	5,285	19,301	-	-
615	Unlinked Passenger Trips--Regular	8,346	37,962	963	3,799	-	-
616	Unlinked Passenger Trips--Elderly	4,707	1,931	381	182	-	-
617	Unlinked Passenger Trips--Persons w/Disabilities	9,061	12,732	880	1,183	-	-
618	Unlinked Passenger Trips--Elderly Persons w/Disabilities	16	2,835	9	339	-	-
621	Total Line-Haul Unlinked Passenger Trips	22,130	55,460	2,233	5,503	-	-
625	Days Operated	251	251	49	49	-	-
Vehicle Information		Quantity					
653	Total Line-Haul Vehicles	2					
654	Line-Haul Vehicles w/Lifts	2					
655	Total Demand-Response Vehicles	25					
656	Demand-Response Vehicles w/Lifts	25					
658	Total Transit Vehicles	27					
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	11,177	31,865				
660	Diesel/Gasoline Gallons Consumed	4,657	13,277				

*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, 2022

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	\$ 16,400	\$ -	\$ 16,400
411:	State Formula and Contracts			
41199	Other MDOT Contracts--Job Access Reverse Commute	386,040	-	386,040
TOTAL REVENUES		<u>\$ 402,440</u>	<u>\$ -</u>	<u>\$ 402,440</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--
 EXPENSES--JOB ACCESS REVERSE COMMUTE
 For the Fiscal Year Ended September 30, 2022

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	\$ 113,114	\$ -	\$ 113,114
50102	Other Salaries and Wages	62,815	-	62,815
50103	Dispatchers' Salaries and Wages	23,895	-	23,895
502:	Fringe Benefits			
50200	Fringe Benefits	98,044	-	98,044
503:	Services			
50302	Advertising Fees	294	-	294
50399	Other Services	23,412	-	23,412
504:	Materials and Supplies			
50401	Fuel and Lubricants	32,074	-	32,074
50402	Tires and Tubes	3,167	-	3,167
50499	Other Materials and Supplies	10,896	-	10,896
505:	Utilities			
50500	Utilities	10,550	-	10,550
506:	Insurance			
50603	Liability Insurance	21,671	-	21,671
509:	Miscellaneous Expenses			
50902	Travel, Meetings and Training	1,615	-	1,615
50903	Association Dues & Subscriptions	893	-	893
TOTAL EXPENSES		402,440	-	402,440
550:	Ineligible Expenses			
55000	Ineligible Job Access Reverse Commute Fares	16,400	-	16,400
TOTAL INELIGIBLE EXPENSES		16,400	-	16,400
TOTAL ELIGIBLE EXPENSES		\$ 386,040	\$ -	\$ 386,040

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--JOB ACCESS REVERSE COMMUTE
 NON-FINANCIAL DATA--UNAUDITED
 For the Fiscal Year Ended September 30, 2022

SCHEDULE 4N-JARC

NON-FINANCIAL SCHEDULE REPORT

CODE	DESCRIPTION	Weekday		Saturday		Sunday		TOTAL
		Line Haul	Demand Response	Line Haul	Demand Response	Line Haul	Demand Response	
Public Service								
610	Vehicle Hours	7,158	-	927	-	-	-	8,085
611	Vehicle Miles*	117,908	-	16,223	-	-	-	134,131
615	Unlinked Passenger Trips--Regular	10,199	-	1,185	-	-	-	11,384
616	Unlinked Passenger Trips--Elderly	3,530	-	353	-	-	-	3,883
617	Unlinked Passenger Trips--Persons w/Disabilities	5,458	-	677	-	-	-	6,135
618	Unlinked Passenger Trips--Elderly Persons w/Disabilities	13	-	-	-	-	-	13
621	Total Line-Haul Unlinked Passenger Trips	19,200	-	2,215	-	-	-	21,415
625	Days Operated	251	-	49	-	-	-	300
Vehicle Information		Quantity						
653	Total Line-Haul Vehicles	4						
654	Line-Haul Vehicles w/Lifts	4						
656	Demand-Response Vehicles with Lifts	4						
Miscellaneous Information		Quantity LH	Quantity DR					
601	Number of Routes (Line Haul Only)	2	-					
602	Total Route Miles (Line Haul Only)	30	-					
659	LPG or CNG Gallons Equivalent Consumed	31,865	-					
660	Diesel/Gasoline Gallons Consumed	13,277	-					

