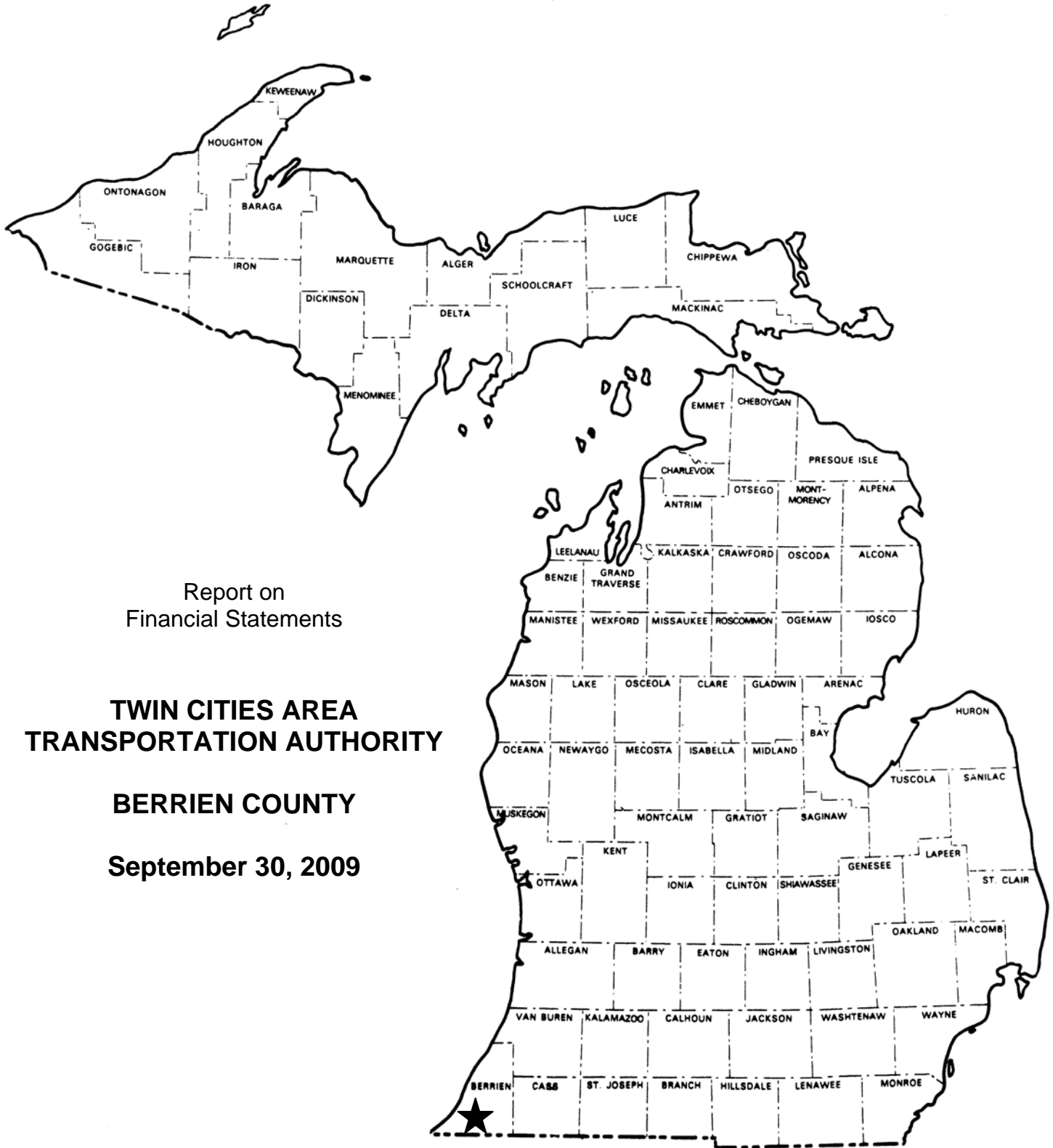


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY
Robert J. Kleine, Treasurer



Report on
Financial Statements

**TWIN CITIES AREA
TRANSPORTATION AUTHORITY**

BERRIEN COUNTY

September 30, 2009

TWIN CITIES AREA TRANSPORTATION AUTHORITY

BOARD OF TRUSTEES

Charles Yarbrough
Chairman

Janice McAlpine
Vice Chairman/Secretary

Ralph Pringle
Trustee

Willie Kelly
Trustee

Herbert Singleton
Trustee

Bill Purvis
Executive Director

CITY OF BENTON HARBOR POPULATION--2000
11,182

STATE EQUALIZED VALUATION--2008
169,985,803

TAXABLE VALUATION--2008
\$126,570,695



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 23, 2010

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

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the business-type activities of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, Michigan, as of and for the fiscal year ended September 30, 2009, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of September 30, 2009 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information in Schedules 1, 3, 4R, 4E, 5S, and 5F is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards (Schedule 2) is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. With the exception of Schedule 4N marked "unaudited," the information on schedules 1, 2, 3, 4R, 4E, 5S, and 5F 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.



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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

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TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2009

Using this Annual Report

Our discussion and analysis of the Authority's financial performance provides an overview of the its financial activities for the fiscal year ended September 30, 2009. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances.

Overview of the Financial Statements

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and an additional section that presents supplementary information and schedules. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are financial statements that provide both long-term and short-term information about the Authority's overall financial status. These statements report information about the Authority, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Assets regardless of when cash is received or paid. The two statements report the Authority's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to measure the Authority's financial health or position.
- 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 Assets and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Authority, as a whole, and on its activities in a way that helps answer the question of whether the Authority, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Authority's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets regardless of when cash is received or paid.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended September 30, 2009

The two statements, mentioned above, report the Authority's net assets and how they have changed. The reader can think of the Authority's net assets (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 assets are one indicator of whether its financial health is improving or deteriorating, respectively. To access the overall health of the Authority, you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Authority's buses, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Authority as a Whole

The Authority's net assets decreased approximately 10.94%, or \$119,726, from \$1,094,605 to \$974,879 for the year ended September 30, 2009. The net assets and change in net assets are summarized below.

