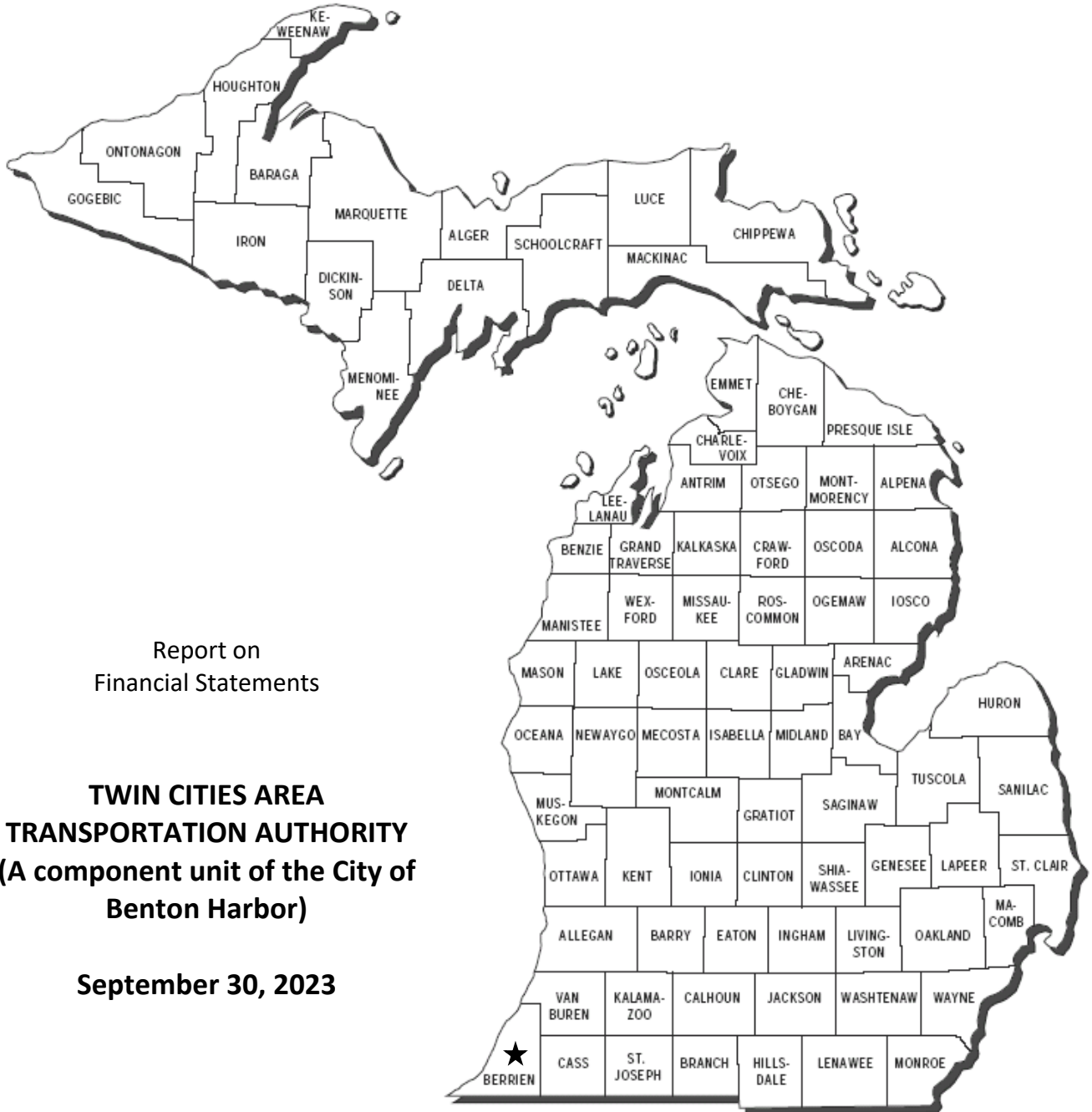


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on
Financial Statements

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

September 30, 2023

TWIN CITIES AREA TRANSPORTATION AUTHORITY

BOARD OF TRUSTEES

June 17, 2024

Ron Singleton
Chairperson

Spencer Nesbitt
Vice Chairman

Cora Robinson
Secretary

Virgil Hatcher
Member

Dayrl Jackson
Member

Rufus Adams
Executive Director

CITY OF BENTON HARBOR POPULATION--2020
9,103

TAXABLE VALUATION--2023
\$133,122,222



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

INDEPENDENT AUDITOR'S REPORT

June 17, 2024

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, 2023, 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, 2023, 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

June 17, 2024

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 June 17, 2024, 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,