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

REVENUE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>LINE HAUL</u>	<u>DEMAND RESPONSE</u>	<u>TOTAL</u>
411:	State Formula and Contracts			
41119	Other MDOT Contracts--New Freedom Program	\$ -	\$ 7,750	\$ 7,750
413:	Federal Contracts			
41399	Other MDOT Contracts--New Freedom Program	-	31,001	31,001
TOTAL REVENUES		<u>\$ -</u>	<u>\$ 38,751</u>	<u>\$ 38,751</u>

EXPENSE SCHEDULE REPORT		
<u>CODE</u>	<u>DESCRIPTION</u>	<u>TOTAL</u>
503:	Services	
503990	Other Services	<u>\$ 38,751</u>
TOTAL EXPENSES		<u><u>\$ 38,751</u></u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE CALCULATION--STATE
 For the Fiscal Year Ended September 30, 2022

SCHEDULE 5S

	<u>Non-urban</u>
Total Operating Expenses	\$ 2,687,787
Less: Ineligible Expenses	
Depreciation	293,033
Ineligible Prior Year Refunds and Credits	23,710
Other Revenue-JARC Fares	16,400
Line Haul Funded by Other State and Federal Grants	
Job Access Reverse Commute Program	386,040
New Freedom Program	38,751
Other Non-Deductable Expenses	<u>768</u>
Total Ineligible Expenses Per R&E Manual	<u>\$ 758,702</u>
Total State Eligible Expenses	<u>\$ 1,929,085</u>
Eligible Expenses for State Reimbursement	\$ 1,929,085
Reimbursement Percentage	<u>34.9854%</u>
State Operating Assistance	<u>\$ 674,898</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
OPERATING ASSISTANCE CALCULATION--FEDERAL
For the Fiscal Year Ended September 30, 2022

SCHEDULE 5F

October 1, 2021-
September 30, 2022

Total Operating Expenses	\$ 2,687,787
Less: Ineligible Expenses	
Depreciation	293,033
Ineligible Prior Year Refunds and Credits	23,710
Other Revenue-JARC Fares	16,400
Job Access Reverse Commute Program	386,040
New Freedom Program	38,751
Other Ineligible Expenses	768
Total Ineligible Expenses According to R&E Manual	758,702
Total Federal Eligible Expenses	\$ 1,929,085
Eligible expenses for Federal reimbursement at 100% (COVID-19 Grants)	\$ 1,736,300
x Reimbursement percentage	100%
Subtotal	1,736,300
Less Farebox Revenue	(124,538)
Less State Operating Assistance	(674,898)
Federal Operating Assistance Available	\$ 936,864
CARES/ARPA Covid Federal Operating Assistance Received	
Section 5307-CARES	280,098
Section 5307-ARPA	656,766
Total CARES/ARPA Covid Federal Operating Assistance Received	\$ 936,864
Eligible expenses for Federal reimbursement at 50%	192,785
x Reimbursement percentage	50%
Subtotal	\$ 96,393
Section 5307 Funds Operating Assistance Received	
Section 5307 - 2019 Grant (MI-2019-002-00)	36,688
Section 5307 Funds Operating Assistance Received	\$ 36,688



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

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

March 27, 2023

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

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 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 27, 2023.

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 circumstance 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

March 27, 2023

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs listed as Finding 2022-001 that we consider to be a significant deficiency.

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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs listed as Findings 2022-002 and 2022-003.

The Authority's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 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

INDEPENDENT AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

March 27, 2023

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 (Authority), a component unit of the City of Benton Harbor, Michigan, for the fiscal year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance 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 dated February 1, 2023. 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 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 ended September 30, 2022. We noted no transactions entered into by the 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 estimates affecting the financial statements of the governmental activities were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimate of depreciation is based on the straight-line method.

Management's estimate of the compensated absences is based on current hourly rates and policies regarding payment of compensation banks. Management's calculation of the current and noncurrent compensated absence liability amounts was based on an estimate of the percentage of employees' use of compensated absences.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statement taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant 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 clearly 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 27, 2023.

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 Authority's financial statements or a

March 27, 2023

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 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.

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.

Restriction on Use

This information is intended solely for the use of the Authority's Board and management of the 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

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

March 27, 2023

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Twin Cities Area Transportation Authority's (Authority) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule

March 27, 2023

of findings and questioned costs as finding 2022-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

The 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,



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, 2022

<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	\$ 13,002	\$ -
Operating Assistance--Section 5307	20.507	MI-2019-002-00	36,688	-
COVID-19-Operating Assistance-- Section 5307--CARES	20.507	MI-2020-026-00	280,098	-
COVID-19-Operating Assistance-- Section 5307--ARPA	20.507	MI-2022-022-00	<u>656,766</u>	<u>-</u>
Subtotal--Federal Transit Cluster			<u>986,554</u>	<u>-</u>
Passed through Michigan Department of Transportation				
New Freedom Program--Section 5317	20.513	MI-2021-055-00	<u>31,001</u>	<u>-</u>
TOTAL US DEPARTMENT OF TRANSPORTATION			<u><u>\$ 1,017,555</u></u>	<u><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, 2022

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, 2022. 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, 2022

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? X Yes _____ 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 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 2 CFR section 200.5160(a) of
the Compliance Supplement? X Yes _____ No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.507, 20.526	Federal Transit Cluster

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

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.

