



HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

FINANCIAL STATEMENTS

and

SINGLE AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023



Vredeveld Haefner LLC
CPAs and Consultants

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

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INDEPENDENT AUDITORS' REPORT

February 20, 2024

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

Opinions

We have audited the accompanying financial statements of Harbor Transit Multi-Modal Transportation System (the System) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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 September 30, 2023, and the respective 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The transit schedules 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The transportation schedules and the schedule of expenditures of federal awards are the responsibility of management and, except for the Urban Regular Service Non-Financial Report, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the transportation schedules and the schedule of expenditures of federal awards, except for the Urban Regular Service Non-Financial Report, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Urban Regular Service Non-Financial Report 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 February 20, 2024, 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 the effectiveness of 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.

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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 year ended September 30, 2023. 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

- Harbor Transit purchased 30 acres of land on 172nd Ave, Grand Haven Township.
- The System is still waiting on (8) ordered buses from the State of Michigan Department of Transportation contract. Shortages with automotive parts due to the pandemic have delayed the delivery of the buses until fiscal year 2023-24.
- Total expenses increased by 25% from prior year, this was a combination of increased ridership and inflation.
- Operator staffing levels are equal to the pre-Covid staffing numbers.
- The system did not collect fares in FY2023.
- Harbor Transit collaborated with 7 transit agencies across the state of Michigan to procure a new dispatching software system. The group finalized and chose 2 different vendors. The state of Michigan department of transportation is providing 100% of funding for the first two years.
- A&E services started using grant funding.
- NEPA studies began using grant funding.

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 years (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 \$5,752,515 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 significant portion of net position in the amount of \$3,678,102 is invested in capital assets (land, 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>2023</u>	<u>2022</u>
Current assets	\$2,446,382	\$3,540,430
Capital assets	3,678,102	1,761,855
Total assets	6,124,484	5,302,285
Current liabilities	371,969	313,945
Long-term liabilities	-	-
Total liabilities	371,969	313,945
Net position		
Net investment in capital assets	3,678,102	1,761,855
Unrestricted	2,074,413	3,226,485
Total net position	\$5,752,515	\$4,988,340

Total net position of the System increased by \$764,175 for the current year.

Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating revenue	\$ 5,403	\$ 4,255
Operating expenses	4,412,460	3,759,680
Operating income (loss)	(4,407,057)	(3,755,425)
Nonoperating revenue (expense)	3,400,482	3,320,940
Change in net position before capital contributions	(1,006,575)	(434,485)
Capital contributions	1,770,750	456,003
Change in net position	764,175	21,518
Net position - beginning of year	4,988,340	4,966,822
Net position - end of year	\$5,752,515	\$4,988,340

The net position increased in the current year by more than the prior primarily as a result of capital related federal funding, increased supply costs and labor costs.

Capital Asset and Debt Administration

Capital assets. The System's investment in capital assets as of September 30, 2023, amounted to \$3,678,102 (net of accumulated depreciation).

Significant capital purchases during the year consisted of land for new facility.

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

Debt. There is no outstanding debt held by the System.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the System's budget for the 2023-24 fiscal year:

- Reinstating fare collection with new fare collection technology.
- Launching new dispatching software with technology for passengers.
- New order of (5) buses in FY2024, for delivery in FY2025.
- Harbor Transit will continue to seek grants for the construction of a new facility.
- FY 2024 budget will have the following changes:
 - The purchase of new dispatch software with fare collection technology with grant funding.
 - The delivery of 8 new buses using grant funding.
 - A&E and NEPA services to continue with grant funding.

Requests for Information

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 440 North Ferry Street, Grand Haven, MI 49417 or call or email as noted below.