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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A--Statement of Net Position.....	6
EXHIBIT B--Statement of Revenues, Expenses and Changes in Net Position	7
EXHIBIT C--Statement of Cash Flows	8
NOTES TO FINANCIAL STATEMENTS.....	9
<u>SUPPLEMENTARY INFORMATION AND SCHEDULES</u>	
SCHEDULE 1--Local Revenues.....	18
SCHEDULE 2-- Expenditures of Federal and State Awards	19
SCHEDULE 3--Operating and Contract Expenses	20
SCHEDULE 4R--Operating Assistance Report--Revenues--Regular Service	21
SCHEDULE 4E--Operating Assistance Report--Expenses--Regular Service	22
SCHEDULE 4N--Operating Assistance Report--Regular Service Non-financial Data--Unaudited.....	23
SCHEDULE 4R--JARC--Operating Assistance Report--Revenues Job Access Reverse Commute	24
SCHEDULE 4E--JARC--Operating Assistance Report--Expenses Job Access Reverse Commute	25
SCHEDULE 4N--JARC--Operating Assistance Report Job Access Reverse Commute--Non-Financial Data--Unaudited.....	26
SCHEDULE 5S--Operating Assistance Calculation--State	27
SCHEDULE 5F--Operating Assistance Calculation--Federal.....	28

TWIN CITIES AREA TRANSPORTATION AUTHORITY

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Report to Those Charged With Governance	31
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Federal Uniform Guidance	34
Schedule of Expenditures of Federal Awards.....	37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs.....	39

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

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, 2023.

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 Revenues, Expenses and Changes in Net Position 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 \$2,222,676 to \$1,951,329 for the year ended September 30, 2023. This is a similar to the previous year when the net position decreased \$125,506. Our analysis focuses on the net position and changes in net position of the Authority's business-type activities.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

Net Position of Business-Type Activities

	09/30/22 Business-Type Activities	09/30/23 Business-Type Activities	Variance
Current and Other Assets	\$ 1,309,860	\$ 1,292,515	\$ (17,345)
Net Capital Assets	<u>1,091,084</u>	<u>883,350</u>	<u>(207,734)</u>
Total Assets	<u>2,400,944</u>	<u>2,175,865</u>	<u>(225,079)</u>
Current Liabilities	157,322	196,657	39,335
Noncurrent Liabilities	<u>20,946</u>	<u>27,879</u>	<u>6,933</u>
Total Liabilities	<u>178,268</u>	<u>224,536</u>	<u>46,268</u>
Net Position			
Investment in Capital Assets	1,091,084	883,350	(207,734)
Unrestricted	<u>1,131,592</u>	<u>1,067,979</u>	<u>(63,613)</u>
Total Net Position	<u>\$ 2,222,676</u>	<u>\$ 1,951,329</u>	<u>\$ (271,347)</u>

The Authority's business-type activities total net position decreased by 12% or \$271,347. Total investment in capital assets decreased \$207,734. During the year, the Authority purchased equipment totaling \$83,879, but this was offset by the continued depreciation of the Authority's capital assets causing the decline. The decrease in the unrestricted net position of \$63,613 was due the decreased federal assistance as in the prior year, the Authority received operating assistance 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 received again this year.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023

Changes in Net Position of Business-Type Activities

	2022	2023	Variance
Operating Revenue			
Passenger Fares	\$ 140,938	\$ 124,288	\$ (16,650)
Non-operating Revenue			
Local Contributions			
Tax Levy	116,805	117,658	853
State of Michigan Operating Grants			
Local Bus Operating Assistance (Act 51)	674,898	673,673	(1,225)
Preventive Maintenance	-	20,812	20,812
Capital Contract Reimbursed for Administrative Exp.	-	7,104	7,104
Job Access Reverse Commute	386,040	386,040	-
New Freedom Program-Mobility Management	7,750	-	(7,750)
Local Community Stabilization Funds	38,508	43,985	5,477
Federal Operating Grants			
USDOT Operating Grant (Section 5307)	36,688	919,133	882,445
USDOT Operating Grant-CARES&ARPA	936,864	100,000	(836,864)
New Freedom Program-Mobility Management	31,001	-	(31,001)
Preventive Maintenance	-	83,247	83,247
Capital Contract Reimbursed for Administrative Exp.	-	28,417	28,417
State and Federal Grants--Prior Year Adjustments	121,898	(5,174)	(127,072)
Interest Earned	171	1,605	1,434
Other Non-Transit Revenues	54,467	74,928	20,461
Total Revenue	<u>2,546,028</u>	<u>2,575,716</u>	<u>29,688</u>
Operating Expense			
Salaries and Wages	1,598,034	1,760,915	162,881
Depreciation	311,548	291,614	(19,934)
Other	778,205	878,305	100,100
Total Operating Expense	<u>2,687,787</u>	<u>2,930,834</u>	<u>243,047</u>
Income (Loss) Before Capital Contributions	(141,759)	(355,118)	(213,359)
Capital Contributions			
Federal and State Capital Grants	16,253	83,771	67,518
Ending Net Position	<u>\$ 2,222,676</u>	<u>\$ 1,951,329</u>	<u>\$ (271,347)</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

Business-Type Activities

The Authority’s business-type activities operating and non-operating revenues increased by \$29,688 or 1% and capital contribution revenues increased by \$67,518. Expenses increased \$243,047 or 9% as compared with the prior fiscal year. This increase in revenues was due to the increases in federal operating assistance that reimburses the Authority based on the amount of the expenses. The revenue also increased as the Authority received new funding for preventive maintenance and other administrative expenses to assist in funding these costs. These increases were offset by the decrease in the prior year adjustments after large state operating assistance adjustment were received in the prior year. The increase in expenses is primarily due to increased salaries and benefits as the Authority overall staffing level increased to more normal levels versus the prior year, especially for administrative employees. The increase in the other expenses was due to increased attorney fees as the Authority continues to deal with pending lawsuits.

