

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015



*Vredeveld Haefner LLC*

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## TABLE OF CONTENTS

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<b>FINANCIAL SECTION</b>	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	11-15
<b>STATISTICAL SECTION</b>	
Schedule 1 – Local revenues	17
Schedule 1A – Local revenues – September 30, 2014	17
Schedule 2 – Expenditures of Federal and State Awards	18
Schedule 2A – Federal and State Awards – Operating Revenue Only	19
Schedule 2B – Federal and State Awards – Operating Revenue Only - September 30, 2014	19
Schedule 3 – Operating and Contract Expenses	20
Schedule 3A – Operating and Contract Expenses Split Between June 30 and September 30 Year-ends	21
Schedule 3B – Operating and Contract Expenses by Program - September 30, 2014	21
OAR Schedule 4R – Urban Regular Services Revenue Report - September 30, 2014	22
OAR Schedule 4E – Urban Regular Services Expense Report - September 30, 2014	23
OAR Schedule 4N – Urban Regular Services Non-Financial Report - September 30, 2014	24
Schedule 5 – Operating Assistance Calculation - September 30, 2014	25
<b>CONTROL AND COMPLIANCE SECTION</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28



*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

**Douglas J. Vredeveld, CPA**

**(616) 446-7474**

**Peter S. Haefner, CPA**

**(616) 460-9388**

## INDEPENDENT AUDITORS' REPORT

November 18, 2015

Board of Directors  
Harbor Transit Multi-Modal Transportation System  
Grand Haven, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Harbor Transit Multi-Modal Transportation System (the System) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Harbor Transit Multi-Modal Transportation System, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 System's internal control over financial reporting and compliance.

*Uredaxold Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Harbor Transit Multi-Modal Transportation System (the System), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Purchase of equipment occurred during the fiscal year.
- Administration continues to build up a cash reserve and presently does not have to rely on an outside party for loans to make payroll or vendor payments.
- A Federal Transit Administration triennial audit occurred in August, 2015, after the end of the reported fiscal year. HTMMS did very well with only one finding to resolve out of 17 areas of review. Subsequently, one finding was dismissed by the review board.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements.

The *Statement of Net Position* presents information on all of the System's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, etc.).

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the System, assets exceeded liabilities by \$2,221,437 at the close of the most recent fiscal year.

A portion of the System's net position reflects unrestricted net position which is available for future operation while a more significant portion of net position is invested in capital assets (vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The System uses these capital assets to provide services to riders; consequently, these assets are *not* available for future spending.

### Net Position

	<u>2015</u>	<u>2014</u>
Current and other assets	\$1,044,441	\$1,032,859
Capital assets	1,360,108	1,485,585
<b>Total assets</b>	<u>2,404,549</u>	<u>2,518,444</u>
Other liabilities	183,112	230,836
Long-term liabilities outstanding	-	-
<b>Total liabilities</b>	<u>183,112</u>	<u>230,836</u>
Net position		
Net investment in capital assets	1,360,108	1,485,585
Unrestricted	861,329	802,023
<b>Total net position</b>	<u>\$2,221,437</u>	<u>\$2,287,608</u>

The total net position of the System at June 30, 2015 is \$2,221,437 however, \$1,360,108 represents net investment in capital assets.

### Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>
Operating revenue	\$ 201,135	\$ 202,757
Operating expenses	2,533,487	2,343,717
Operating income (loss)	(2,332,352)	(2,140,960)
Nonoperating revenues and expense	2,120,751	1,960,541
Change in net position before capital contributions	(211,601)	(180,419)
Capital contributions	145,430	1,189,898
Change in net position	(66,171)	1,009,479
<b>Net position-beginning of year</b>	<u>2,287,608</u>	<u>1,278,129</u>
<b>Net position-end of year</b>	<u>\$2,221,437</u>	<u>\$2,287,608</u>

Total net position decreased by \$66,171 for the current year as a result of depreciation on contributed capital assets.

### Capital Asset and Debt Administration

**Capital assets.** The System's investment in capital assets as of June 30, 2015, amounted to \$1,360,108 (net of accumulated depreciation).

Significant capital purchases during the year consisted of automated dispatching software, computers and a propane fuel dispenser.

Additional information on the System's capital assets can be found in Note 3 of these financial statements.

