



HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



Vredeveld Haefner LLC
CPAs and Consultants

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

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INDEPENDENT AUDITORS' REPORT

November 14, 2018

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 business-type activities and each major fund of the Harbor Transit Multi-Modal Transportation System (the System) as of and for the year ended June 30, 2018, 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 the business-type activities and each major fund of the Harbor Transit Multi-Modal Transportation System, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 14, 2018, 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.

Ordenold 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, 2018. 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

- Staffing continues to increase gradually as the number of riders transported increases. Transit ridership has increased six years in a row.
- Property taxes and State transportation revenue are the main revenue sources, with Federal transportation revenue and passenger fares following.
- Revenue and expense line items are growing due to administration's efforts on seeking Federal & State grants and in containing costs where possible in operations.
- Harbor Trolley, LLC, owned by Harbor Transit, finished its second full year of operations.

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 \$2,916,268 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>2018</u>	<u>2017</u>
Current assets	\$1,942,799	\$1,973,489
Capital assets	1,204,295	1,289,074
Total assets	3,147,094	3,262,563
Current liabilities	220,522	216,669
Long-term liabilities	10,304	15,304
Total liabilities	230,826	231,973
Net position		
Net investment in capital assets	1,204,295	1,289,074
Unrestricted	1,711,973	1,741,516
Total net position	\$2,916,268	\$3,030,590

The total net position of the System at June 30, 2018 is \$2,916,268 however, \$1,204,295 represents net investment in capital assets.

Revenues, Expenses and Changes in Net Position		
	<u>2018</u>	<u>2017</u>
Operating revenue	\$ 233,783	\$ 237,300
Operating expenses	3,592,886	3,148,705
Operating income (loss)	(3,359,103)	(2,911,405)
Nonoperating revenue (expense)	2,918,927	3,054,858
Change in net position before capital contributions	(440,176)	143,453
Capital contributions	325,854	286,728
Change in net position	(114,322)	430,181
Net position-beginning of year	3,030,590	2,600,409
Net position-end of year	\$2,916,268	\$3,030,590

Total net position decreased by \$114,322 for the current year as a result of an increase in labor costs.

Capital Asset and Debt Administration

Capital assets. The System's investment in capital assets as of June 30, 2018, amounted to \$1,204,295 (net of accumulated depreciation).

Significant capital purchases during the year consisted of two buses.

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

Debt. During fiscal 2016, Harbor Trolley received a loan of \$25,000 from the City of Grand Haven Economic Development Corporation as seed money for the service. The System made its first payment on the loan in 2017 and has an outstanding balance of \$15,298 at year-end. No other outstanding debt is held by the System.

Additional information on the System's long-term debt can be found in Note 4 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the System's budget for the 2018-19 fiscal year:

- Over 60% of Harbor Transit revenue is provided from State and Federal Sources. Purchases of new buses and assets are funded 80% with Federal money and 20% State money. Without this continuing support, Harbor Transit would not be able to meet the transportation needs of its customers.
- An FTA grant (80% Federal, 20% State) to fund the purchase of four new buses is in process for fiscal year 2019.
- Property tax millage has been retained at 0.5800 mills for all participating units of government for the last 3 years.
- In recent years, because of the delayed timing of Federal and State revenue receipts, Harbor Transit focused on building a cash balance which will allow the use of these reserve funds to pay more timely for operations before grant receipts are received, providing cash flow for operations and capital asset purchases. This cash flow development project was approved by the FTA.
- Harbor Transit continues to anticipate ridership growth as well as staff increases to meet the demand.
- The Transportation Director left employment subsequent to the end of the fiscal year in August 2018. A process for replacement has been initiated with the hiring of an Interim Transportation Director.
- Costs are anticipated to increase for repair and maintenance on the trolleys which are at the end of their useful life. A plan to replace them is being considered in fiscal year 2019.
- Trolley revenues are not expected to meet expenditures for the 2019 fiscal year.