Budgetary Highlights

Federal and state operating assistance increased this past year as the Transit’s increased payroll was taken into consideration. The addition of the preventive maintenance and administrative grants have also allowed the Authority to begin to catch up on the preventive maintenance on the buses and the submission for new capital grants that have been approved.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the Transit had \$883,350 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 \$207,734.

Capital Assets at Year-End

	<u>9/30/22</u>	<u>9/30/23</u>
Capital Assets Not Being Depreciated		
Land	\$ 80,715	\$ 80,715
Construction in Progress	-	72,580
Subtotal	<u>80,715</u>	<u>153,295</u>
Capital Assets being Depreciated		
Buildings	1,732,425	1,732,425
Buses	2,064,335	1,767,694
Other Vehicles	282,692	282,692
Equipment	552,437	563,736
Subtotal	<u>4,631,889</u>	<u>4,346,547</u>
Total Capital Assets	4,712,604	4,499,842
Total Accumulated Depreciation	<u>(3,621,520)</u>	<u>(3,616,492)</u>
Total Net Capital Assets	<u>\$ 1,091,084</u>	<u>\$ 883,350</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

During the year, the Authority purchased equipment totaling \$83,879. More detailed information about the Authority's capital assets is presented in Note E to the financial statements. The 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. The Authority had \$27,879 in compensated absences, additional information about compensated absences can be found in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for the 2023-2024 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 2024.
- Capital grants have been approved that will fully fund and provide for building improvements and the replacement of equipment including vans and buses.

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, 2023

EXHIBIT A

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 742,322
Accounts Receivable	47,795
Due From State Government	675
Due From Federal Government	449,470
Inventory	13,972
Prepaid Expenses	38,281

Total Current Assets 1,292,515

Non-current Assets

Capital Assets--Non-depreciating	153,295
Capital Assets--Depreciating	730,055

Total Non-current Assets 883,350

Total Assets 2,175,865

LIABILITIES

Current Liabilities

Accounts Payable	116,634
Accrued Wages and Fringe Benefits	80,023

Total Current Liabilities 196,657

Long-Term Liabilities

Vested Employee Benefits--Due In One Year	20,909
Vested Employee Benefits--Due In More Than Year	6,970

Total Long-Term Liabilities 27,879

Total Liabilities 224,536

NET POSITION

Investment in Capital Assets	883,350
Unrestricted	1,067,979

Total Net Position \$ 1,951,329

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, 2023

EXHIBIT B

Operating Revenue	
Passenger Fares	\$ 124,288
Total Operating Revenue	<u>124,288</u>
Operating Expense	<u>2,930,834</u>
Total Operating Expense	<u>2,930,834</u>
Operating Income (Loss)	<u>(2,806,546)</u>
Non-operating Revenue	
Local Contributions	
Tax Levy	117,658
State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	673,673
Preventive Maintenance	20,812
Capital Contract Reimbursed for Administrative Expenses	7,104
Job Access Reverse Commute	386,040
Local Community Stabilization Funds	43,985
Federal Operating Grants	
USDOT Operating Grant--CARES	100,000
USDOT Operating Grant--Section 5307	919,133
Preventive Maintenance	83,247
Capital Contract Reimbursed for Administrative Expenses	28,417
State and Federal Grants--Prior Year Adjustments	(5,174)
Interest Earned	1,605
Gain on Sale of Capital Asset	7,785
Other Non-Transit Revenues	<u>67,143</u>
Total Non-operating Revenue	<u>2,451,428</u>
Income (Loss) Before Capital Contributions	(355,118)
Capital Contributions	
State Capital Grants	16,668
Federal Capital Grants	<u>67,103</u>
Total Capital Contributions	<u>83,771</u>
Change in Net Position	(271,347)
Total Net Position--Beginning	<u>2,222,676</u>
Total Net Position--Ending	<u>\$ 1,951,329</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, 2023

EXHIBIT C

Cash Flows From Operating Activities	
Cash Received From Customers	\$ 85,823
Cash Payments to Employees for Services and Benefits	(1,721,973)
Cash Payments to Suppliers for Goods and Services	<u>(879,546)</u>
Net Cash Used For Operating Activities	<u>(2,515,696)</u>
Cash Flows From Noncapital Financing Activities	
State Grants	1,196,630
Federal Grants	1,428,908
State and Federal Grants--Prior Year Adjustments	(5,174)
Property Tax	117,658
Other Revenue	<u>67,143</u>
Net Cash Provided by Non-capital Financing Activities	<u>2,805,165</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	(83,879)
Capital Assets Purchased With State and Federal Grants	35,266
Gain on Sale of Capital Assets	<u>7,785</u>
Net Cash Used For Capital and Related Financing Activities	(40,828)
Cash Flows From Investing Activities	
Interest on Cash and Cash Equivalents	<u>1,605</u>
Net Cash Provided by Investing Activities	1,605
Net Increase in Cash and Cash Equivalents	250,246
Cash and Cash Equivalents at Beginning of the Year	<u>492,076</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 742,322</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (2,806,546)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities (Non-cash Items)	
Depreciation Expense	291,614
(Increase) Decrease in Accounts Receivable	(38,465)
(Increase) Decrease in Inventory	(9,942)
(Increase) Decrease in Prepaid Expenses	1,375
Increase (Decrease) in Accounts Payable	7,325
Increase (Decrease) in Other Accrued Liabilities	<u>38,943</u>
Net Cash Provided by Operating Activities	<u><u>\$ (2,515,696)</u></u>