**Debt.** At the end of the current fiscal year, the System had no long-term debt outstanding.

## **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the System's budget for the 2015-16 fiscal year:

- Property values are stabilizing for all HTMMTS jurisdictions and, in most, are improving.
- Building cash reserves for the next three years is anticipated to allow HTMMTS to keep cash flow issues for operations and capital purchases to a minimum.
- Continuing support of the Federal and State governments is needed to maintain operations. Combined, they provide over 60% of revenue to the fund.
- Spring Lake Township voted In November 2014 to join the HTMMTS system. Increases in Federal revenues (based on population) and State revenues (based on ridership) will assist in covering increased operational costs. An increase in property tax revenue will also occur with the SL Township being assessed.
- HTMMTS continues to purchase small capital assets under \$25,000 by utilizing Federal 5339 Grant dollars.

## **Requests for Information**

The City of Grand Haven provides, by contract, fiscal and administrative services to the System. This financial report is designed to provide interested individuals including citizens, property owners, customers, investors and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions or need additional financial information, please contact us at 519 Washington Avenue, Grand Haven, MI 49417 or call or email us as noted below:

Tom Manderscheid  
Transportation Director  
(616) 842-3220  
[tmanderscheid@grandhaven.org](mailto:tmanderscheid@grandhaven.org)

Patrick McGinnis  
City Manager  
(616) 847-4888  
[pmcginnis@grandhaven.org](mailto:pmcginnis@grandhaven.org)

James P. Bonamy  
Finance Director  
(616) 847-4893  
[jbony@grandhaven.org](mailto:jbony@grandhaven.org)

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## **BASIC FINANCIAL STATEMENTS**

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## STATEMENT OF NET POSITION

JUNE 30, 2015

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### Assets

Current assets	
Cash and cash equivalents	\$ 731,839
Accounts receivable	9,235
Due from other governments	290,204
Prepaid items	4,185
Inventory	<u>8,978</u>

Total current assets 1,044,441

### Non-current assets

Capital assets	
Depreciable capital assets, net	<u>1,360,108</u>

**Total assets** 2,404,549

### Liabilities

Current liabilities	
Accounts payable	33,005
Due to other governments	149,970
Unearned revenue	<u>137</u>

Total current liabilities 183,112

**Total liabilities** 183,112

### Net position

Net investment in capital assets	1,360,108
Unrestricted	<u>861,329</u>

**Total net position** \$ 2,221,437

The accompanying notes are an integral part of these financial statements.

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

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<b>Operating revenue</b>	
Demand-response (Fare box)	\$ 157,736
Trolley (Fare box)	20,511
Contractual services	<u>22,888</u>
<b>Total operating revenue</b>	<u>201,135</u>
<b>Operating expense</b>	
Labor	1,302,070
Fringe benefits	346,713
Professional and contractual services	226,294
Fuel and supplies	267,251
Utilities	32,989
Casualty and liability costs	42,894
Other	14,842
Depreciation	<u>300,434</u>
<b>Total operating expense</b>	<u>2,533,487</u>
Operating income (loss)	<u>(2,332,352)</u>
Non-operating revenue (expense)	
Property taxes	850,051
Administration fee	10,700
State subsidies	854,845
Federal subsidies	396,508
Advertising revenue	5,695
Interest income	390
Other	<u>2,562</u>
Total non-operating revenue (expense)	<u>2,120,751</u>
Income (loss) before capital contributions	<u>(211,601)</u>
Capital contribution	
State	29,086
Federal	<u>116,344</u>
Total capital contributions	<u>145,430</u>
Changes in net position	(66,171)
<b>Net position, beginning of year</b>	<u>2,287,608</u>
<b>Net position, end of year</b>	<u>\$ 2,221,437</u>

The accompanying notes are an integral part of these financial statements.

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

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<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 198,616
Grant receipts	1,199,776
Property tax receipts	850,051
Other revenues	18,957
Payments for contract employees	(1,648,783)
Payments to suppliers	<u>(558,449)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>60,168</u>
<b>Cash flows from capital and related financing activities</b>	
Capital grants	145,430
Acquisitions of capital assets	<u>(174,957)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(29,527)</u>
<b>Cash flows from investing activities</b>	
Interest income	<u>390</u>
Net increase (decrease) in cash and cash equivalents	31,031
<b>Cash and cash equivalents, beginning of year</b>	<u>700,808</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 731,839</u>
<b>Cash flows from operating activities</b>	
Operating income (loss)	\$ (2,332,352)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	300,434
Operating grants	1,251,353
Property taxes	850,051
Other revenue nonoperating revenues reported as operating activities	18,957
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	(2,519)
Due from other governmental units	6,051
Prepaid expenses	(2,634)
Inventory	18,551
Accounts payable	(2,196)
Due to other governmental units	12,100
Unearned revenue	<u>(57,628)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 60,168</u>

The accompanying notes are an integral part of these financial statements.