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:

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BASIC FINANCIAL STATEMENTS

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Harbor Transit</u>	<u>Harbor Trolley</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 912,603	\$ 24,398	\$ 937,001
Accounts receivable	1,571	-	1,571
Due from other governments	974,327	-	974,327
Prepaid items	17,648	-	17,648
Inventory	12,252	-	12,252
	<u>1,918,401</u>	<u>24,398</u>	<u>1,942,799</u>
Total current assets			
Non-current assets			
Capital assets			
Depreciable capital assets, net	1,199,795	4,500	1,204,295
	<u>1,199,795</u>	<u>4,500</u>	<u>1,204,295</u>
Total assets	<u>3,118,196</u>	<u>28,898</u>	<u>3,147,094</u>
Liabilities			
Current liabilities			
Accounts payable	37,137	265	37,402
Due to other governments	177,297	721	178,018
Unearned revenue	108	-	108
Current portion of long-term debt	-	4,994	4,994
	<u>214,542</u>	<u>5,980</u>	<u>220,522</u>
Total current liabilities			
Long-term liabilities			
Note payable	-	10,304	10,304
	<u>-</u>	<u>10,304</u>	<u>10,304</u>
Total liabilities	<u>214,542</u>	<u>16,284</u>	<u>230,826</u>
Net position			
Net investment in capital assets	1,199,795	4,500	1,204,295
Unrestricted	1,703,859	8,114	1,711,973
	<u>1,703,859</u>	<u>8,114</u>	<u>1,711,973</u>
Total net position	<u>\$ 2,903,654</u>	<u>\$ 12,614</u>	<u>\$ 2,916,268</u>

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, 2018

	<u>Harbor Transit</u>	<u>Harbor Trolley</u>	<u>Total</u>
Operating revenue			
Demand-response (Fare box)	\$ 187,345	\$ 26,330	\$ 213,675
Trolley (Fare box)	16,048	-	16,048
Contractual services	4,060	-	4,060
Total operating revenue	<u>207,453</u>	<u>26,330</u>	<u>233,783</u>
Operating expense			
Labor	1,765,844	8,398	1,774,242
Fringe benefits	634,088	1,256	635,344
Professional and contractual services	347,297	12,222	359,519
Fuel and supplies	338,276	3,213	341,489
Utilities	31,438	-	31,438
Casualty and liability costs	54,345	-	54,345
Other	28,893	2,353	31,246
Depreciation	359,263	6,000	365,263
Total operating expense	<u>3,559,444</u>	<u>33,442</u>	<u>3,592,886</u>
Operating income (loss)	<u>(3,351,991)</u>	<u>(7,112)</u>	<u>(3,359,103)</u>
Non-operating revenue (expense)			
Property taxes	1,214,840	-	1,214,840
Administration fee	11,100	-	11,100
State subsidies	1,136,252	-	1,136,252
Federal subsidies	544,654	-	544,654
Advertising revenue	6,085	-	6,085
Interest income	3,150	-	3,150
Interest expense	-	(396)	(396)
Other	3,242	-	3,242
Total non-operating revenue (expense)	<u>2,919,323</u>	<u>(396)</u>	<u>2,918,927</u>
Income (loss) before capital contributions	<u>(432,668)</u>	<u>(7,508)</u>	<u>(440,176)</u>
Capital contribution			
State	64,686	-	64,686
Federal	261,168	-	261,168
Total capital contributions	<u>325,854</u>	<u>-</u>	<u>325,854</u>
Changes in net position	(106,814)	(7,508)	(114,322)
Net position, beginning of year	<u>3,010,468</u>	<u>20,122</u>	<u>3,030,590</u>
Net position, end of year	<u>\$ 2,903,654</u>	<u>\$ 12,614</u>	<u>\$ 2,916,268</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, 2018

	<u>Harbor Transit</u>	<u>Harbor Trolley</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 225,999	\$ 26,330	\$ 252,329
Grant receipts	1,131,158	-	1,131,158
Property tax receipts	1,214,840	-	1,214,840
Other revenues	18,411	-	18,411
Payments for contract employees	(2,399,932)	(9,654)	(2,409,586)
Payments to suppliers	(782,511)	(17,126)	(799,637)
Net cash provided by (used in) operating activities	<u>(592,035)</u>	<u>(450)</u>	<u>(592,485)</u>
Cash flows from non-capital financing activities			
Interest on short-term borrowing	-	(396)	(396)
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	2,016	-	2,016
Capital grants	325,854	-	325,854
Principal paid on note	-	(4,902)	(4,902)
Acquisitions of capital assets	(280,484)	-	(280,484)
Net cash provided by (used in) capital and related financing activities	<u>47,386</u>	<u>(4,902)</u>	<u>42,484</u>
Cash flows from investing activities			
Interest income	3,150	-	3,150
Net increase (decrease) in cash and cash equivalents	(541,499)	(5,748)	(547,247)
Cash and cash equivalents, beginning of year	<u>1,454,102</u>	<u>30,146</u>	<u>1,484,248</u>
Cash and cash equivalents, end of year	<u>\$ 912,603</u>	<u>\$ 24,398</u>	<u>\$ 937,001</u>
Cash flows from operating activities			
Operating income (loss)	\$ (3,351,991)	\$ (7,112)	(3,359,103)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	359,263	6,000	365,263
Operating grants	1,680,906	-	1,680,906
Property taxes	1,214,840	-	1,214,840
Other revenue nonoperating revenues reported as operating activities	18,411	-	18,411
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	18,546	-	18,546
Due from other governmental units	(549,674)	-	(549,674)
Prepaid expenses	10,515	-	10,515
Inventory	4,056	-	4,056
Accounts payable	9,176	236	9,412
Due to other governmental units	(6,009)	426	(5,583)
Unearned revenue	(74)	-	(74)
Net cash provided by (used in) operating activities	<u>\$ (592,035)</u>	<u>\$ (450)</u>	<u>\$ (592,485)</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, 2018