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BASIC FINANCIAL STATEMENTS

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

Assets

Current assets	
Cash and cash equivalents	\$ 1,548,921
Due from other governments	762,650
Prepaid items	113,787
Inventory	<u>21,024</u>
Total current assets	<u>2,446,382</u>
Non-current assets	
Capital assets	
Construction in progress	127,994
Land	2,185,839
Depreciable capital assets, net	<u>1,364,269</u>
Total non-current assets	<u>3,678,102</u>
Total assets	<u>6,124,484</u>
Liabilities	
Current liabilities	
Accounts payable	179,758
Accrued liabilities	168,327
Due to other governments	19,134
Unearned revenue	<u>4,750</u>
Total liabilities	<u>371,969</u>
Net position	
Net investment in capital assets	3,678,102
Unrestricted	<u>2,074,413</u>
Total net position	<u>\$ 5,752,515</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 SEPTEMBER 30, 2023

Operating revenue	
Local grants	\$ 250
Contractual services	<u>5,153</u>
Total operating revenue	<u>5,403</u>
Operating expense	
Labor	2,233,137
Fringe benefits	682,108
Professional and contractual services	458,763
Fuel and supplies	424,466
Utilities	39,948
Casualty and liability costs	96,492
Other	29,708
Depreciation	<u>447,838</u>
Total operating expense	<u>4,412,460</u>
Operating income (loss)	<u>(4,407,057)</u>
Non-operating revenue (expense)	
Property taxes	1,746,697
State subsidies	1,518,567
Federal subsidies	24,945
Advertising revenue	7,010
Interest income	101,920
Other	<u>1,343</u>
Total non-operating revenue (expense)	<u>3,400,482</u>
Income (loss) before other items	<u>(1,006,575)</u>
Capital contribution	
State	354,150
Federal	<u>1,416,600</u>
Total capital contribution	<u>1,770,750</u>
Changes in net position	764,175
Net position, beginning of year	<u>4,988,340</u>
Net position, end of year	<u>\$ 5,752,515</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 SEPTEMBER 30, 2023

Cash flows from operating activities	
Receipts from customers and users	\$ 5,403
Grant receipts	1,514,742
Property tax receipts	1,746,697
Other revenues	15,075
Payments for employees	(2,822,950)
Payments to suppliers	<u>(1,086,037)</u>
Net cash provided by (used in) operating activities	<u>(627,070)</u>
Cash flows from capital and related financing activities	
Capital grants	1,770,750
Acquisitions of capital assets	<u>(2,364,085)</u>
Net cash provided by (used in) capital and related financing activities	<u>(593,335)</u>
Cash flows from investing activities	
Interest income	<u>101,920</u>
Net cash provided by (used in) investing activities	<u>101,920</u>
Net increase (decrease) in cash and cash equivalents	(1,118,485)
Cash and cash equivalents, beginning of year	<u>2,667,406</u>
Cash and cash equivalents, end of year	<u>\$ 1,548,921</u>
Cash flows from operating activities	
Operating income (loss)	\$ (4,407,057)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	447,838
Operating grants	1,543,512
Property taxes	1,746,697
Other revenue nonoperating revenues reported as operating activities	8,353
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	6,722
Due from other governmental units	(33,520)
Prepaid expenses	11,519
Inventory	(9,158)
Accounts payable	77,343
Accrued liabilities	92,295
Due to other governmental units	(116,364)
Unearned revenue	<u>4,750</u>
Net cash provided by (used in) operating activities	<u>\$ (627,070)</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 SEPTEMBER 30, 2023

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. There are no component units to be included.

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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows the System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 September 30, 2023.

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	\$ 28,396
Due from State of Michigan	456,850
Due from local governments	<u>277,404</u>
Total	<u>\$762,650</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 SEPTEMBER 30, 2023

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 based on the following useful lives.

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

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 September 30, 2023, 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. CASH AND INVESTMENTS

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

Cash and cash equivalents	<u>\$1,548,921</u>
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Cash and cash equivalents consist of the following at September 30, 2023:

Deposits	\$ 545,888
Investments	1,002,583
Petty cash	<u>450</u>
Total	<u>\$1,548,921</u>

The deposits are in a 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.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Investments

The System chooses to specifically identify its investments. As of September 30, 2022, the System had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Michigan CLASS pool	N/A	\$1,002,583	AAAm	S&P

Investment and deposit risk

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 September 30, 2023, \$288,999 of the System's bank balance of \$538,999 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Interest Rate Risk. State law and System policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The System's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at September 30, 2023.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at September 30, 2023.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the System does not have a policy for investment custodial credit risk. For the above pool investment, the System's custodial credit risk exposure cannot be determined because the funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System does not have an investment policy that limits the amount that may be invested in any one issuer. The System minimizes concentration of credit risk by investing in pooled investments. Excluding U.S. government guaranteed, mutual funds and pooled investments, there were no investments in any one issuer that represent 5% or more of total System investments at September 30, 2023.