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# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Harbor Transit Multi-Modal Transportation System (the "System") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### ***Reporting Entity***

The System is a municipal corporation governed by an appointed Board. The System was formed on January 1, 2012 from the former Harbor Transit enterprise fund of the City of Grand Haven, Michigan.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the System. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the System.

#### ***Measurement Focus and Basis of Accounting***

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The System distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the System's principal ongoing operations. The principal operating revenues of the System are charges for services. Operating expenses of the System include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### ***Property Taxes***

Property taxes are levied and collected by local units of government within the System service area to provide local operating support for the system.

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### **Investments**

Investments are recorded at fair value.

State statutes authorize the System to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Banker's acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the System to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

### **Receivables**

All receivables are reported at their net value. Allowance for uncollectible receivables was immaterial at year-end.

### **Due From Other Governments**

The System receives funding from the US Department of Transportation, State of Michigan and property taxes from participating local units of government. The balance of the amount due from governments is as follows:

Due from Federal Government	\$269,899
Due from State of Michigan	9,063
Due from local units of government	<u>11,242</u>
Total	<u>\$290,204</u>

### **Inventory**

Inventory consists principally of materials, parts and supplies which are generally used for operations. Inventory is stated at cost using the first-in first-out (FIFO) method.

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### ***Prepaid Items***

The System made payments prior to year-end for services that will be performed in the next fiscal year. In these situations, the System records an asset to reflect the investment in future services.

### ***Capital Assets***

Capital assets are stated at cost and include items defined by the System as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives as defined in the Local Public Transit Revenue and Expense Manual and/or as approved by the Bureau of Passenger Transportation:

	<b>Years</b>
Vehicles	7-20
Dispatch and office equipment	3-20

### ***Due to Other Governments and Leased Employees***

All personnel providing services to the System are legally employees of the City of Grand Haven, Michigan. The amount reported as due to other governments at year consisted primarily of the balance payable to the City of Grand Haven for the services of these leased City employees.

### ***Risk Management***

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the System carried commercial insurance to cover risks of losses. The System has had no settled claims resulting from these risks that exceeded their coverage in any of the past three fiscal years.

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

### 2. DEPOSITS

The captions on the financial statements relating to cash and cash equivalents are as follows:

Cash and cash equivalents	<b><u>\$731,839</u></b>
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Cash and cash equivalents consist of the following at June 30, 2015:

Deposits	\$731,389
Petty cash	<u>450</u>
Total	<b><u>\$731,839</u></b>

The deposits are in one financial institution located in Michigan in varying amounts. State policy limits the System's investing options to financial institutions located in Michigan. All accounts are in the name of the System and a specific fund or common account. They are recorded in the System's records at fair value. Interest is recorded when earned.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. State law does not require, and the System does not have, a policy for deposit custodial credit risk. As of year-end, \$502,031 of the System's bank balance of \$752,031 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### 3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b><u>Balance</u></b> <b><u>July 1, 2014</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2015</u></b>
<b>Capital assets, being depreciated</b>				
Vehicles	\$2,697,202	\$ -	\$ -	\$2,697,202
Dispatch and office equipment	180,822	174,957	-	355,779
Total capital assets, being depreciated	<u>2,878,024</u>	<u>174,957</u>	<u>-</u>	<u>3,052,981</u>
Less accumulated depreciation for				
Vehicles	1,277,991	287,449	-	1,565,440
Dispatch and office equipment	114,448	12,985	-	127,433
Total accumulated depreciation	<u>1,392,439</u>	<u>300,434</u>	<u>-</u>	<u>1,692,873</u>
<b>Capital assets, net</b>	<b><u>\$1,485,585</u></b>	<b><u>\$(125,477)</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,360,108</u></b>

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED JUNE 30, 2015*

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#### **4. RETIREMENT BENEFITS AND NET OTHER POST-EMPLOYMENT BENEFITS**

The System leases employees from the City of Grand Haven, Michigan, which participates in a single employer defined benefit pension and single employer defined benefit and defined contribution healthcare plan. The System pays the actuarially-determined annual costs of retirement and OPEB benefits to the City, releasing its responsibility for those costs in the future.