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2023

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, 2023

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, 2023

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 40 years
Vehicles	3 to 7 years
Shop Equipment	3 to 10 years
Office Equipment	5 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 2022 ad valorem tax was levied and collectible on December 1, 2022. It is the policy of the Authority to recognize revenue from the current tax levy in the 2022/2023 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Authority's operations.

The 2022 real and personal taxable valuation of Benton Harbor property amounted to \$133,122,222. Ad valorem taxes of 1.1812 mills were levied for Authority operating purposes and the total amount collected and recognized as revenue was \$117,658.

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, 2023

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 \$742,322 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 \$743,870, of which \$484,219 is covered by Federal depository insurance and the remaining \$259,651 is uncollateralized. The Authority also maintains \$50 in imprest cash.

NOTE C--DUE FROM FEDERAL GOVERNMENT

The following amount was due September 30, 2023:

Federal Operating Assistance--Section 5307 (MI-2023-002-010-00)	\$ 287,406
Federal Capital Assistance Assistance--Section 5307 (MI-2023-025-00)	83,247
Federal Capital Assistance Assistance--Section 5339 (MI-2023-025-00)	28,417
Federal Capital Assistance Assistance--Section 5339 (MI-2019-002-02)	<u>50,400</u>
Total Due From Federal Government	<u>\$ 449,470</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2023

NOTE D--DUE FROM STATE GOVERNMENT

The following amount was due September 30, 2023:

State Operating Assistance for Fiscal Year 2021/2022	\$ (53,867)
State Operating Assistance for Fiscal Year 2022/2023	(86,530)
Job Access Reverse Commute (2022-0141/P6)	96,488
Federal Capital Assistance Assistance--Section 5307 (MI-2023-025-00)	20,812
Federal Capital Assistance Assistance--Section 5339 (MI-2023-025-00)	7,104
Federal Capital Assistance Assistance--Section 5339 (MI-2019-002-02)	<u>16,668</u>
Total Due From State	<u><u>\$ 675</u></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
	<u>-</u>	<u>72,580</u>	<u>-</u>	<u>72,580</u>
Subtotal	<u>80,715</u>	<u>72,580</u>	<u>-</u>	<u>153,295</u>
Capital Assets Being Depreciated				
Building	1,732,425	-	-	1,732,425
Buses	2,064,335	-	296,641	1,767,694
Other Vehicles	282,692	-	-	282,692
Equipment	552,437	11,299	-	563,736
Subtotal	<u>4,631,889</u>	<u>11,299</u>	<u>296,641</u>	<u>4,346,547</u>
Less Accumulated Depreciation for				
Building	1,637,855	10,650	-	1,648,505
Buses	1,306,392	188,531	296,641	1,198,282
Other Vehicles	220,560	42,277	-	262,837
Equipment	456,713	50,155	-	506,868
Subtotal	<u>3,621,520</u>	<u>291,613</u>	<u>296,641</u>	<u>3,616,492</u>
Net Capital Assets Being Depreciated	<u>1,010,369</u>	<u>(280,314)</u>	<u>-</u>	<u>730,055</u>
Business-Type Activities - Total				
Capital Assets--Net of Depreciation	<u>\$ 1,091,084</u>	<u>\$ (207,734)</u>	<u>\$ -</u>	<u>\$ 883,350</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2023

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	\$ 20,946	\$ 38,984	\$ (32,051)	\$ 27,879	\$ 20,909
Total	<u>\$ 20,946</u>	<u>\$ 38,984</u>	<u>\$ (32,051)</u>	<u>\$ 27,879</u>	<u>\$ 20,909</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, 2023, the accrued vacation time liability is \$20,277.

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, 2023, the accumulated sick time liability is \$7,602.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2023

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 2023 amounted to \$62.

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, 2023

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 2023 amounted to \$14,521.

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 2023 amounted to \$31,102.

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 2023 amounted to \$45,201.

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 allocation is for the Job Access Reverse Commute program. The cost allocation plan was 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, 2023

NOTE L--CAPITAL USED TO PAY FOR OPERATING

Operating expenses regarding preventive maintenance of \$104,059 and administrative costs of \$35,521 have been subtracted out as ineligible expenses as the capital grant funds were 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.