The System categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

The System has the following recurring fair value measurements as of September 30, 2023.

- The System does not have any investments that report fair value using quoted market prices (Level 1 inputs).
- The Michigan CLASS pool is valued using a pricing model utilizing observable fair value measures of pool investments and other observable inputs to determining the fair value of the securities making up the investment pool (Level 2 inputs).
- The System does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
Capital assets, non-depreciable				
Land	\$ -	\$2,185,839	\$ -	\$2,185,839
CIP	-	127,994	-	127,994
Total capital assets, non-depreciable	-	2,313,833	-	2,313,833
Capital assets, being depreciated				
Vehicles	3,707,618	2,286	-	3,709,904
Dispatch, garage and office equipment	485,854	47,966	25,507	508,313
Total capital assets, being depreciated	4,193,472	50,252	25,507	4,218,217
Less accumulated depreciation for				
Vehicles	2,125,434	391,553	-	2,516,987
Dispatch, garage and office equipment	306,183	56,285	25,507	336,961
Total accumulated depreciation	2,431,617	447,838	25,507	2,853,948
Total capital assets, being depreciated	1,761,855	(397,586)	-	1,364,269
Capital assets, net	\$1,761,855	\$1,916,247	\$ -	\$3,678,102

4. RETIREMENT BENEFITS AND POST-EMPLOYMENT HEALTHCARE BENEFITS

The System offers a single employer defined contribution pension plan and a single employer defined contribution healthcare plan that provides benefits to all permanent full-time employees through the Municipal Employees Retirement System (MERS) of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

For the pension plan, employees are required to contribute within a range of 5 to 12% of gross pay and the System contributes 12% of each participant's gross pay. The System's contributions are immediately fully vested. During the year ended September 30, 2023, employees contributed \$107,563 and the System contributed \$137,931 to the plan.

For the healthcare plan, employees are required to contribute 3% of gross pay and the System contributes 3% of each participant's gross pay. The System's contributions are immediately fully vested. During the year ended September 30, 2023, employees contributed \$47,591 and the System contributed \$34,465 to the plan.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

The system entered into the Operations and Maintenance Termination Agreement with the City of Grand Haven that requires the System to pay legacy pension and retiree health care costs. The agreement provides for annual billing by the City to the System for a portion of the City pension plan actuarial required contribution. The agreement also requires the System to pay retiree health care costs for three retirees eligible for this benefit through a maximum of 2028. The expected future minimum payments are undeterminable and are not included as a liability of the System at year end.

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.

6. COMMITMENTS

At September 30, 2023, the System had outstanding commitments of approximately \$1,450,000 for eight buses due to delayed orders.

The System has also entered into agreements for architectural, engineering, and environmental services related to the future building project with costs dependent upon environmental review findings. Land for the project was purchased this fiscal year and outstanding commitments for services related to the project total approximately \$800,000. The project timing and scope is dependent upon environmental studies and future grant funding being secured.

The System entered into a 5-year agreement prior to fiscal year end for a software system to be installed in next fiscal year. The 5-year commitment totals approximately \$723,000.

TRANSPORTATION SCHEDULES

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 1 - Local Revenues

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Local revenues	
Local grant	\$ 250
Contractual services	5,153
Property taxes	1,746,697
Advertising revenue	7,010
Interest income	101,920
Other	<u>1,343</u>
 Total local revenues	 <u>\$ 1,862,373</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS (2)