Net Assets

The unrestricted net assets increased by \$114,275 during 2009 with the CMAQ grant and American Recovery and Reinvestment Act grant received. The investment in capital assets decreased \$234,001. The decrease is due to the depreciation expense for the year, which increased the accumulated depreciation.

Net assets as of the fiscal year ended September 30, 2009, compared to the prior fiscal year, are as follows:

| | <u>2008</u> | <u>2009</u> | <u>Variance</u> | <u>%</u> |
|----------------------------|--------------------|-------------------|---------------------|----------------|
| Current and Other Assets | \$ 364,009 | \$ 534,340 | \$ 170,331 | 46.79% |
| Capital Assets | <u>764,724</u> | <u>530,723</u> | <u>(234,001)</u> | <u>-30.60%</u> |
| Total Assets | <u>1,128,733</u> | <u>1,065,063</u> | <u>(63,670)</u> | <u>-5.64%</u> |
| Current Liabilities | <u>34,128</u> | <u>90,184</u> | <u>56,056</u> | <u>164.25%</u> |
| Total Liabilities | <u>34,128</u> | <u>90,184</u> | <u>56,056</u> | <u>164.25%</u> |
| Net Assets | | | | |
| Invested in Capital Assets | 764,724 | 530,723 | (234,001) | -30.60% |
| Unrestricted | <u>329,881</u> | <u>444,156</u> | <u>114,275</u> | <u>34.64%</u> |
| Total Net Assets | <u>\$1,094,605</u> | <u>\$ 974,879</u> | <u>\$ (119,726)</u> | <u>-10.94%</u> |

TWIN CITIES AREA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2009

Changes in Net Assets

Changes in net assets for the fiscal year ended September 30, 2009, compared to the prior fiscal year, are as follows:

| | <u>2008</u> | <u>2009</u> | <u>Variance</u> | <u>%</u> |
|---|----------------------------|--------------------------|----------------------------|-----------------------|
| Operating Revenue | | | | |
| Passenger Fares | \$ 300,481 | \$ 311,563 | \$ 11,082 | 3.69% |
| Special Transit Fares | 41,771 | 29,070 | (12,701) | -30.41% |
| Auxiliary Transportation Revenues | 6,290 | 5,754 | (536) | -8.52% |
| Nonoperating Revenue | | | | |
| Local Contributions | | | | |
| Tax Levy | 91,433 | 127,902 | 36,469 | 39.89% |
| State of Michigan Operating Grants | | | | |
| Local Bus Operating Assistance (Act 51) | 567,309 | 527,495 | (39,814) | -7.02% |
| Federal Operating Grants | | | | |
| USDOT Operating Grant (Section 5307) | 600,000 | 568,647 | (31,353) | -5.23% |
| Congestion Mitigation and Air Quality | 145,465 | 124,737 | (20,728) | -14.25% |
| American Recovery and Reinvestment Act | | 96,390 | 96,390 | 100.00% |
| State and Federal Grants--Prior Year Adjustments | (13,490) | 32,194 | 45,684 | -338.65% |
| Interest Earned | 12,401 | 1,641 | (10,760) | -86.77% |
| Other | 6,631 | 18,051 | 11,420 | 172.22% |
| Sale of Fixed Assets | 15,496 | 500 | (14,996) | -96.77% |
| Total Revenue | <u>1,773,787</u> | <u>1,843,944</u> | <u>70,157</u> | <u>3.96%</u> |
| Operating Expense | | | | |
| Salaries and Wages | 1,122,443 | 1,213,692 | 91,249 | 8.13% |
| Depreciation | 307,438 | 250,842 | (56,596) | -18.41% |
| Other | 650,838 | 540,973 | (109,865) | -16.88% |
| Total Operating Expense | <u>2,080,719</u> | <u>2,005,507</u> | <u>(75,212)</u> | <u>-3.61%</u> |
| Income (Loss) Before Capital Contributions and Operating Transfers | (306,932) | (161,563) | 145,369 | -47.36% |
| Capital Contributions | | | | |
| State of Michigan Capital Grants | | | | |
| Capital Grant | 42,755 | 3,367 | (39,388) | -92.12% |
| Federal Capital Grants | | | | |
| Capital Grant (Section 5307) | 171,022 | 13,470 | (157,552) | -92.12% |
| Transfers In--Primary Government | 25,000 | 25,000 | - | 0.00% |
| Increase (Decrease) in Net Assets | <u>(68,155)</u> | <u>(119,726)</u> | <u>(51,571)</u> | <u>75.67%</u> |
| Ending Net Assets | <u>\$ 1,094,605</u> | <u>\$ 974,879</u> | <u>\$ (119,726)</u> | <u>-10.94%</u> |

TWIN CITIES AREA TRANSPORTATION AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2009**

Budgetary Highlights

The increase in Fare Box revenue was due to an increase in fares. There is a decrease in Special Transit Fares due to a reduction in the services being offered by agencies and we're using tokens for a lot of the programs which helped to increase Fare Box revenue.

The Federal Operating Grants have increased to balance our budget because the State of Michigan's reimbursement rate continues to decrease.

Prior to the beginning of any year, the Authority's budget is compiled based upon certain assumptions and facts available at that time. The total eligible expenses for fiscal 2009 decreased because of the decrease in fuel cost.