#### **5. 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 System. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the System expects such amounts, if any, to be immaterial.

In the normal course of its activities, the System has become a party in various property tax assessment appeals. Management of the System is of the opinion that the outcome of such actions will not have a material effect on the financial position of the System and, therefore, has not reflected loss reserves in the financial statements.

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## **STATISTICAL SECTION**

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## Schedule 1 - Local Revenues

FOR THE YEAR ENDED JUNE 30, 2015

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	<u>July 1, 2014 to September 30, 2014</u>	<u>October 1, 2014 to June 30, 2015</u>	<u>Total</u>
<b>Local revenues</b>			
Demand-response (fare box)	\$ 39,673	\$ 118,063	\$ 157,736
Trolley (fare box)	15,272	5,239	20,511
Contractual services	6,268	16,620	22,888
Property taxes	360,457	489,594	850,051
Administrative fee	5,350	5,350	10,700
Advertising revenue	450	5,245	5,695
Interest income	83	307	390
Other	547	2,015	2,562
	<hr/>	<hr/>	<hr/>
Total local revenues	<u>\$ 428,100</u>	<u>\$ 642,433</u>	<u>\$ 1,070,533</u>

## Schedule 1A - Local Revenues

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	<u>October 1, 2013 to June 30, 2014</u>	<u>July 1, 2014 to September 30, 2014</u>	<u>Total</u>
<b>Local revenues</b>			
Demand-response (fare box)	\$ 115,453	\$ 39,673	\$ 155,126
Trolley (fare box)	5,697	15,272	20,969
Contractual services	21,100	6,268	27,368
Property taxes	454,574	360,457	815,031
Administrative fee	10,240	5,350	15,590
Advertising revenue	-	450	450
Interest income	-	83	83
Gain on sale of capital assets	10,785	-	10,785
Other	7,046	547	7,593
	<hr/>	<hr/>	<hr/>
Total local revenues	<u>\$ 624,895</u>	<u>\$ 428,100</u>	<u>\$ 1,052,995</u>

**HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM**

**SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS (2)**

**FOR THE YEAR ENDED JUNE 30, 2015**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No. Authorization Number	Program Award Amount	Current Year Expenditures			Prior Year Expended	Award Amount Remaining	
				Total	Federal	State			Local
U.S. Department of Transportation									
Capital grant - Section 5309 bus and bus facilities	20.500	MI-04-0074-00	\$ 759,000	\$ 95,240	\$ 76,192	\$ 19,048	\$ -	\$ 589,935	\$ 73,825
Capital grant - Section 5309 bus and bus facilities	20.500	MI-04-0087-00	602,800	-	-	-	-	573,208	29,592
Operating assistance - Section 5307	20.507	MI-90-X666-01	360,593	86,623	86,623	-	-	273,970	-
Operating assistance - Section 5307	20.507	MI-90-X699-00	359,865	269,899	269,899	-	-	-	89,966
CMAQ	20.507	MI-95-X090-00	50,000	20,053	16,047	4,006	-	29,947	-
CMAQ	20.507	MI-95-X099-00	137,500	65,987	53,938	12,049	-	-	71,513
Passed through Michigan Department of Transportation									
Capital grant - Section 5339	20.526	MI 34-0003-00	41,832	9,063	7,250	1,813	-	16,895	15,874
Capital grant - Section 5339	20.526	MI 34-0003-02	42,370	3,629	2,903	726	-	-	38,741
Total passed through Michigan Department of Transportation			<u>2,353,960</u>	<u>550,494</u>	<u>512,852</u>	<u>37,642</u>	-	<u>1,483,955</u>	<u>319,511</u>
Michigan Department of Transportation									
Operating assistance - Act 51	N/A	N/A		<u>799,802</u>	-	<u>799,802</u>	-		
<b>Total</b>				<u>\$ 1,350,296</u>	<u>\$ 512,852</u>	<u>\$ 837,444</u>	<u>\$ -</u>		

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## *Schedule 2A - Federal and State Awards - Operating Revenue Only*

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>July 1, 2014 to September 30, 2014</u>	<u>October 1, 2014 to June 30, 2015</u>	<u>Total</u>
<b>Michigan Department of Transportation</b>			
Local Bus Operating (Act 51)	\$ 240,428	\$ 559,374	\$ 799,802
<b>Federal Transit Administration</b>			
Section 5307	86,623	-	86,623
Section 5307 - accrued	<u>-</u>	<u>269,899</u>	<u>269,899</u>
<b>Total</b>	<u>\$ 327,051</u>	<u>\$ 829,273</u>	<u>\$ 1,156,324</u>

## *Schedule 2B - Federal and State Awards - Operating Revenue Only*

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>October 1, 2013 to June 30, 2014</u>	<u>July 1, 2014 to September 30, 2014</u>	<u>Total</u>
<b>Michigan Department of Transportation</b>			
Local Bus Operating (Act 51)	\$ 604,220	\$ 240,428	\$ 844,648
<b>Federal Transit Administration</b>			
Section 5307	<u>273,970</u>	<u>86,623</u>	<u>360,593</u>
<b>Total</b>	<u>\$ 878,190</u>	<u>\$ 327,051</u>	<u>\$ 1,205,241</u>

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## Schedule 3 - Operating and Contract Expenses

JUNE 30, 2015

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	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Labor	\$ 1,302,070	\$ -	\$ -	\$ -	\$ 1,302,070
Fringe benefits	346,713	-	-	-	346,713
Professional and contractual services	226,294	-	-	-	226,294
Fuel and supplies	267,251	-	-	-	267,251
Utilities	32,989	-	-	-	32,989
Casualty and liability costs	42,894	-	-	-	42,894
Other	14,842	-	-	-	14,842
Depreciation	<u>300,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,434</u>
<b>Total</b>	<u>\$ 2,533,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,533,487</u>

The following cost allocation plans were adhered to in the preparation of the financial statements:

No cost allocation plans are currently in use.

Capital items purchased with capital grants of \$19,015 are included in operating expenses above and are excluded for purposes of calculating operating reimbursements.

All operating staff of the System are provided under contractual arrangement with the City of Grand Haven. The employees (and retirees) remain employees of the City of Grand Haven, however employee and retiree costs for wages and benefits are charged to the System directly. This arrangement limits the System's future responsibility for retirement and OPEB to the actuarial costs determined for the fiscal year.

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## Schedule 3A - Operating and Contract Expenses

FOR THE YEAR ENDED JUNE 30, 2015

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	<u>July 1, 2014 to September 30, 2014</u>	<u>October 1, 2014 to June 30, 2015</u>	<u>Total</u>
Labor	\$ 271,413	\$ 1,030,657	\$ 1,302,070
Fringe benefits	69,978	276,735	346,713
Professional and contractual services	47,539	178,755	226,294
Fuel and supplies	72,477	194,774	267,251
Utilities	5,312	27,677	32,989
Casualty and liability costs	10,740	32,154	42,894
Other	4,577	10,265	14,842
Depreciation	<u>-</u>	<u>300,434</u>	<u>300,434</u>
<b>Total</b>	<u>\$ 482,036</u>	<u>\$ 2,051,451</u>	<u>\$ 2,533,487</u>

## Schedule 3B - Operating and Contract Expenses

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	<u>October 1, 2013 to June 30, 2014</u>	<u>July 1, 2014 to September 30, 2014</u>	<u>Total</u>
Labor	\$ 956,020	\$ 271,413	\$ 1,227,433
Fringe benefits	240,881	69,978	310,859
Professional and contractual services	229,575	47,539	277,114
Fuel and supplies	235,338	72,477	307,815
Utilities	33,241	5,312	38,553
Casualty and liability costs	22,559	10,740	33,299
Other	13,192	4,577	17,769
Depreciation	<u>181,803</u>	<u>-</u>	<u>181,803</u>
<b>Total</b>	<u>\$ 1,912,609</u>	<u>\$ 482,036</u>	<u>\$ 2,394,645</u>

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## Schedule 4R - Urban Regular Service Revenue Report

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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<u>Description</u>	<u>Amount</u>
<b>Fare box revenue</b>	
Passenger fares	\$ 176,095
Contract fares	27,368
<b>Auxiliary transit revenue</b>	
Advertising	450
<b>Other revenue</b>	
Other nontransit revenue	10,240
<b>Local revenue</b>	
Taxes levied directly for/by transit agency	815,031
<b>State formula and contracts</b>	
State operating assistance	844,648
<b>Federal contracts</b>	
Section 5307 (operating funds)	360,593
<b>Other revenue</b>	
Refunds and credits	7,593
Interest income	<u>83</u>
<b>Total</b>	<u>\$ 2,252,886</u>

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## Schedule 4E - Urban Regular Service Expense Report

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total</u>
<b>Labor</b>				
Operators' salaries and wages	\$ 759,699	\$ 50,104	\$ 160,410	\$ 970,213
Dispatchers salaries and wages	257,220	-	-	257,220
<b>Fringe Benefits</b>				
Other fringe benefits	200,634	5,963	28,202	234,799
Pensions	34,763	4,830	14,462	54,055
Other post-employment	18,331	3,674	-	22,005
<b>Services</b>				
Advertising fees	32,522	-	-	32,522
Audit cost	-	-	7,000	7,000
Other services	47,933	49,081	140,578	237,592
<b>Materials and Supplies</b>				
Fuel and lubricants	219,936	-	-	219,936
Tires and tubes	-	3,190	-	3,190
Other materials and supplies	10,470	71,607	2,612	84,689
<b>Utilities</b>				
Utilities	34,648	-	3,905	38,553
<b>Insurance</b>				
Liability insurance	33,299	-	-	33,299
<b>Misc. expenses</b>				
Travel, meetings, training	39	-	2,719	2,758
Association dues and subscriptions	-	-	3,050	3,050
Other	-	-	8,933	8,933
<b>Interest Expense</b>				
Interest on short-term debt	-	-	3,028	3,028
<b>Depreciation</b>				
Depreciation	181,803	-	-	181,803
Total operating expense	<u>\$ 1,831,297</u>	<u>\$ 188,449</u>	<u>\$ 374,899</u>	<u>2,394,645</u>
<b>Ineligible Expenses</b>				
Depreciation	181,803	-	-	181,803
Interest included in other expense	-	-	3,028	3,028
CMAQ grants not capitalized	-	-	19,015	19,015
MPTA dues	-	-	355	355
Administrative fee revenues for staff shared with the airport	-	-	10,240	10,240
Ineligible fee to local units	-	-	25,526	25,526
Total ineligible expenses				<u>239,967</u>
<b>Total eligible expenses</b>				<u>\$ 2,154,678</u>

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## *Schedule 4N - Urban Regular Service Non-Financial Report*

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
610	Vehicle hours	31,804	2,211	765	34,780
611	Vehicle miles	466,896	33,553	8,876	509,325

The methodology used for compiling mileage on OAR Schedule 4N is an adequate and reliable method for recording non-financial data.

# HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

## OPERATING ASSISTANCE CALCULATION (5)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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	<u>Nonurban</u>
<b>State eligible expenses</b>	
Labor	\$ 1,227,433
Fringe benefits	310,859
Professional and contractual	277,114
Fuel and supplies	307,815
Utilities	38,553
Casualty and liability costs	33,299
Other	17,769
Depreciation	<u>181,803</u>
<b>Total expenses</b>	<u>2,394,645</u>
<b>Less ineligible expenses</b>	
Depreciation	181,803
Interest included in other expense	3,028
CMAQ grants not capitalized	19,015
MPTA dues	355
Administrative fee revenues for staff shared with the airport	10,240
Ineligible fee to local units	<u>25,526</u>
<b>Total ineligible expenses</b>	<u>239,967</u>
<b>State eligible expenses</b>	<u>\$ 2,154,678</u>
<b>State operating assistance - 39.3%</b>	<u><u>\$ 846,788</u></u>
<b>Federal eligible expenses</b>	
State eligible expenses	\$ 2,154,678
Less additional federal ineligible expenses	
Audit costs	<u>7,000</u>
<b>Federal eligible expenses</b>	<u>\$ 2,147,678</u>
<b>Section 5307 reimbursement - 50% with maximum of \$360,593</b>	<u><u>\$ 360,593</u></u>

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## **INTERNAL CONTROL AND COMPLIANCE**



*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.

Grand Rapids, MI 49534

FAX (616) 828-0307

**Douglas J. Vredeveld, CPA**

**(616) 446-7474**

**Peter S. Haefner, CPA**

**(616) 460-9388**

**INDEPENDENT AUDITORS' 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**

November 18, 2015

Board of Directors  
Harbor Transit Multi-Modal Transportation System  
Grand Haven, Michigan

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 Harbor Transit Multi-Modal Transportation System, Grand Haven, Michigan (the System) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 18, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ordenold Haefner LLC*