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. The criteria for including a component unit include significant operational or financial relationships with the System.

These financial statements present the System and its component unit, an entity for which the System is considered to be financially accountable. A blended component unit, although a legally separate entity is, in substance, part of the System's operations, so data from this unit is combined with data of the primary government.

Blended Component Unit

Harbor Trolley, LLC (Harbor Trolley) was established on November 15, 2015 pursuant to the Michigan Limited Liability Company Act (1993 PA 23, as amended) to provide trolley transportation services. Harbor Trolley is a blended component unit as its relationship with the System permeates the financial operations of the System. A separate report is not prepared for Harbor Trolley.

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, 2018

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 U.S. 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	\$962,203
Due from State of Michigan	<u>12,124</u>
Total	<u>\$974,327</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.

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.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 \$5,000 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 acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) 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:

	Years
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-end 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, 2018, 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.

2. DEPOSITS

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

Cash and cash equivalents	<u>\$937,001</u>
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Cash and cash equivalents consist of the following at June 30, 2018:

Deposits	\$936,551
Petty cash	<u>450</u>
Total	<u>\$937,001</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

The deposits are in financial institutions 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, \$684,647 of the System's bank balance of \$934,647 was exposed to custodial credit risk because it was uninsured and uncollateralized.

3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets, being depreciated				
Vehicles	\$3,011,596	\$259,688	\$80,617	\$3,190,667
Dispatch and office equipment	353,449	20,796	5,193	369,052
Total capital assets, being depreciated	3,365,045	280,484	85,810	3,559,719
Less accumulated depreciation for				
Vehicles	1,896,483	331,550	80,617	2,147,416
Dispatch and office equipment	179,488	33,713	5,193	208,008
Total accumulated depreciation	2,075,971	365,263	85,810	2,355,424
Capital assets, net	\$1,289,074	\$(84,779)	\$ -	\$1,204,295

4. LONG TERM DEBT

The following is a summary of the debt transactions of the System for the year ended June 30, 2018.

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Business-type Activities					
\$25,000 installment note due in annual installments of \$5,300 including interest at 2% through February 2021	\$20,200	\$ -	\$4,902	\$15,298	\$4,994

The annual requirements to amortize the installment note as of June 30, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 4,994	\$306
2020	5,094	206
2021	5,210	104
Total	\$15,298	\$616

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

5. 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.

6. TAX ABATEMENTS

The System receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions granted by various cities and townships in the County of Ottawa. IFT exemptions entered into under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An IFT certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government and is computed at half the local property tax millage rate, amounting to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2018, the System's property tax revenues reduced by this type of abatement was not significant.

7. 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.

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STATISTICAL SECTION

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 1 - Local Revenues

FOR THE YEAR ENDED JUNE 30, 2018

	<u>July 1, 2017 to September 30, 2017</u>	<u>October 1, 2017 to June 30, 2018</u>	<u>Total</u>
Local revenues			
Demand-response (fare box)	\$ 47,105	\$ 140,240	\$ 187,345
Trolley (fare box)	11,967	4,081	16,048
Contractual services	1,080	2,980	4,060
Property taxes	328,111	886,729	1,214,840
Administrative fee	11,100	-	11,100
Advertising revenue	-	6,085	6,085
Interest income	797	2,353	3,150
Other	3,037	205	3,242
	<hr/>	<hr/>	<hr/>
Total local revenues	\$ 403,197	\$ 1,042,673	\$ 1,445,870