Capital Asset Administration

As of September 30, 2009, the Authority had \$530,723 invested in capital assets. This amount represents a net decrease (including additions and deductions) of \$234,001 or 31% as follows:

| | <u>2008</u> | <u>2009</u> | <u>Percent Change</u> |
|--------------------------------------|-------------------|-------------------|---------------------------|
| Capital Assets Not Being Depreciated | | | |
| Land | <u>\$ 62,700</u> | <u>\$ 62,700</u> | <u>0.00%</u> |
| Subtotal | <u>62,700</u> | <u>62,700</u> | <u>0.00%</u> |
| Capital Assets Being Depreciated | | | |
| Building | 1,616,775 | 1,633,616 | 1.0% |
| Other Vehicles | 113,418 | 113,418 | 0% |
| Buses | 1,087,581 | 1,087,581 | 0% |
| Shop Equipment | 137,769 | 137,769 | 0% |
| Office Equipment | 111,013 | 111,013 | 0% |
| Vehicle Locator | <u>155,553</u> | <u>155,553</u> | <u>0%</u> |
| Subtotal | <u>3,222,109</u> | <u>3,238,950</u> | <u>1%</u> |
| Total Capital Assets | <u>3,284,809</u> | <u>3,301,650</u> | <u>1%</u> |
| Total Accumulated Depreciation | <u>2,520,085</u> | <u>2,770,927</u> | <u>10%</u> |
| Total Net Capital Assets | <u>\$ 764,724</u> | <u>\$ 530,723</u> | <u>-31%</u> |

TWIN CITIES AREA TRANSPORTATION AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2009**

Economic Factors and Next Year's Budget

In the 2009/10 fiscal year, the line haul is funded by TCATA instead of CMAQ. We will have two JARC grants that will help cover some of our expenses. Our millage was passed and the rate was returned to its original 1.25 mills.

Contacting the Authority's 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 ASSETS
September 30, 2009

EXHIBIT A

ASSETS

Current Assets

| | |
|-----------------------------|---------------|
| Cash and Cash Equivalents | \$ 319,814 |
| Accounts Receivable | 9,134 |
| Due From Federal Government | 86,795 |
| Due From Primary Government | 71,199 |
| Inventory | 7,088 |
| Prepaid Expenses | <u>40,310</u> |

Total Current Assets 534,340

Noncurrent Assets

| | |
|--|----------------|
| Capital Assets (Net of Accumulated Depreciation) | <u>530,723</u> |
|--|----------------|

Total Noncurrent Assets 530,723

Total Assets 1,065,063

LIABILITIES

Current Liabilities

| | |
|-----------------------------------|---------------|
| Accounts Payable | 27,016 |
| Due to State Government | 35,096 |
| Accrued Wages and Fringe Benefits | <u>28,072</u> |

Total Current Liabilities 90,184

NET ASSETS

| | |
|----------------------------|----------------|
| Invested in Capital Assets | 530,723 |
| Unrestricted | <u>444,156</u> |

Total Net Assets \$ 974,879

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 ASSETS
For the Fiscal Year Ended September 30, 2009

EXHIBIT B

| | |
|--|--------------------------|
| Operating Revenue | |
| Passenger Fares | \$ 311,563 |
| Special Transit Fares | 29,070 |
| Auxiliary Transportation Revenues | <u>5,754</u> |
| Total Operating Revenue | <u>346,387</u> |
| Operating Expense | <u>2,005,507</u> |
| Total Operating Expense | <u>2,005,507</u> |
| Operating Income (Loss) | <u>(1,659,120)</u> |
| Nonoperating Revenue | |
| Local Contributions | |
| Tax Levy | 127,902 |
| State of Michigan Operating Grants | |
| Local Bus Operating Assistance (Act 51) | 527,495 |
| Federal Operating Grants | |
| USDOT Operating Grant (Section 5307) | 568,647 |
| Congestion Mitigation and Air Quality | 124,737 |
| American Recovery and Reinvestment Act | 96,390 |
| State and Federal Grants--Prior Year Adjustments | 32,194 |
| Gain on Sale of Assets | 500 |
| Interest Earned | 1,641 |
| Other Non-Transit Revenues | <u>18,051</u> |
| Total Nonoperating Revenue | <u>1,497,557</u> |
| Income (Loss) Before Capital Contributions and Operating Transfers | (161,563) |
| Capital Contributions | |
| State of Michigan Capital Grants | |
| Capital Grant | 3,367 |
| Federal Capital Grants | |
| Capital Grant (Section 5307) | 13,470 |
| Transfers In From Primary Government | <u>25,000</u> |
| Change in Net Assets | (119,726) |
| Total Net Assets--October 1, 2008 | <u>1,094,605</u> |
| Total Net Assets--September 30, 2009 | <u><u>\$ 974,879</u></u> |

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2009

EXHIBIT C

| | |
|--|-----------------------|
| Cash Flows From Operating Activities | |
| Cash Received From Customers | \$ 344,179 |
| Cash Payments to Employees for Services and Benefits | (1,209,463) |
| Cash Payments to Suppliers for Goods and Services | <u>(527,001)</u> |
| Net Cash Provided by Operating Activities | <u>(1,392,285)</u> |
| Cash Flows From Noncapital Financing Activities | |
| State Grants | 580,118 |
| Federal Grants | 764,820 |
| State and Federal Grants--Prior Year Adjustments | 32,194 |
| Property Tax | 114,677 |
| Other Revenue | 18,051 |
| Transfers In From Primary Government | <u>25,000</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>1,534,860</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Purchase of Capital Assets | (16,837) |
| Capital Assets Purchased With State and Federal Grants | 13,616 |
| Sale of Fixed Assets | <u>500</u> |
| Net Cash Provided From Capital and Related Financing Activities | (2,721) |
| Cash Flows From Investing Activities | |
| Interest on Cash Equivalents | <u>1,641</u> |
| Net Cash Provided by Investing Activities | 1,641 |
| Net Decrease in Cash and Cash Equivalents | 141,495 |
| Cash and Cash Equivalents at Beginning of the Year | <u>178,319</u> |
| Cash and Cash Equivalents at End of the Year | <u>\$ 319,814</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income (Loss) | \$ (1,659,120) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities (Noncash Items) | |
| Depreciation Expense | 250,842 |
| (Increase) Decrease in Accounts Receivable | (2,208) |
| (Increase) Decrease in Inventory | (3,022) |
| (Increase) Decrease in Prepaid Expenses | 263 |
| Increase (Decrease) in Accounts Payable | 16,736 |
| Increase (Decrease) in Other Accrued Liabilities | <u>4,224</u> |
| Net Cash Provided by Operating Activities | <u>\$ (1,392,285)</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, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 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 and 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. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the above criteria, these financial statements present the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor; and for financial purposes within generally accepted accounting principles, an enterprise fund of the City of Benton Harbor.