<u>LOCAL REVENUES</u>	
Line Haul - Farebox (Urban - Small)	\$ 29,825
Demand Response - Farebox (Urban - Small)	79,792
Line Haul - Farebox (JARC)	14,671
Other Non-Transit Revenues	67,143
Taxes Levied Directly for/by Transit Agency	117,658
Interest Income	<u>1,605</u>
Total Local Revenues	<u><u>\$ 310,694</u></u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended September 30, 2023

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	\$ 518,966	\$ 11,299	\$ 9,039	\$ 2,260	\$ -	\$ 507,667	\$ -
Capital Assistance--Section 5339	20.526	MI-2019-002-00	329,696	72,472	58,064	14,408	-	246,410	10,814
Operating Assistance--Section 5307	20.507	MI-2019-002-00	1,116,500	-	-	-	-	1,116,500	-
COVID-19-Capital Assistance--Section 5307--CARES	20.507	MI-2020-026-00	100,000	100,000	100,000	-	-	-	-
Operating Assistance--Section 5307	20.507	MI-2023-010-00	1,680,441	919,133	919,133	-	-	-	761,308
Capital Assistance--Section 5307	20.507	MI-2023-025-00	1,320,275	139,580	111,664	27,916	-	-	1,180,695
Capital Assistance--Section 5339	20.526	MI-2023-025-00	352,197	-	-	-	-	-	352,197
Total Operating Assistance			5,418,075	1,242,484	1,197,900	44,584	-	1,870,577	2,305,014
US Department of Transportation									
Passed through Michigan Department of Transportation									
Job Access Reverse Commute	N/A	2022-0141/P6	386,040	386,040	-	386,040	-	-	-
Operating Assistance--Act 51	N/A	N/A	673,673	673,673	-	673,673	-	-	-
Total Capital Assistance			1,059,713	1,059,713	-	1,059,713	-	-	-
Total Department of Transportation			\$ 6,477,788	\$ 2,302,197	\$ 1,197,900	\$ 1,104,297	\$ -	\$ 1,870,577	\$ 2,305,014

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING AND CONTRACT EXPENSES
 For the Fiscal Year Ended September 30, 2023

SCHEDULE 3

<u>Expenses</u>	<u>Non-urban State Operating FY 2023*</u>	<u>Non-urban Operating JARC</u>	<u>Total</u>
Labor	\$ 1,071,057	\$ 191,783	\$ 1,262,840
Fringe Benefits	422,434	75,641	498,075
Services	387,007	69,314	456,321
Materials and Supplies	223,018	40,040	263,058
Utilities	45,862	8,275	54,137
Casualty and Liability Costs	80,461	14,407	94,868
Miscellaneous	8,670	1,251	9,921
Depreciation	291,614	-	291,614
Total Expenses	<u>\$ 2,530,123</u>	<u>\$ 400,711</u>	<u>\$ 2,930,834</u>

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

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	\$ 29,825	\$ 79,792	\$ 109,617
407:	Gains from the Sale of Capital Assets			
40760	Other NonTrans Revenue (Sale of Scrap)	-	7,785	7,785
408:	Local Revenue			
40800	Taxes Levied Directly for/by Transit Agency	117,658	-	117,658
411:	State Formula and Contracts			
41101	State Operating Assistance	112,393	561,280	673,673
41111	Preventive Maintenance	3,506	17,306	20,812
41113	Capital Contract Reimbursement for Administrative Expenses	1,197	5,907	7,104
41114	Other Capital Contract Reimburse for Operating Expenses			-
41199	Local Community Stabilization Funds	43,985	-	43,985
413:	Federal Contracts			
41302	Federal Section 5307 Operating (operating funds only)	140,857	778,276	919,133
41311	Preventive Maintenance	14,023	69,224	83,247
41313	Capital Contract Reimbursement for Administrative Expenses	4,787	23,630	28,417
41314	Other Capital Contract Reimburse for Operating Expenses			-
41361	CARES Act	16,845	83,155	100,000
414:	Other Revenue			
41400	Interest Income	-	1,605	1,605
440:	Non-Transit Revenues			
44000	Other Non-Transit Revenue (Refunds)	11,310	55,833	67,143
TOTAL REVENUES		<u>\$ 496,386</u>	<u>\$ 1,683,793</u>	<u>\$ 2,180,179</u>

EXPENSE SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>LINE HAUL</u>	<u>DEMAND RESPONSE</u>	<u>TOTAL</u>
501:	Labor			
50101	Operators' Salaries and Wages	\$ 136,864	\$ 451,296	\$ 588,160
50102	Other Salaries and Wages	89,437	294,908	384,345
50103	Dispatchers' Salaries and Wages	22,933	75,619	98,552
502:	Fringe Benefits			
50200	Fringe Benefits	98,300	324,134	422,434
503:	Services			
50302	Advertising Fees	7,142	23,553	30,695
50399	Other Services	82,935	273,377	356,312
504:	Materials and Supplies			
50401	Fuel and Lubricants	39,163	129,107	168,270
50402	Tires and Tubes	3,672	12,109	15,781
50499	Other Materials and Supplies	9,199	29,768	38,967
505:	Utilities			
50500	Utilities	10,754	35,108	45,862
506:	Insurance			
50603	Liability Insurance	18,723	61,738	80,461
509:	Miscellaneous Expenses			
50902	Travel, Meetings and Training	876	2,829	3,705
50903	Association Dues and Subscriptions	749	4,216	4,965
513:	Depreciation			
51300	Depreciation	49,123	242,491	291,614
TOTAL EXPENSES		569,870	1,960,253	2,530,123
540:	Ineligible Expenses			
54000	Ineligible Prior Year Refunds and Credits	11,310	55,833	67,143
550:	Ineligible Expenses			
55007	Ineligible Depreciation	49,123	226,395	275,518
55011	Ineligible Preventive Maintenance	17,529	86,530	104,059
57603	Ineligible Administrative Expense Paid by Capital Contract	5,984	29,537	35,521
TOTAL INELIGIBLE EXPENSES		83,946	398,295	482,241
TOTAL ELIGIBLE EXPENSES		\$ 485,924	\$ 1,561,958	\$ 2,047,882