SIGNIFICANT DEFICIENCY

Timely Federal and State Reimbursement Requests/Federal Aid Policies *Finding 2022-001*

Condition: Twin Cities Area Transportation Authority (Authority) submitted one federal reimbursement request related to the fiscal year 2022 expenses in March 2022. A second federal reimbursement request was not submitted until February 2023. The federal and state reimbursement requests for the capital purchase made during the 2022 fiscal year were not submitted until March 2023.

Also, as the Authority's management has completely turned over and been restructured, the Authority's policies for federal aid will need to be revised and approved by the Board.

Criteria: According to the Authority's Financial and Grant Management Procedure and Capacity manual, ECHO (federal) payment procedures for operating and capital reimbursements are to be reviewed monthly. State reimbursements for capital reimbursements would coincide with this schedule.

Also, 2 CFR 200 requires federal aid policies such as the Authority's procurement policy. It also requires the policies to be updated and maintained in accordance with the federal regulations.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2022

SIGNIFICANT DEFICIENCY (Continued)

Cause: The Authority experienced a high turnover of employees during the fiscal year including all management employees and the Authority hired an independent accounting firm to assist with the accounting function. The Authority is currently reorganizing its management structure and is still working to establish procedures during this transition time.

Effect: New employees were not aware of the policy leading to the delay in the reimbursement requests. Additionally, the Authority may become noncompliant with 2 CFR 200 if these policies are not updated, especially before the Transit receives its next Triennial Review from the Federal Transit Administration.

Recommendation: We recommend the Authority review and update all federal aid policies, update them accordingly, and follow through with their requirements such as the timely federal and state reimbursement requests for operating and capital assistance.

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

The Interim Executive Director and contracted accounting firm are working to set a schedule for quarterly submissions, or as FTA allows ECHO access and has approved operational grants available, along with updated processes for federal and state reimbursement requests. TCATA will review and update current policies and procedures to align with the current structure of operations.

STATUTORY NONCOMPLIANCE

Violation of Open Meetings Act

Finding 2022-002

Condition: The Authority held two closed meetings during the December 15, 2021, meeting and did not disclose the purpose of the closed meetings. A closed meeting was held during the August 23, 2022, meeting for the "Personal Matters: Executive Director 6 Month Review." However, the minutes did not indicate the closed meeting was at the Executive Director's request. The Authority held a closed meeting on November 22, 2022 and did not disclose the purpose of the closed meeting.

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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

STATUTORY NONCOMPLIANCE (Continued)

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 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 Oliver Lindsay, Interim 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. If a meeting is closed the specific statutorily reason will be documented.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

Section III—Federal Award Findings and Questioned Costs

Submission of Fiscal Year 2021 Single Audit

Finding 2022-003

Condition: The Authority did not officially certify and submit its fiscal year 2021 single audit until July 6, 2022.

Criteria: Per 2 CFR Part 200.512 (a)(1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Cause: The Authority did not officially certify the 2021 single audit until July 6, 2022.

Effect: The Authority is noncompliant with 2 CFR 200.

Directive: We direct the Authority to implement procedures to ensure that the fiscal year 2022 is certified within the required nine-month deadline.

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

The Executive Director at the time of the audit last year was new in their role and was managing many tasks and organizational updates. They are no longer employed at TCATA and the current Interim Director and contracted accounting firm are working with the auditor to ensure timely filing.

Section IV--Summary Schedule of Prior Audit Findings

Material Weakness

2021-001 – 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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2022

Material Weakness (Continued)

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.

Current Year Status: This finding was removed as the Authority has contracted an independent accounting firm to review the financial statements.

2021-002 – 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 was removed as the Authority has contracted an independent accounting firm to overseeing journal entries and providing additional segregation in the accounting for federal aid programs.

2021-003 – Violation of Open Meetings Act

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

Current Year Status: This finding will be carried forward.

2021-004 – Echo Documentation Deficient

Condition/Finding: 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.

Current Year Status: This finding was removed as the Authority has contracted an independent accounting firm that has helped prepare the information and documentation for amount requested.