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets) report information of the activities of the Authority. There is only one fund reported in the government-wide financial statements.

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

The Statement of Revenues, Expenses and Changes in Net Assets demonstrates the degree to which the operating expenses of a given function or segment are 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, 2009

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 nonoperating 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 nonoperating 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 nonoperating revenue and expenses.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

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.

Inventories

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2009

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 significant in amount, are capitalized. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property Taxes

Property taxes are levied each December 1 on the taxable valuation of properties located in the City of Benton Harbor as of the preceding December 31. The City of Benton Harbor's 2008 ad valorem tax was levied and collectible on December 1, 2008. It is the policy of the Authority to recognize revenue from the current tax levy in the 2008/2009 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Authority's operations.

The 2008 real and personal taxable valuation of Benton Harbor property, excluding \$18,591,788 Renaissance Zone, amounted to \$107,978,907. Ad valorem taxes of 1.2337 mills were levied for Authority operating purposes amounting to \$133,214 of which an additional \$5,312 was captured for brownfield projects. The total amount collected and recognized as revenue was \$127,902

Cash and Investments

For the purpose of the statement of cash flows, demand deposits and short-term investments with a maturity date of 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.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2009

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

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.

NOTE B--DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the Authority are at a local bank in the name of the Authority. Michigan Compiled Laws, Section 129.91 et al., authorizes the city to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks, commercial paper rated by two standard rating agencies 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 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.

The Authority's deposits are in accordance with State statutory authority.

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

| | <u>Business-Type Activities</u> |
|----------------|-------------------------------------|
| Cash | \$ 319,584 |
| Petty Cash | <u>230</u> |
| Total Deposits | <u><u>\$ 319,814</u></u> |

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS (Continued)

The bank balance of the Authority's deposits is \$331,736, of which \$250,000 is covered by Federal depository insurance. The remaining \$81,736 is uncollateralized. On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009; and on May 20, 2009, the temporary increase was extended through December 31, 2013.

Investments Authorized by the Authority's Investment Policy

The Authority's investment policy authorizes investment in all those that are authorized by law. The Authority did not have any investments in the fiscal year ended September 30, 2009.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investment policy does not contain specific provisions to limit the Authority's exposure to credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy does not contain specific provisions to limit the Authority's exposure to interest rate risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer where the investment is 5% or greater.

The Authority's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s) or a specific class of securities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the Authority's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the Authority's investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The Authority is not exposed to custodial credit risk for investments.

NOTE C--DUE FROM FEDERAL GOVERNMENT

The following amount was due at September 30, 2009:

| | |
|---|------------------|
| Federal Operating Assistance for Fiscal Year 2008/09 | \$ 70,914 |
| Federal CMAQ Grant (MI-90-X010) | 4,200 |
| Federal American Recovery and Reinvestment Act (MI-96-X017) | 9,104 |
| Federal Capital Assistance (MI-90-X496) | <u>2,577</u> |
| Total Due From Federal Government | <u>\$ 86,795</u> |

NOTE D--DUE FROM PRIMARY GOVERNMENT

The City of Benton Harbor owes the Authority \$58,699 for taxes collected in the fiscal year ended September 30, 2009 and \$12,500 of the annual subsidy.

NOTE E--DUE TO STATE GOVERNMENT

The following amount was due at September 30, 2009:

| | |
|--|------------------|
| State Operating Assistance for Fiscal Year 2006/07 | \$ 20,000 |
| State Operating Assistance for Fiscal Year 2008/09 | 15,740 |
| State Capital Assistance (MI-90-X496) | <u>(644)</u> |
| Total Due To State | <u>\$ 35,096</u> |

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2009

NOTE F--ACCRUED EMPLOYEE BENEFITS

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

Vacation Leave

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

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

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

Unused vacation leave is lost at the end of each calendar year and accumulates at the beginning of the year.

Sick Leave

Sick leave is earned at 20 hours per quarter with no maximum accumulation and is not payable at separation. Employees may use up to 2 days of accumulated sick leave per year as personal leave days with the approval of the director or his designated assistant.

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2009

NOTE G--CAPITAL ASSETS

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

| <u>Business-Type Activities</u> | Beginning Balance 10/01/08 | Increases | Decreases | Ending Balance 09/30/09 |
|--|----------------------------------|---------------------|-------------|-------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 62,700 | | | \$ 62,700 |
| Subtotal | <u>62,700</u> | <u>\$ -</u> | <u>\$ -</u> | <u>62,700</u> |
| Capital Assets Being Depreciated | | | | |
| Building | 1,616,775 | 16,841 | | 1,633,616 |
| Other Vehicles | 113,418 | | | 113,418 |
| Buses | 1,087,581 | | | 1,087,581 |
| Shop Equipment | 137,769 | | | 137,769 |
| Office Equipment | 111,013 | | | 111,013 |
| Vehicle Locator | 155,553 | | | 155,553 |
| Subtotal | <u>3,222,109</u> | <u>16,841</u> | <u>-</u> | <u>3,238,950</u> |
| Less Accumulated Depreciation for | | | | |
| Building | 1,413,664 | 82,030 | | 1,495,694 |
| Other Vehicles | 111,738 | 1,680 | | 113,418 |
| Buses | 624,677 | 159,704 | | 784,381 |
| Shop Equipment | 137,770 | | | 137,770 |
| Office Equipment | 76,683 | 7,428 | | 84,111 |
| Vehicle Locator | 155,553 | | | 155,553 |
| Subtotal | <u>2,520,085</u> | <u>250,842</u> | <u>-</u> | <u>2,770,927</u> |
| Net Capital Assets Being Depreciated | <u>702,024</u> | <u>(234,001)</u> | <u>-</u> | <u>468,023</u> |
| Governmental Activities Capital Total Capital Assets--Net of Depreciation | <u>\$ 764,724</u> | <u>\$ (234,001)</u> | <u>\$ -</u> | <u>\$ 530,723</u> |

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2009

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--TRANSFER IN--PRIMARY GOVERNMENT

During the fiscal year ended September 30, 2009, the City of Benton Harbor appropriated \$25,000 to the Authority as an annual subsidy.