Schedule 1A - Local Revenues

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>October 1, 2016 to June 30, 2017</u>	<u>July 1, 2017 to September 30, 2017</u>	<u>Total</u>
Local revenues			
Demand-response (fare box)	\$ 133,356	\$ 47,105	\$ 180,461
Trolley (fare box)	2,381	11,967	14,348
Contractual services	9,531	1,080	10,611
Property taxes	840,365	328,111	1,168,476
Administrative fee	-	11,100	11,100
Advertising revenue	6,220	-	6,220
Interest income	1,546	797	2,343
Other	49,598	3,037	52,635
	<hr/>	<hr/>	<hr/>
Total local revenues	\$ 1,042,997	\$ 403,197	\$ 1,446,194

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS (2)

FOR THE YEAR ENDED JUNE 30, 2018

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										
Federal Transit Cluster										
Direct assistance										
Capital investment grants										
Capital grant - Section 5309 bus and bus facilities	20.500	MI-04-0074-01	12-0087/P13	\$ 759,000	\$ -	\$ -	\$ -	\$ -	\$ 758,672	\$ 328
Capital grant - Section 5309 bus and bus facilities	20.500	MI-04-0087-00	12-0087/P17	602,800	5,545	4,921	624	-	596,649	606
Total capital investment grants				1,361,800	5,545	4,921	624	-	1,355,321	934
Formula grants										
Operating assistance - Section 5307	20.507	MI-2017-025-01		534,535	133,623	133,623	-	-	400,912	-
Operating assistance - Section 5307	20.507	Not Available		548,041	411,031	411,031	-	-	-	137,010
CMAQ - Section 5307	20.507	MI-2017-025-03	2017-0061/P2	40,000	26,869	21,495	5,374	-	-	13,131
CMAQ - Section 5307	20.507	MI-95-X115-00	12-0087/P22	182,000	12,956	10,365	2,591	-	169,044	-
CMAQ - Section 5307	20.507	MI-2016-019-00	12-05087/P23	577,063	259,688	207,750	51,938	-	259,688	57,687
CMAQ - Section 5307	20.507	MI-95-X099-01	12-0087/P15	137,500	-	-	-	-	136,058	1,442
Total formula grants				2,019,139	844,167	784,264	59,903	-	965,702	209,270
Total direct assistance				3,380,939	849,712	789,185	60,527	-	2,321,023	210,204
Passed through Michigan Department of Transportation										
Bus and bus facilities formula program										
Capital grant - Section 5339	20.526	MI 34-0003-03	12-0087/P21	42,371	20,796	16,637	4,159	-	3,624	17,951
Total passed through Michigan Department of Transportation				42,371	20,796	16,637	4,159	-	3,624	17,951
Total U.S. Department of Transportation				3,423,310	870,508	805,822	64,686	-	2,324,647	228,155
Michigan Department of Transportation										
Operating assistance - Act 51 receipts	N/A	N/A		1,109,752	1,109,752	-	1,109,752	-		
Operating assistance - Act 51 prelim recon	N/A	N/A		26,500	26,500	-	26,500	-		
Total Michigan Department of Transportation				1,136,252	1,136,252	-	1,136,252	-		
Total				\$ 4,559,562	\$ 2,006,760	\$ 805,822	\$ 1,200,938	\$ -	\$ 2,324,647	\$ 228,155

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>July 1, 2017 to September 30, 2017</u>	<u>October 1, 2017 to June 30, 2018</u>	<u>Total</u>
Michigan Department of Transportation			
Local Bus Operating (Act 51)	\$ 217,938	\$ 918,314	\$ 1,136,252
Federal Transit Administration			
Section 5307	133,623	-	133,623
Section 5307 - accrued	<u>-</u>	<u>411,031</u>	<u>411,031</u>
Total	<u>\$ 351,561</u>	<u>\$ 1,329,345</u>	<u>\$ 1,680,906</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>October 1, 2016 to June 30, 2017</u>	<u>July 1, 2017 to September 30, 2017</u>	<u>Total</u>
Michigan Department of Transportation			
Local Bus Operating (Act 51)	\$ 862,121	\$ 217,938	\$ 1,080,059
Federal Transit Administration			
Section 5307	-	133,623	133,623
Section 5307 - accrued	<u>400,912</u>	<u>-</u>	<u>400,912</u>
Total	<u>\$ 1,263,033</u>	<u>\$ 351,561</u>	<u>\$ 1,614,594</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 3 - Operating and Contract Expenses