NON-FINANCIAL SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Line Haul</u>	<u>Demand Response</u>	<u>TOTAL</u>
<u>Public Service</u>				
610	Vehicle Hours	5,010	24,731	29,741
611	Vehicle Miles*	52,578	519,617	572,195
615	Unlinked Passenger Trips--Regular	9,156	53,753	62,909
616	Unlinked Passenger Trips--Elderly	4,959	2,035	6,994
617	Unlinked Passenger Trips--Persons w/Disabilities	14,258	11,583	25,841
618	Unlinked Passenger Trips--Elderly Persons w/Disabilities	16	2,714	2,730
621	Total Line-Haul Unlinked Passenger Trips	25,509	-	25,509
622	Total Demand-Response Unlinked Passenger Trips	-	72,965	72,965
625	Days Operated	312	312	624
<u>Vehicle Information</u>				
		<u>Quantity</u>		
653	Total Line-Haul Vehicles	4		
654	Line-Haul Vehicles w/Lifts	4		
655	Total Demand-Response Vehicles	18		
656	Demand-Response Vehicles w/Lifts	18		
658	Total Transit Vehicles	22		
<u>Miscellaneous Information</u>				
		<u>Quantity LH</u>	<u>Quantity DR</u>	
601	Number of Routes (Line Haul Only)	2	-	
602	Total Route Miles (Line Haul Only)	28	-	
659	LPG or CNG Gallons Equivalent Consumed	16,567	35,449	
660	Diesel/Gasoline Gallons Consumed	5,758	12,320	

*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>
401:	Farebox Revenue			
40100	Passenger Fares	\$ 14,671	\$ -	\$ 14,671
411:	State Formula and Contracts			
41199	Other MDOT Contracts--Job Access Reverse Commute	386,040	-	386,040
TOTAL REVENUES		<u>\$ 400,711</u>	<u>\$ -</u>	<u>\$ 400,711</u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--
 EXPENSES--JOB ACCESS REVERSE COMMUTE
 For the Fiscal Year Ended September 30, 2023

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	\$ 105,316	\$ -	\$ 105,316
50102	Other Salaries and Wages	68,821	-	68,821
50103	Dispatchers' Salaries and Wages	17,646	-	17,646
502:	Fringe Benefits			
50200	Fringe Benefits	75,641	-	75,641
503:	Services			
50302	Advertising Fees	5,496	-	5,496
50399	Other Services	63,818	-	63,818
504:	Materials and Supplies			
50401	Fuel and Lubricants	30,136	-	30,136
50402	Tires and Tubes	2,826	-	2,826
50499	Other Materials and Supplies	7,078	-	7,078
505:	Utilities			
50500	Utilities	8,275	-	8,275
506:	Insurance			
50603	Liability Insurance	14,407	-	14,407
509:	Miscellaneous Expenses			
50902	Travel, Meetings and Training	674	-	674
50903	Association Dues & Subscriptions	577	-	577
TOTAL EXPENSES		400,711	-	400,711
550:	Ineligible Expenses			
55000	Ineligible Job Access Reverse Commute Fares	14,671	-	14,671
TOTAL INELIGIBLE EXPENSES		14,671	-	14,671
TOTAL ELIGIBLE EXPENSES		\$ 386,040	\$ -	\$ 386,040

NON-FINANCIAL SCHEDULE REPORT

<u>CODE</u>	<u>DESCRIPTION</u>	<u>Line Haul</u>	<u>Demand Response</u>	<u>TOTAL</u>
<u>Public Service</u>				
610	Vehicle Hours	8,262	-	8,262
611	Vehicle Miles*	111,527	-	111,527
615	Unlinked Passenger Trips--Regular	10,799	-	10,799
616	Unlinked Passenger Trips--Elderly	3,231	-	3,231
617	Unlinked Passenger Trips--Persons w/Disabilities	4,511	-	4,511
618	Unlinked Passenger Trips--Elderly Persons w/Disabilities	2	-	2
621	Total Line-Haul Unlinked Passenger Trips	18,543	-	18,543
625	Days Operated	312	-	312
<u>Vehicle Information</u>				
		<u>Quantity</u>		
653	Total Line-Haul Vehicles	4		
654	Line-Haul Vehicles w/Lifts	4		
656	Demand-Response Vehicles with Lifts	4		
<u>Miscellaneous Information</u>				
		<u>Quantity LH</u>	<u>Quantity DR</u>	
601	Number of Routes (Line Haul Only)	2	-	
602	Total Route Miles (Line Haul Only)	30	-	
659	LPG or CNG Gallons Equivalent Consumed	2,456	-	
660	Diesel/Gasoline Gallons Consumed	854	-	