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 line haul route for the CMAQ program. The total charges of \$155,923 and the related grant revenue was included as an ineligible expense in Schedule 4E and Schedule 5.

TWIN CITIES AREA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2009

NOTE K--EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

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

NOTE L--NONFINANCIAL DATA

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

NOTE M--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.

SCHEDULE 1

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
LOCAL REVENUES
For the Fiscal Year Ended September 30, 2009**

| LOCAL REVENUES | |
|---|--------------------------|
| Farebox | \$ 311,563 |
| Contract Fares | 29,070 |
| Concessions | 2,785 |
| Advertising | 995 |
| Other Auxillary Trans Revenues | 1,974 |
| Gains From Sales of Capital Assets | 500 |
| Other Non-Transit Revenues | 18,051 |
| Taxes Levied Directly for/by Transit Agency | 127,902 |
| Local Operating Assistance | 25,000 |
| Interest Income | <u>1,641</u> |
| Total Local Revenues | <u><u>\$ 519,481</u></u> |

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (1,2)
For the Fiscal Year Ended September 30, 2009**

SCHEDULE 2

| | Federal CFDA Number | Grant No./ Authorization Number | Program Award Amount | Current Year's Expenditures | | | Prior Year's Expenditures | Amount Remaining | |
|--|---------------------------|---------------------------------------|----------------------------|-----------------------------|-------------------|------------------|---------------------------------|---------------------|-------------------|
| | | | | Total | Federal | State | | | Local |
| US Department of Transportation | | | | | | | | | |
| Direct Pass Through US Department of Transportation | | | | | | | | | |
| Operating Assistance--Section 5307 | 20.507 | MI-90-X579 | \$ 285,284 | \$ 285,284 | (3) \$ 285,284 | | | - | |
| Operating Assistance--Section 5307 | 20.507 | MI-90-X586 | 283,363 | 283,363 | (3) 283,363 | | | - | |
| CMAQ | 20.507 | MI-95-X010 | 124,737 | 124,737 | 124,737 | | | - | |
| America Recovery and Reinvestment Act | 20.507 | MI-96-X017 | 780,000 | 96,390 | 96,390 | | | \$ 683,610 | |
| Total Operating Assistance | | | <u>1,473,384</u> | <u>789,774</u> | <u>789,774</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>683,610</u> |
| US Department of Transportation | | | | | | | | | |
| Passed through Michigan Department of Transportation | | | | | | | | | |
| Capital Assistance | 20.500 | MI-04-0009/Z8 | 110,138 | 16,837 | 13,470 | 3,367 | 69,218 | 24,083 | |
| Total Capital Assistance | | | <u>110,138</u> | <u>16,837</u> | <u>13,470</u> | <u>3,367</u> | <u>-</u> | <u>69,218</u> | <u>24,083</u> |
| Michigan Department of Transportation | | | | | | | | | |
| Operating Assistance--Act 51 | N/A | N/A | 527,495 | 527,495 | (4) | 527,495 | | - | |
| Total Department of Transportation | | | <u>\$2,111,017</u> | <u>\$1,334,106</u> | <u>\$ 803,244</u> | <u>\$530,862</u> | <u>\$ -</u> | <u>\$ 69,218</u> | <u>\$ 707,693</u> |

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

TWIN CITIES AREA TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended September 30, 2009

1. The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all Federal and State awards programs of the Authority. Federal and State awards received directly from Federal or State agencies, as well as Federal or State awards passed through other government agencies are included on the schedule.
2. The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting which is described in Note A of the Authority's basic financial statements.
3. Maximum Section 5307 operating assistance revenue can be 50% of Net Eligible Expenses as presented in Schedule 5F, not to exceed the local match or contract limit. The Federal Section 5307 operating assistance of \$568,647 was recognized based on the contract limit.
4. State operating assistance of \$527,495 was recognized based on the net eligible cost computation presented as Schedule 5S. The actual revenue to be received from the State is uncertain because the revenue is based on a fixed amount of state-wide available funding. It could be as low as \$288,947, which is the 1997 floor; or as high as \$941,570, which is the statutory cap of 60% of eligible operating expenses. MDOT will recalculate the State operating assistance percentage in Schedule 5S based on state-wide eligible expenses after the year is closed out.

TWIN CITIES AREA TRANSPORTATION AUTHORITY
OPERATING AND CONTRACT EXPENSES
For the Fiscal Year Ended September 30, 2009

SCHEDULE 3

| <u>Expenses</u> | Nonurban State Operating FY 2009* | Nonurban Operating CMAQ | Total |
|------------------------------|---|-------------------------------|---------------------|
| Labor | \$ 756,339 | \$ 74,099 | \$ 830,438 |
| Fringe Benefits | 345,498 | 37,756 | 383,254 |
| Services | 172,475 | 21,415 | 193,890 |
| Materials and Supplies | 161,377 | 19,896 | 181,273 |
| Utilities | 48,058 | 5,389 | 53,447 |
| Casualty and Liability Costs | 84,379 | 6,301 | 90,680 |
| Taxes and Fees | 385 | 58 | 443 |
| Miscellaneous | 13,107 | 1,811 | 14,918 |
| Leases and Rentals | 5,711 | 611 | 6,322 |
| Depreciation | 250,842 | | 250,842 |
| Total Expenses | <u>\$ 1,838,171</u> | <u>\$ 167,336</u> | <u>\$ 2,005,507</u> |