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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										
Formula grants										
2023 Capital Projects 5307 - Maintenance Facility Eng/Design/Admin	20.507	MI-2023-026-00	MI2022-0063 P/5	\$ 581,848	\$ -	\$ -	\$ -	\$ -	\$ 581,848	
2023 Capital Projects 5307 - Real Estate Acquisition	20.507	MI-2023-026-00	MI2022-0063 P/5	1,602,845	1,602,845	1,282,276	320,569	-	-	
2023 Capital Projects 5307 - Eng/Design/Admin	20.507	MI-2023-026-00	MI2022-0063 P/5	214,184	127,994	102,395	25,599	-	86,190	
2022 Capital Projects 5307 - Bus Replacement	20.507	MI-2022-039-01		325,000	-	-	-	-	325,000	
2022 Capital Projects 5307 - Other capital items	20.507	MI-2022-039-01	MI2022-0063 P2/R1	31,125	31,125	24,900	6,225	-	-	
2022 Capital Projects 5307 - AED software	20.507	MI-2022-038-00	2022-0063P1	400,000	-	-	-	-	400,000	
2022 Capital Projects 5307 - Bus Purifiers	20.507	MI-2022-038-00	2022-0063P1	75,000	39,911	31,929	7,982	-	35,089	
2022 Capital Projects 5307 - Safety/Train Software	20.507	MI-2022-038-00	2022-0063P1	20,000	-	-	-	10,960	9,040	
2022 Capital Projects 5307 - Garage equipment	20.507	MI-2022-038-00	2022-0063P1	16,000	56	45	11	-	15,944	
2020 Rolling Stock - Section 5307	20.507	MI-2020-036-00	2017-0061-P/6	330,000	-	-	-	-	74,526	
2016 CMAQ Rolling Stock - Section 5307	20.507	MI-2016-019-01	2012-0087/P23	544,000	-	-	-	-	539,076	
Total formula grants				<u>4,140,002</u>	<u>1,801,931</u>	<u>1,441,545</u>	<u>360,386</u>	<u>-</u>	<u>640,506</u>	<u>1,697,565</u>
Bus and bus facilities formula program										
2022 Bus & Bus Facilities Formula - Section 5339	20.526	MI-2022-038-00	2022-0063P2	112,629	-	-	-	-	-	112,629
2019 Support Equipment - Section 5339	20.526	MI-2019-032-02	2017-0061/P5	35,723	-	-	-	-	13,460	22,263
Total bus and bus facilities formula program				<u>148,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,460</u>	<u>134,892</u>
Total U.S. Department of Transportation				<u>4,288,354</u>	<u>1,801,931</u>	<u>1,441,545</u>	<u>360,386</u>	<u>-</u>	<u>653,966</u>	<u>1,832,457</u>
Michigan Department of Transportation										
Operating Assistance - Act 51 Final reconciliation 2019	N/A	N/A		7,222	7,222	-	7,222	-	-	
Operating Assistance - Act 51 PY Deferral 2021	N/A	N/A		41,758	41,758	-	41,758	-	-	
Operating Assistance - Act 51 PY Deferral 2022	N/A	N/A		87,952	87,952	-	87,952	-	-	
Operating Assistance - Act 51 Preliminary reconciliation 2022	N/A	N/A		15,227	15,227	-	15,227	-	-	
Operating Assistance - Act 51 Receipts 2023	N/A	N/A		1,255,715	1,255,715	-	1,255,715	-	-	
Operating Assistance - Act 51 Accrual 2023	N/A	N/A		101,257	101,257	-	101,257	-	-	
2022 Capital Grant MI2022-063/P3	N/A	N/A		3,200	3,200	-	3,200	-	-	
Total Michigan Department of Transportation				<u>1,512,331</u>	<u>1,512,331</u>	<u>-</u>	<u>1,512,331</u>	<u>-</u>	<u>-</u>	
Total				<u>\$ 5,800,685</u>	<u>\$ 3,314,262</u>	<u>\$ 1,441,545</u>	<u>\$ 1,872,717</u>	<u>\$ -</u>	<u>\$ 653,966</u>	<u>\$ 1,832,457</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 3 - Operating and Contract Expenses

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Labor	\$ 2,233,137	\$ -	\$ -	\$ -	\$ 2,233,137
Fringe benefits	682,108	-	-	-	682,108
Professional and contractual services	458,763	-	-	-	458,763
Fuel and supplies	424,466	-	-	-	424,466
Utilities	39,948	-	-	-	39,948
Casualty and liability costs	96,492	-	-	-	96,492
Other	29,708	-	-	-	29,708
Depreciation	<u>447,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,838</u>
Total	<u>\$ 4,412,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,412,460</u>