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE CALCULATION--STATE
 For the Fiscal Year Ended September 30, 2023

SCHEDULE 5S

	<u>Non-urban</u>
Total Operating Expenses	<u>\$ 2,930,834</u>
Less: Ineligible Expenses	
Depreciation	275,518
Ineligible Prior Year Refunds and Credits	67,143
Other Revenue-JARC Fares	14,671
Job Access Reverse Commute Program	386,040
CARES Grant	100,000
Preventive Maintenance Funded by Capital Grants	104,059
Other Administrative Expenses Funded by Capital Grants	<u>35,521</u>
Total Ineligible Expenses Per R&E Manual	<u>\$ 982,952</u>
Total State Eligible Expenses	<u><u>\$ 1,947,882</u></u>

Eligible Expenses for State Reimbursement	\$ 1,947,882
Reimbursement Percentage	<u>34.5849%</u>
State Operating Assistance	<u><u>\$ 673,673</u></u>

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE CALCULATION--FEDERAL
 For the Fiscal Year Ended September 30, 2023

SCHEDULE 5F

October 1, 2022-
 September 30, 2023

Total Operating Expenses	\$	2,930,834
Less: Ineligible Expenses		
Depreciation		275,518
Ineligible Prior Year Refunds and Credits		67,143
Other Revenue-JARC Fares		14,671
Job Access Reverse Commute Program		386,040
CARES Grant		100,000
Preventive Maintenance Funded by Capital Grants		104,059
Other Administrative Expenses Funded by Capital Grants		35,521
		982,952
Total Ineligible Expenses According to R&E Manual		982,952
Total Federal Eligible Expenses	\$	1,947,882
Total Federal Eligible Expenses	\$	1,947,882
Less Farebox Revenue		109,617
Net Project Cost		1,838,265
Net Project Cost		1,838,265
x Reimbursement percentage		50%
Subtotal	\$	919,133
Section 5307 Funds Operating Assistance Received		
Section 5307 - 2023 Grant (MI-2023-010-00)	\$	1,680,441
Section 5307 Funds Operating Assistance Received	\$	919,133



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

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*

June 17, 2024

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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 17, 2024.

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.

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. 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.

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 2023-001 through 2023-003.

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
Administrator
Local Audit 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

June 17, 2024

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, 2023. 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 March 1, 2024. 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, 2023. 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 June 17, 2024.

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

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
Administrator
Local Audit and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

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

June 17, 2024

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, 2023. 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, 2023.

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

of findings and questioned costs as findings 2023-002 and 2023-003. 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
Administrator
Local Audit and Finance Division

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended September 30, 2023

<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	\$ 9,039	\$ -
Capital Assistance--Section 5339	20.526	MI-2019-002-00	58,064	-
COVID-19-Operating Assistance-- Section 5307--CARES	20.507	MI-2020-026-00	100,000	-
Operating Assistance--Section 5307	20.507	MI-2023-010-00	919,133	-
Capital Assistance--Section 5307	20.507	MI-2022-025-00	111,664	-
Subtotal--Federal Transit Cluster			<u>1,197,900</u>	<u>-</u>
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>\$ 1,197,900</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, 2023

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, 2023. 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, 2023

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 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, 2023

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

STATUTORY NONCOMPLIANCE

Violation of Open Meetings Act

Finding 2023-001

Condition: The Authority could not locate its minutes for the special meeting held March 28, 2023, or minutes for any meetings held between May and August 2023. The Authority held closed meetings on November 22, 2022, and January 24, 2024, and did not disclose the purpose of the closed meetings.

Criteria: According to MCL 15.269 of the Open Meetings Act, "Each public body shall keep minutes of each meeting showing the date, time, place, members present, members absent, any decisions made at a meeting open to the public, and the purpose or purposes for which a closed session is held."

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

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

1. To consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against, or to consider a periodic personnel evaluation of, a public officer, employee, staff member, or individual agent, if the named individual requests a closed hearing. An individual requesting a closed hearing may rescind the request at any time, in which case the matter at issue must be considered after the rescission only in open sessions.
2. For strategy and negotiation sessions connected with the negotiation of a collective bargaining agreement if either negotiating party requests a closed hearing.
3. To consider the purchase or lease of real property up to the time an option to purchase or lease that real property is obtained.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2023

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 maintain its minutes. The Authority also 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 implement a procedure to ensure the minutes are taken at each meeting and that a policy is implemented to maintain the minutes in accordance with the Open Meetings Act. We further 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 Rufus Adams, 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 share the Open Meetings Act handbooks for the board and will designate a member to ensure all meeting minutes are documented and if a meeting is closed the specific statutory reason will be documented.

Section III—Federal Award Findings and Questioned Costs

Federal Aid Policies

Finding 2023-002

Condition: The Authority's management has completely turned over and been restructured. However, the Authority's policies for federal aid approved in 2021 have not been revised to update for the current management structure. The policies have also not been updated for changes in the 2 CFR 200 that have occurred.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2023

Criteria: The 2 CFR 200 requires the adoption of federal aid policies and that they are to be updated and maintained in accordance with the federal regulations. These policies include the following along with the 2 CFR 200 reference.

- a. Cash Management Procedure –200.302(b)(6) and 200.305
- b. Cost Allowability Procedures –200.302(b)(7)
- c. Conflicts of Interest Policy –200.318(c)
- d. Procurement Procedures –200.318(a) and 200.319(d)
- e. Method for Conducting Technical Evaluations of Proposals and Selecting Recipients – 200.320(b)(2)(ii)
- f. Travel Policy –200.475(a)
- g. Procedures for Managing Equipment –200.313(d)
- h. Employee Benefits –200.431

Cause: The Authority has experienced a high turnover of employees since 2021 when the policies were adopted and have not been reviewed since their adoption.

Effect: The Authority is noncompliant with 2 CFR 200.

Directive: We direct the Authority review and update all federal aid policies and implement procedures to ensure that they are being reviewed at least once a year for changes in the Authority's management structure or changes that occur in the 2 CFR 200.

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

The Authority will update their federal policies to comply with 2 CFR 200 and will review all policies on an annual basis going forward.

Failure to Follow Procurement Policy

Finding 2023-003

Condition: The Authority did not comply with the current procurement policy as procedures were not fully followed and forms required by the Authority's procurement policy were not completed. The following forms required by either 2 CFR 200 and/or the Authority's own procurement policy were not completed for the current year capital asset purchases: Written Record of Procurement Checklist Form, Method of Procurement Decision Matrix, Advertisement and Solicitation Form, Bid Quotations, Fewer Than 3 Offers Received Evaluation if applicable, Proposal Tabulation, Certification of Compliance with Federal Clauses for the assets less than \$25,000, and Responsibility Determination (sam.gov debarred verification). Also, as stated in the prior finding, the procurement policy needs to be updated.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2023

Criteria: According to 2 CFR 200.214 Suspension and Debarment, Non-Federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, [2 CFR part 180](#). The regulations in [2 CFR part 180](#) restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

The following excerpts are from 2 CFR Part 200.318 General Procurement Standards.

(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in [§§ 200.317](#) through [200.327](#).

(i) the non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

According to 2 CFR 200.320 Methods of Procurement to be Followed, the non-Federal entity must have and use documented procurement procedures, consistent with the standards of this section and [§§ 200.317](#), [200.318](#), and [200.319](#) for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award.

Concurrently, the Authority's did not comply with its own current procurement policy as it did not follow or prepare the required documentation detailed in the following sections.

Procurement Requests-The Authority will maintain sufficient records to detail the history of a procurement. Such records shall include method of procurement, selection of contract type, contractor selection (or rejection), and the contract price. The Authority will treat any prospective contractor or sub-contractor listed on a centralized State government debarment and suspension list as nonresponsible and ineligible for contract award.

Debarment and Suspension- The Authority will treat any prospective contractor or sub-contractor listed on a centralized State government debarment and suspension list as non-responsible and ineligible for contract awards. To see if a prospective contractor is eligible, we will look on the website www.SAM.gov and when the bid has been received.

Methods of Procurement-

- a. Micro and Emergency Purchases (do not exceed \$10,000)-(a) A written determination as to why price is deemed fair and reasonable must be on file with each purchase made

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2023

under this method of procurement using Micro-Purchase Price Reasonableness Determination Form. (b) Splitting of procurements to avoid the competitive procurement requirements of federal and state statutes shall not be condoned.

- b. Small Purchase Procurement (\$10,000 to \$250,000) -(a) A minimum of two price or rate quotations shall be obtained from qualified sources; (b) The procurement will be made from the lowest priced qualified bid, if products or goods are equal; (c) MDOT requires for procurements under \$25,000.00. Included Procurement Appendix A, B, E, F, G, H, or I and Vehicle Specification certification if applies. (d) MDOT requires for procurements over \$25,000.00 solicitations, including specifications and written selection procedures (lowest bids), Include Procurement Appendix A, F, G, H or I and Vehicle Specification certification if applies. Third Party Contracts with applicable clauses and bond documents must be included.

Cause: The Authority did not follow its own procurement policy.

Effect: The Authority is noncompliant with 2 CFR 200 and its own procurement policy.

Directive: We direct the Authority review and update its procurement policy and implement procedures to ensure that the Authority is complying with the federal requirements, required forms are being completed, and documentation is being maintained.

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

The Authority will review and update its procurement policy to comply with federal requirements. The Authority's management, consultant, and finance director will review the procedures in the policy to ensure they are being acted upon accordingly going forward.

Section IV--Summary Schedule of Prior Audit Findings

Material Weakness

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

Condition/Finding: 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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 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.

Current Year Status: This finding was updated as the Authority has made improvements regarding the reimbursement requests being submitted. However, the federal aid policies have not been revised and this aspect has been repeated in the current year as Finding 2023-002.

2022-002 – 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. 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.

Current Year Status: This finding will be carried forward with the violations that occurred during and after the current fiscal year and.