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

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--REVENUES--REGULAR SERVICE
 For the Fiscal Year Ended September 30, 2009**

SCHEDULE 4R

REVENUE SCHEDULE REPORT

| CODE | DESCRIPTION | LINE HAUL | DEMAND RESPONSE | TOTAL |
|-----------------------|---|----------------------|----------------------------|---------------------|
| 401: | Farebox Revenue | | | |
| 40100 | Passenger Fares | \$ 16,349 | \$ 295,214 | \$ 311,563 |
| 40200 | Contract Fares | | 29,070 | 29,070 |
| 406: | Auxiliary Trans Revenues | | | |
| 40610 | Concessions | | 2,785 | 2,785 |
| 40615 | Advertising | | 995 | 995 |
| 40699 | Other Auxillary Trans Revenues | | 1,974 | 1,974 |
| 407: | NonTrans Revenues | | | |
| 40760 | Gains From Sales of Capital Assets | | 500 | 500 |
| 40710 | Other Non-Transit Revenue (Refunds) | | 18,051 | 18,051 |
| 408: | Local Revenue | | | |
| 40800 | Taxes Levied Directly for/by Transit Agency | 14,635 | 113,267 | 127,902 |
| 409: | Local Revenue | | | |
| 40910 | Local Operating Assistance | | 25,000 | 25,000 |
| 411: | State Formula and Contracts | | | |
| 41101 | State Operating Assistance | | 527,495 | 527,495 |
| 41110 | Line-Item Municipal Credit (Prior Year Adjustments) | | 32,194 | 32,194 |
| 413: | Federal Contracts | | | |
| 41302 | Federal Section 5307 | | 568,647 | 568,647 |
| 41311 | Preventive Maintenance | | 96,390 | 96,390 |
| 41399 | Other FTA Contracts--CMAQ Funds for Line Haul | 124,737 | | 124,737 |
| 414: | Other Revenue | | | |
| 41400 | Interest Income | | 1,641 | 1,641 |
| TOTAL REVENUES | | \$ 155,721 | \$1,713,223 | \$ 1,868,944 |

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--EXPENSES--REGULAR SERVICE
 For the Fiscal Year Ended September 30, 2009

SCHEDULE 4E

EXPENSE SCHEDULE REPORT

| CODE | DESCRIPTION | OPERATIONS | OPERATIONS | MAINTENANCE | MAINTENANCE | ADMINISTRATION | ADMINISTRATION | TOTAL |
|-------------|------------------------------------|--------------|--------------------|--------------|--------------------|----------------|--------------------|------------|
| | | LINE HAUL | DEMAND RESPONSE | LINE HAUL | DEMAND RESPONSE | LINE HAUL | DEMAND RESPONSE | |
| 501: | Labor | | | | | | | |
| 50101 | Operators' Salaries and Wages | \$ 50,400 | \$ 414,203 | | | | | \$ 464,603 |
| 50102 | Other Salaries and Wages | 1,546 | 15,373 | \$ 7,926 | \$ 69,893 | \$ 14,227 | \$ 98,360 | 207,325 |
| 50103 | Dispatchers' Salaries and Wages | | 158,510 | | | | | 158,510 |
| 502: | Fringe Benefits | | | | | | | |
| 50200 | Other Salaries and Wages | 25,817 | 256,632 | 5,145 | 43,576 | 6,794 | 45,290 | 383,254 |
| 503: | Services | | | | | | | |
| 50302 | Advertising Fees | | | | | 404 | 2,905 | 3,309 |
| 50305 | Audit Cost | | | | | 994 | 6,629 | 7,623 |
| 50399 | Other Services | 17 | 172 | 17,686 | 147,335 | 2,314 | 15,434 | 182,958 |
| 504: | Materials and Supplies | | | | | | | |
| 50401 | Fuel and Lubricants | 15,141 | 121,113 | | | | | 136,254 |
| 50402 | Tires and Tubes | 1,965 | 19,529 | | | | | 21,494 |
| 50499 | Other Materials and Supplies | 107 | 1,059 | 991 | 8,394 | 1,692 | 11,282 | 23,525 |
| 505: | Utilities | | | | | | | |
| 50500 | Utilities | 2,303 | 22,892 | 2,547 | 21,570 | 539 | 3,596 | 53,447 |
| 506: | Insurance | | | | | | | |
| 50603 | Liability Insurance | 5,291 | 77,644 | | | | | 82,935 |
| 50699 | Other Insurance | | | | | 1,010 | 6,735 | 7,745 |
| 507: | Taxes and Fees | | | | | | | |
| 50700 | Taxes and Fees | | | | | 58 | 385 | 443 |
| 509: | Miscellaneous Expenses | | | | | | | |
| 50902 | Travel, Meetings and Training | 146 | 1,446 | 63 | 537 | 857 | 5,713 | 8,762 |
| 50903 | Association Dues and Subscriptions | | | | | 136 | 908 | 1,044 |
| 50999 | Other Miscellaneous Expenses | 135 | 1,342 | | | 474 | 3,161 | 5,112 |

TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--EXPENSES--REGULAR SERVICE
 For the Year Ended September 30, 2008

SCHEDULE 4E
 (CONTINUED)

EXPENSE SCHEDULE REPORT

| CODE | DESCRIPTION | OPERATIONS LINE HAUL | OPERATIONS DEMAND RESPONSE | MAINTENANCE LINE HAUL | MAINTENANCE DEMAND RESPONSE | ADMINISTRATION LINE HAUL | ADMINISTRATION DEMAND RESPONSE | TOTAL |
|----------------------------------|---|----------------------------|----------------------------------|-----------------------------|-----------------------------------|--------------------------------|--------------------------------------|-------------|
| 512: | Operating Leases and Rentals | | | | | | | |
| 51200 | Operating Leases and Rentals | 382 | 3,801 | 215 | 1,817 | 14 | 93 | 6,322 |
| 513: | Depreciation | | | | | | | |
| 51300 | Depreciation | | 159,705 | | 1,680 | | 89,457 | 250,842 |
| TOTAL EXPENSES | | 103,250 | 1,253,421 | 34,573 | 294,802 | 29,513 | 289,948 | 2,005,507 |
| 550: | Ineligible Expenses | | | | | | | |
| 55007 | Ineligible Depreciation | | 159,213 | | 1,680 | | 89,457 | 250,350 |
| 55008 | Other Ineligible Expenses--Refunds | | | | | 761 | 17,338 | 18,099 |
| 55009 | Ineligible Percent of Association Dues | | | | | | 214 | 214 |
| 55010 | Other Ineligible Expense--Vending Expense | | | | | 474 | 3,162 | 3,636 |
| 55011 | Ineligible Preventive Maintenance | | | 10,178 | 86,212 | | | 96,390 |
| 570: | Ineligible Expenses | | | | | | | |
| 57099 | Other Ineligible FSL (CMAQ funded linehaul) | 103,250 | | 24,395 | | 28,278 | | 155,923 |
| TOTAL INELIGIBLE EXPENSES | | 103,250 | 159,213 | 34,573 | 87,892 | 29,513 | 110,171 | 524,612 |
| TOTAL ELIGIBLE EXPENSES | | \$ - | \$1,094,208 | \$ - | \$206,910 | \$ - | \$179,777 | \$1,480,895 |

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
 OPERATING ASSISTANCE REPORT--REGULAR SERVICE
 NONFINANCIAL DATA--UNAUDITED
 For the Fiscal Year Ended September 30, 2009**

SCHEDULE 4N

NONFINANCIAL SCHEDULE REPORT

| CODE | DESCRIPTION | Weekday Line Haul | Weekday Demand Response | Saturday Line Haul | Saturday Demand Response | TOTAL |
|-----------------------|------------------------------------|------------------------------|--|-------------------------------|---|--------------|
| Public Service | | | | | | |
| 610 | Vehicle Hours | 3,395 | 34,662 | 378 | 2,639 | 41,074 |
| 611 | Vehicle Miles* | 47,706 | 393,147 | 5,216 | 31,080 | 477,149 |
| 615 | Passengers--Regular | 3,376 | 95,721 | 385 | 10,589 | 110,071 |
| 616 | Passengers--Elderly | 6,374 | 18,795 | 680 | 2,065 | 27,914 |
| 617 | Passengers--Persons w/Disabilities | 7,437 | 23,589 | 678 | 3,069 | 34,773 |
| 621 | Total Line-Haul Passengers | 17,187 | | 1,743 | | 18,930 |
| 622 | Total Demand-Response Passengers | | 138,105 | | 15,723 | 153,828 |
| 625 | Days Operated | 252 | 252 | 51 | 51 | 606 |

| Vehicle Information | Quantity | |
|----------------------------|--------------------------------|----|
| 653 | Total Line-Haul Vehicles | 2 |
| 654 | Line-Haul Vehicles w/Lifts | 2 |
| 655 | Total Demand-Response Vehicles | 21 |
| 656 | Demand-Response Vehicles | 17 |
| 658 | Total Transit Vehicles | 23 |

| Miscellaneous Information | Quantity LH | Quantity DR | |
|----------------------------------|------------------------------------|--------------------|--------|
| 601 | Number of Routes (Line Haul Only) | 2 | |
| 602 | Total Route Miles (Line Haul Only) | 30 | |
| 660 | Diesel/Gasoline Gallons Consumed | 8,667 | 69,877 |
| 661 | Total Transit Agency Employees | 2 | 30 |
| 662 | Total Revenue Vehicle Operators | 2 | 18 |
| 663 | Number of Accidents | | 3 |

*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.

SCHEDULE 5S

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
OPERATING ASSISTANCE CALCULATION--STATE
For the Fiscal Year Ended September 30, 2009**

| | <u>Nonurban</u> |
|---|---------------------------|
| Total Operating Expenses | <u>\$2,005,507</u> |
| Less: Ineligible Expenses | |
| Depreciation | 250,350 |
| Other Revenue | 18,099 |
| Dues and Subscriptions | 214 |
| Vending Machines | 3,636 |
| Preventive Maintenance Funded by Other Federal Grants | 96,390 |
| Line Haul Funded by Other Federal Grants | <u>155,923</u> |
| Total Ineligible Expenses Per R&E Manual | <u>\$ 524,612</u> |
| Total State Eligible Expenses | <u>\$1,480,895</u> |

| | |
|---|-------------------|
| Eligible Expenses for State Reimbursement | \$1,480,895 |
| Reimbursement Percentage | <u>35.62%</u> |
| State Operating Assistance | <u>\$ 527,495</u> |

SCHEDULE 5F

**TWIN CITIES AREA TRANSPORTATION AUTHORITY
OPERATING ASSISTANCE CALCULATION--FEDERAL
For the Fiscal Year Ended September 30, 2009**

| | <u>Urban</u> |
|--|--------------------|
| Total Operating Expenses | <u>\$2,005,507</u> |
| Less: Ineligible Expenses | |
| Depreciation | \$ 250,350 |
| Other Revenue | 18,099 |
| Dues and Subscriptions | 214 |
| Vending Machines | 3,636 |
| Preventive Maintenance Funded by Other Federal Grants | 96,390 |
| Line Haul Funded by Other Federal Grants | <u>155,923</u> |
| Total Ineligible Expenses Per R&E Manual | <u>524,612</u> |
| Total Federal Eligible Expenses | <u>1,480,895</u> |
| Less Farebox and Other Revenues | |
| Farebox | (340,633) |
| Nontransportation Revenues | <u>(2,969)</u> |
| Total Farebox and Other Revenues | <u>(343,602)</u> |
| Net Project Cost | <u>1,137,293</u> |
| Maximum Amount of Reimbursement (Net Project Cost x 50%) | <u>568,647</u> |
| FTA Fund Available | <u>620,000</u> |
| FTA Funds Requested | <u>\$ 568,647</u> |



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 23, 2010

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

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

Dear Board Members:

We have audited the financial statements of the business-type activities of the Twin Cities Area Transportation Authority, a component unit of the City of Benton Harbor, as of and for the year ended September 30, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 23, 2010. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness which is listed as Finding 2008-1.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2009-1.