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

No cost allocation plans are currently in use.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 4R - Urban Regular Service Revenue Report

FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Description</u>	<u>Amount</u>
Fare box revenue	
Passenger fares	\$ -
Contract fares	5,153
Auxiliary transit revenue	
Advertising	7,010
Local revenue	
Local grant	250
Taxes levied directly for/by transit agency	1,746,697
State formula and contracts	
State operating assistance - current year	1,255,715
State operating assistance - prior year accrued, deferred, reconciled	152,159
Federal contracts	
Section 5307 (operating funds)	-
Other revenue	
Refunds and credits	1,343
Interest income	<u>101,920</u>
Total	<u>\$ 3,270,247</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 4N - Urban Regular Service Non-Financial Report (Unaudited)

FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Code</u>	<u>Description</u>	<u>Total</u>
610	Vehicle hours	48,706
611	Vehicle miles	690,194
634	Deviated route hours	2,008
635	Deviated route miles	29,874

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, 2023

	<u>Urban</u>
State Operating Assistance	
State eligible expenses	
Labor	\$ 2,233,137
Fringe benefits	682,108
Professional and contractual	458,763
Fuel and supplies	424,466
Utilities	39,948
Casualty and liability costs	96,492
Other	29,708
Depreciation	<u>447,838</u>
Total expenses	<u>4,412,460</u>
Less ineligible expenses	
Depreciation	446,630
Capital grants not capitalized	
2022 Capital Projects 5307 - Other capital items	31,125
2022 Capital Projects 5307 - Garage equipment	56
2022 Capital Grant MI2022-063/P3	3,200
Expenses paid/local contract for services revenue received	5,153
Ineligible refunds and credits	1,343
Ineligible expenses associated with advertising revenue	611
Ineligible expenses associated with local grant	250
MPTA dues	<u>494</u>
Total ineligible expenses	<u>488,862</u>
State eligible expenses	<u>\$ 3,923,598</u>
State operating assistance - 34.5849%	<u>\$ 1,356,972</u>

The System has a single employer defined contribution pension plan and a single employer defined contribution healthcare plan. All defined contribution plan expenses have been paid to the respective plan.

Eligible depreciation expense only includes the depreciation of assets purchased with local funds and where the useful life of the assets purchased have been approved by BPT.

Purchases made with capital grants for noncapital items are excluded above as ineligible.

Expenses associated with advertising revenue are reported as ineligible expenses.

SINGLE AUDIT SECTION



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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

February 20, 2024

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 the major fund of the Harbor Transit Multi-Modal Transportation System, Grand Haven, Michigan (the System) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 20, 2024.

Report on 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) as a basis for designing 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.

Report on 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.

Ordeveld 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

February 20, 2024

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

Report on Compliance for Each Major Federal Program

Opinion on 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 identified as subject to audit 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 September 30, 2023. 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.

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 September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher

than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

The 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 purposes.

Uredaxeld Haefner LLC

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal and State Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Grant No. / Authorization <u>Number</u>		<u>Expenditures</u>
U.S. Department of Transportation				
Federal Transit Cluster				
Direct assistance				
Formula grants				
2023 Capital Projects 5307 - Real Estate Acquisition	20.507	MI-2023-026-00	MI2022-0063 P/5	\$ 1,282,276
2023 Capital Projects 5307 - Eng/Design/Admin	20.507	MI-2023-026-00	MI2022-0063 P/5	102,395
2022 Capital Projects 5307 - Other capital items	20.507	MI-2022-039-01	MI2022-0063 P2/R1	24,900
2022 Capital Projects 5307 - Bus Purifiers	20.507	MI-2022-038-00	2022-0063P1	31,929
2022 Capital Projects 5307 - Garage equipment	20.507	MI-2022-038-00	2022-0063P1	45
				<hr/>
Total formula grants				1,441,545
				<hr/>
Total Federal Financial Assistance				\$ 1,441,545

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 SEPTEMBER 30, 2023

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

\$ 24,945

Capital contribution

Federal

1,416,600

Total revenues from Federal sources per the financial statements

1,441,545

Expenditures per Schedule of Expenditures of Federal Awards

1,441,545

Difference

\$ -

3. The System did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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? yes X 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)? yes X no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

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