JUNE 30, 2018

	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Labor	\$ 1,765,844	\$ -	\$ -	\$ -	\$ 1,765,844
Fringe benefits	465,127	-	-	-	465,127
Pension - defined benefit	111,231	-	-	-	111,231
Other post-employment benefits	57,730	-	-	-	57,730
Professional and contractual services	347,297	-	-	-	347,297
Fuel and supplies	338,276	-	-	-	338,276
Utilities	31,438	-	-	-	31,438
Casualty and liability costs	54,345	-	-	-	54,345
Other	28,893	-	-	-	28,893
Depreciation	<u>359,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,263</u>
Total	<u>\$ 3,559,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,559,444</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/CMAQ items purchased with grants of \$45,370 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, 2018

	<u>July 1, 2017 to September 30, 2017</u>	<u>October 1, 2017 to June 30, 2018</u>	<u>Total</u>
Labor	\$ 404,175	\$ 1,361,669	\$ 1,765,844
Fringe benefits	108,330	356,797	465,127
Pension - defined benefit	29,429	81,802	111,231
Other post-employment benefits	15,213	42,517	57,730
Professional and contractual services	68,641	278,656	347,297
Fuel and supplies	78,504	259,772	338,276
Utilities	6,386	25,052	31,438
Casualty and liability costs	2,469	51,876	54,345
Other	7,930	20,963	28,893
Depreciation	96,770	262,493	359,263
Total	<u>\$ 817,847</u>	<u>\$ 2,741,597</u>	<u>\$ 3,559,444</u>

Schedule 3B - Operating and Contract Expenses

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>October 1, 2016 to June 30, 2017</u>	<u>July 1, 2017 to September 30, 2017</u>	<u>Total</u>
Labor	\$ 1,228,217	\$ 404,175	\$ 1,632,392
Fringe benefits	291,332	108,330	399,662
Pension - defined benefit	73,961	29,429	103,390
Other post-employment benefits	41,387	15,213	56,600
Professional and contractual services	275,941	68,641	344,582
Fuel and supplies	208,019	78,504	286,523
Utilities	22,486	6,386	28,872
Casualty and liability costs	(26,333)	2,469	(23,864)
Other	22,480	7,930	30,410
Depreciation	253,765	96,770	350,535
Total	<u>\$ 2,391,255</u>	<u>\$ 817,847</u>	<u>\$ 3,209,102</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 4R - Urban Regular Service Revenue Report

FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Description</u>	<u>Amount</u>
Fare box revenue	
Passenger fares	\$ 194,809
Contract fares	10,611
Auxiliary transit revenue	
Advertising	6,220
Other revenue	
Administrative services	11,100
Local revenue	
Taxes levied directly for/by transit agency	1,168,476
State formula and contracts	
State operating assistance	1,080,059
Federal contracts	
Section 5307 (operating funds)	534,535
Other revenue	
Refunds and credits	52,635
Interest income	<u>2,343</u>
Total	<u>\$ 3,060,788</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 4E - Urban Regular Service Expense Report

FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total</u>
Labor				
Operator salaries and wages	\$ 1,112,626	\$ 67,982	\$ 183,558	\$ 1,364,166
Dispatcher salaries and wages	268,226	-	-	268,226
Fringe Benefits				
Other fringe benefits	320,785	7,766	71,111	399,662
Pension - defined benefit	74,180	6,105	23,105	103,390
Other post-employment benefits	40,653	3,411	12,536	56,600
Services				
Advertising fees	24,365	-	-	24,365
Audit cost	-	-	5,000	5,000
Other services	29,922	90,028	195,267	315,217
Materials and Supplies				
Fuel and lubricants	198,530	67,679	-	266,209
Tires and tubes	-	13,588	-	13,588
Other materials and supplies	2,023	4,317	386	6,726
Utilities				
Utilities	20,986	-	7,886	28,872
Insurance				
Liability insurance	(23,864)	-	-	(23,864)
Misc. expenses				
Travel, meetings, training	7,010	-	2,582	9,592
Association dues and subscriptions	-	-	10,232	10,232
Other	9,878	-	708	10,586
Depreciation				
Depreciation	350,535	-	-	350,535
Total operating expense	<u>\$ 2,435,855</u>	<u>\$ 260,876</u>	<u>\$ 512,371</u>	<u>3,209,102</u>
Ineligible Expenses				
Depreciation	-	-	350,535	350,535
Ineligible refunds and credits	-	-	52,635	52,635
Other ineligible expenses	-	-	8,709	8,709
CMAQ grants not capitalized	-	-	45,370	45,370
MPTA dues	-	-	501	501
Administrative fee revenues for staff shared with the airport	-	-	11,100	11,100
Total ineligible expenses				<u>468,850</u>
Total eligible expenses				<u>\$ 2,740,252</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 4N - Urban Regular Service Non-Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
610	Vehicle hours	50,237	3,742	1,272	55,251
611	Vehicle miles	719,762	49,544	12,092	781,398