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

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



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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ROBERT J. KLEINE
STATE TREASURER

March 23, 2010

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

RE: Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

Dear Board Members:

Compliance

We have audited the compliance of the Twin Cities Area Transportation Authority (component unit of the City of Benton Harbor, Michigan) with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended September 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
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ROBERT J. KLEINE
STATE TREASURER

March 23, 2010

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

Re: Report to Those Charged With Governance

Dear Board Members:

We have audited the financial statements of the business-type activities of the Twin Cities Area Transportation Authority for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 23, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards and OMB Circular A-133

As stated in the engagement letter dated July 20, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and do not provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the

Authority's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major Federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Authority's compliance with those requirements.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures to specifically identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 25, 2010.

Significant Audit Findings

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 fiscal year ending September 30, 2009. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of depreciation is based on the straight-line method in accordance with General Accepted Accounting Principles. We evaluated the key factors and assumptions used to develop the estimated depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2010.

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 governmental unit'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.

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



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

TWIN CITIES AREA TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2009

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control Over Financial Reporting:

| | | | | |
|---|---------------|-----|---------------|----|
| • Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | No |
| Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |

Federal Awards

Internal Control Over Major Programs:

| | | | | |
|---|---------------|-----|--------------|----|
| • Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | No |

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

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

Identification of Major Programs:

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

| | | | | |
|--|----------------------|-----|--------------|----|
| Dollar threshold used to distinguish between type A and type B programs: | <u> \$300,000 </u> | | | |
| Auditee qualified as low-risk auditee? | <u> </u> | Yes | <u> X </u> | No |

TWIN CITIES AREA TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2009

Section II--Financial Statement Findings

MATERIAL WEAKNESSES

Segregation of Duties

Finding 2008-1

Condition: We found the following instances where there is a lack of segregation of duties at the Authority.

1. Receipting--We found that the office manager posts cash receipts, deposits cash receipts, reviews outstanding receivables, independently investigates receivable discrepancies, maintains receivable adjustments, edits the accounts receivable master file, and posts journal entries to the accounting system.
2. Capital Assets--We found that the director is responsible for recording capital asset transactions, reconciling the capital asset subledger to the general ledger, investigating discrepancies or issues related to capital assets, and editing the capital asset master file.
3. Disbursements--The office manager reviews the invoices, approves invoices, posts the invoices to the general ledger and mails the checks.

Criteria: The Standards for Internal Control for the Federal Government defines control activities that help to ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's objectives. Segregation of duties is a key control activity and requires that key duties and responsibilities be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

Effect: Errors may not be as readily determined and the opportunity for fraud increases.

Cause: The Authority has reported in previous audits that the cost/benefit relationship does not justify a complete segregation of duties.

Recommendation: We recommend that the Authority's Board establish procedures to segregate duties to ensure that one person is not solely responsible for the duties listed above.

Management's Response-Corrective Action Plan: Contact Person is Bill Purvis, Director, 275 East Wall Street, Benton Harbor, Michigan 49023-0837. Telephone 269-927-2268.

The Authority is a small urban system that has thirty one total employees. Because of our small size we do not want to spend our resources on segregating the duties reported in the audit.

TWIN CITIES AREA TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2009

MATERIAL WEAKNESSES (Continued)

The duties of the director and the board of trustees are to oversee the operation of the system. Part of these duties is to inspect our board of trustees report each month and look for unusual expenses and review all checks written. We have a board report that show the expenses for the month and gives an unpaid expense list. It is felt doing this and having an annual audit helps to reduce the risk of error or fraud. Also, the receptionist opens the mail and makes out checks. This helps to create a system that doesn't give total control to the office manager.

Segregating the duties would take several additional administrative employees. Because of an increase in rider-ship, we prefer to spend the funds on hiring drivers instead of administration personnel.

STATUTORY COMPLIANCE

Finding 2009-1

Credit Card Policy

Condition: The Authority is using debit cards for purchases without have a credit card policy adopted.

Criteria: Public Act 266 of 1995 requires a local unit to adopt, by **resolution, a written policy** that provides all of the following:

- a) A named officer or employee is responsible for the issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.
- b) That the credit card may be used only by an officer or employee for the purchase of goods or services for the official business of the local unit.
- c) The officer or employee using the credit card must submit documentation detailing the goods or services purchased, cost, date of the purchase, and the official business.
- d) The officer or employee issued the card is responsible for its protection and custody and shall immediately notify the local unit if the card is lost or stolen.
- e) The officer or employee must immediately surrender the card upon termination.

TWIN CITIES AREA TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2009

STATUTORY COMPLIANCE (Continued)

- f) For a system of internal controls to monitor the use of the credit card.
- g) Approval of credit card invoices **before** payment.
- h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- i) The policy must provide for disciplinary measures consistent with law for unauthorized use.
- j) Any other matters the governing body considers advisable.

Directive: We direct the transit to adopt a credit card policy that includes the items listed above.

Management's Response-Corrective Action Plan: Contact Person is Bill Purvis, Director, 275 East Wall Street, Benton Harbor, Michigan 49023-0837. Telephone 269-927-2268.

In the February 17, 2010 board meeting, a debit card policy was approved.

Section III--Federal Award Findings and Questioned Costs

No matters were reported.