The methodology used for compiling mileage on OAR Schedule 4N is not 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, 2017

	<u>Urban</u>
State eligible expenses	
Labor	\$ 1,632,392
Fringe benefits	559,652
Professional and contractual	344,582
Fuel and supplies	286,523
Utilities	28,872
Casualty and liability costs	(23,864)
Other	30,410
Depreciation	<u>350,535</u>
Total expenses	<u>3,209,102</u>
Less ineligible expenses	
Depreciation	350,535
Ineligible refunds and credits	52,635
Other ineligible expenses	8,709
CMAQ grants not capitalized	45,370
MPTA dues	501
Administrative fee revenues for staff shared with the airport	<u>11,100</u>
Total ineligible expenses	<u>468,850</u>
State eligible expenses	<u><u>\$ 2,740,252</u></u>
State operating assistance - 38.9955%	<u><u>\$ 1,068,575</u></u>
Federal eligible expenses	
State eligible expenses	\$ 2,740,252
Less additional federal ineligible expenses	
Audit costs	<u>5,000</u>
Federal eligible expenses	<u><u>\$ 2,735,252</u></u>
Section 5307 reimbursement - 50% with maximum of \$534,535	<u><u>\$ 534,535</u></u>

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SINGLE AUDIT SECTION



Vredeveld Haefner LLC

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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 14, 2018

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 the business-type activities and each major fund of the Harbor Transit Multi-Modal Transportation System, Grand Haven, Michigan (the System) as of and for the year ended June 30, 2018, 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 14, 2018.

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.

Vredendael Haefner LLC



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

November 14, 2018

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

Report on Compliance for Each Major Federal Program

We have audited Harbor Transit Multi-Modal Transportation System, Grand Haven, Michigan's (the System) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2018. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Urodeuxeld Haefner LLC

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Federal and State Grantor/Pass-Through <u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant No. / Authorization Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Federal Transit Cluster			
Direct assistance			
Capital investment grants			
Capital grant - Section 5309 bus and bus facilities	20.500	MI-04-0087-00 12-0087/P17	\$ 4,921
Formula grants			
Operating assistance - Section 5307	20.507	MI-2017-025-01	133,623
Operating assistance - Section 5307	20.507	Not Available	411,031
CMAQ	20.507	MI-2017-025-03 2017-0061/P2	21,495
CMAQ	20.507	MI-95-X115-00 12-0087/P22	10,365
CMAQ	20.507	MI-2016-019-00 12-05087/P23	207,750
Total formula grants			<u>784,264</u>
Total direct assistance			<u>789,185</u>
Passed through Michigan Department of Transportation			
Bus and bus facilities formula program			
Capital grant - Section 5339	20.526	MI 34-0003-03 12-0087/P21	16,637
Total Federal Financial Assistance			<u>\$ 805,822</u>

See notes to schedule of expenditures of federal awards.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

1. The Schedule of Expenditure of Federal Awards is prepared in accordance with the accrual basis of accounting.
2. Reconciliation of revenues from Federal sources per the financial statements and expenditures per the Schedule of Expenditures of Federal Awards.

Revenues from Federal sources per the financial statements

Non-operating revenue (expense)

Federal subsidies

\$ 544,654

Capital contribution

Federal

261,168

Total revenues from Federal sources per the financial statements

805,822

Expenditures per Schedule of Expenditures of Federal Awards

805,822

Difference

\$ -

3. The System did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
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?	<u> </u> yes	<u> X </u> none reported	

Type of auditors' report issued on compliance for major programs	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516a)?	<u> </u> yes	<u> X </u> no
---	-------------------	-----------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500, 20.507, 20.526	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and B programs:	<u> \$750,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no
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SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted