



HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

FINANCIAL STATEMENTS

and

SINGLE AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020



Vredeveld Haefner LLC
CPAs and Consultants

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

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INDEPENDENT AUDITORS' REPORT

January 19, 2021

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 the major fund of the Harbor Transit Multi-Modal Transportation System (the System) as of and for the year ended September 30, 2020, 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 the major fund of the Harbor Transit Multi-Modal Transportation System, as of September 30, 2020, 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 transit schedules section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The transit schedules section balances at September 30, 2020 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. 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 transit schedules section balances at September 30, 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, 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.

Urodeuxeld 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 year ended September 30, 2020. 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

- The COVID-19 Pandemic required Harbor Transit to discontinue collecting fares and rely on the Federal grant CARES Act Operating Assistance funding which allowed Harbor Transit financial relief to keep our systems clean and operational during the novel coronavirus pandemic.
- The System updated the fleet by adding 3 buses and replacing 4 other buses which results in a total of 30 revenue vehicles. The new units will require less expensive upkeep which will allow maintenance costs to be lower in future fiscal periods.
- We welcomed a new Transportation Director at the end of the fiscal year and started our search for an Operations Director and Customer Care Supervisor.

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 \$4,038,394 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 \$1,656,321 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>2020</u>	<u>2019</u>
Current assets	\$2,505,709	\$1,751,542
Capital assets	1,656,321	1,020,584
Total assets	4,162,030	2,772,126
Current liabilities	123,636	448,011
Long-term liabilities	-	-
Total liabilities	123,636	448,011
Net position		
Net investment in capital assets	1,656,321	1,020,584
Unrestricted	2,382,073	1,303,531
Total net position	\$4,038,394	\$2,324,115

Total net position of the System increased by \$1,714,279 for the current year.

Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>
Operating revenue	\$ 86,454	\$ 268,115
Operating expenses	3,931,079	4,688,028
Operating income (loss)	(3,844,625)	(4,419,913)
Nonoperating revenue (expense)	4,578,350	3,995,062
Change in net position before capital contributions	733,725	(424,851)
Capital contributions	980,554	243,729
Change in net position	1,714,279	(181,122)
Net position - beginning of year	2,324,115	2,505,237
Net position - end of year	\$ 4,038,394	\$2,324,115

The net position increase in the current year is primarily the result of increased federal subsidies.

Capital Asset and Debt Administration

Capital assets. The System's investment in capital assets as of September 30, 2020, amounted to \$1,656,321 (net of accumulated depreciation).

Significant capital purchases during the year consisted of seven buses.

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 2020-21 fiscal year:

- Plans for a new facility have been drafted and potential funding sources are being explored to determine what the next course of action should be for future System expansion.
- The property tax millage was renewed by the Spring Lake Village and Spring Lake Township tax payers for fiscal year 2021. The mileage rate was set at .60 mills in anticipation of matching grant funds for a new facility.
- The System is continuing collaborative discussions with the Muskegon Area Transit System (MATS) to provide transportation for employees residing in Muskegon County and working in the Tri-Cities area that the System serves.
- Another collaborative engagement that the System is involved in is the Electronic Ticketing Regional Grant opportunity with local transit agencies of Holland, Muskegon, Interurban and Allegan County. This electronic system would be touchless that allows agencies to collect fares without cash handling and a seamless pay system for passengers traveling through these regions.
- COVID-19 continues to cause economic unknowns and what impact it will have on operations and finances in the 2021 fiscal year.

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, 2020

Assets

Current assets	
Cash and cash equivalents	\$ 1,962,153
Accounts receivable	689
Due from other governments	427,854
Prepaid items	102,198
Inventory	<u>12,815</u>

Total current assets	<u>2,505,709</u>
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Non-current assets

Capital assets	
Depreciable capital assets, net	<u>1,656,321</u>

Total assets	<u>4,162,030</u>
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Liabilities

Current liabilities	
Accounts payable	18,583
Accrued liabilities	97,484
Due to other governments	<u>7,569</u>

Total liabilities	<u>123,636</u>
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Net position

Net investment in capital assets	1,656,321
Unrestricted	<u>2,382,073</u>

Total net position	<u>\$ 4,038,394</u>
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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, 2020

Operating revenue	
Demand-response (Fare box)	\$ 86,454
Operating expense	
Labor	504,125
Fringe benefits	179,673
Professional and contractual services	2,451,623
Fuel and supplies	238,799
Utilities	36,650
Casualty and liability costs	79,431
Other	11,210
Depreciation	429,568
Total operating expense	3,931,079
Operating income (loss)	(3,844,625)
Non-operating revenue (expense)	
Property taxes	1,454,452
State subsidies	1,364,357
Federal subsidies	1,716,398
Advertising revenue	3,775
Interest income	6,748
Other	32,620
Total non-operating revenue (expense)	4,578,350
Income (loss) before other items	733,725
Capital contribution	
State	196,111
Federal	784,443
Total capital contribution	980,554
Changes in net position	1,714,279
Net position, beginning of year	2,324,115
Net position, end of year	\$ 4,038,394

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, 2020

Cash flows from operating activities

Receipts from customers and users	\$ 86,564
Grant receipts	3,414,455
Property tax receipts	1,454,452
Other revenues	22,729
Payments for employees	(586,314)
Payments to suppliers	<u>(3,328,480)</u>

Net cash provided by (used in) operating activities

1,063,406

Cash flows from capital and related financing activities

Proceeds from sale of capital assets	13,666
Capital grants	980,554
Acquisitions of capital assets	<u>(1,065,305)</u>

Net cash provided by (used in) capital and related financing activities

(71,085)

Cash flows from investing activities

Interest income	<u>6,748</u>
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Net increase (decrease) in cash and cash equivalents

999,069

Cash and cash equivalents, beginning of year

963,084

Cash and cash equivalents, end of year

\$ 1,962,153

Cash flows from operating activities

Operating income (loss)	\$ (3,844,625)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	429,568
Operating grants	3,080,755
Property taxes	1,454,452
Other revenue nonoperating revenues reported as operating activities	22,729
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	110
Due from other governmental units	333,700
Prepaid expenses	(88,500)
Inventory	(408)
Accounts payable	(226,190)
Accrued liabilities	97,484
Due to other governmental units	<u>(195,669)</u>

Net cash provided by (used in) operating activities

\$ 1,063,406

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, 2020

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, 2020

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, 2020.

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	\$115,547
Due from State of Michigan	296,983
Due from local governments	<u>15,324</u>
Total	<u>\$427,854</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, 2020

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:

	<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, 2020, 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>\$1,962,153</u>
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Cash and cash equivalents consist of the following at September 30, 2020:

Deposits	\$ 861,648
Investments	1,100,055
Petty cash	<u>450</u>
Total	<u>\$1,962,153</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, 2020

Investments

The System chooses to specifically identify its investments. As of September 30, 2020, the System had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Michigan CLASS pool	N/A	\$1,100,055	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, 2020, \$600,706 of the System's bank balance of \$850,706 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, 2020.

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, 2020.

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, 2020.

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, 2020

The System has the following recurring fair value measurements as of September 30, 2020.

- The System's 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, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2020</u>
Capital assets, being depreciated				
Vehicles	\$3,366,959	\$1,017,683	\$598,953	\$3,785,689
Dispatch and office equipment	388,567	47,622	30,418	405,771
Total capital assets, being depreciated	3,755,526	1,065,305	629,371	4,191,460
Less accumulated depreciation for				
Vehicles	2,494,356	391,931	598,953	2,287,334
Dispatch and office equipment	240,586	37,637	30,418	247,805
Total accumulated depreciation	2,734,942	429,568	629,371	2,535,139
Capital assets, net	\$1,020,584	\$635,737	\$ -	\$1,656,321

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, 2020, employees contributed \$23,608 and the System contributed \$29,014 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, 2020, employees contributed \$7,253 and the System contributed \$7,253 to the plan.

5. NET POSITION

The System Board elected to set-aside \$750,000 of the System's unrestricted net position for future bus equipment and building projects.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

6. 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.

7. COMMITMENTS

At September 30, 2020, the System had outstanding commitments of approximately \$632,500 for 5 bus purchases. In addition, the System had an outstanding commitment to purchase an additional 8 buses prior to May 2024 with the final pricing to be determined at the time the order is placed.

TRANSPORTATION SCHEDULES

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 1 - Local Revenues

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Local revenues

Demand-response (fare box)	\$ 86,454
Property taxes	1,454,452
Advertising revenue	3,775
Interest income	6,748
Other	<u>32,620</u>
Total local revenues	<u>\$ 1,584,049</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS (2)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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									
2020 CARES Act Operating Assistance - Section 5307	20.507	MI-2020-027-00	\$ 1,799,536	\$ 1,565,547	\$ 1,565,547	\$ -	\$ -	\$ -	\$ 233,989
2019 Operating Assistance - Section 5307	20.507	MI-2019-032-01	531,448	150,851	150,851	-	-	380,597	-
2018 CMAQ Rolling Stock - Section 5307	20.507	MI-2018-023-02	310,000	119,654	95,723	23,931	-	119,654	70,692
2018 CMAQ Other Capital - Section 5307	20.507	MI-2018-023-02	37,500	37,500	30,000	7,500	-	-	-
2018 CMAQ Rolling Stock - Section 5307	20.507	MI-2018-023-01	685,051	503,400	402,720	100,680	-	-	181,651
2016 CMAQ Rolling Stock - Section 5307	20.507	MI-2016-019-00	544,000	-	-	-	-	519,376	24,624
Total formula grants			3,907,535	2,376,952	2,244,841	132,111	-	1,019,627	510,956
Bus and bus facilities formula program									
2018 Competitive Bus Expansion - Section 5339	20.526	MI-2019-032-04	320,000	320,000	256,000	64,000	-	-	-
2018 Rolling Stock - Section 5339	20.526	MI-2018-023-03	81,513	-	-	-	-	13,777	67,736
Total bus and bus facilities formula program			401,513	320,000	256,000	64,000	-	13,777	67,736
Total U.S. Department of Transportation			4,309,048	2,696,952	2,500,841	196,111	-	1,033,404	578,692
Michigan Department of Transportation									
Operating assistance - Act 51 receipts 2020	N/A	N/A	1,157,840	1,157,840	-	1,157,840	-	-	-
Operating assistance - Act 51 accrual 2020	N/A	N/A	115,000	115,000	-	115,000	-	-	-
Operating assistance - Act 51 preliminary reconciliation	N/A	N/A	91,517	91,517	-	91,517	-	-	-
Total Michigan Department of Transportation			1,364,357	1,364,357	-	1,364,357	-	-	-
Total			\$ 5,673,405	\$ 4,061,309	\$ 2,500,841	\$ 1,560,468	\$ -	\$ 1,033,404	\$ 578,692

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 3 - Operating and Contract Expenses

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Labor	\$ 504,125	\$ -	\$ -	\$ -	\$ 504,125
Fringe benefits	179,673	-	-	-	179,673
Professional and contractual services	2,451,623	-	-	-	2,451,623
Fuel and supplies	238,799	-	-	-	238,799
Utilities	36,650	-	-	-	36,650
Casualty and liability costs	79,431	-	-	-	79,431
Other	11,210	-	-	-	11,210
Depreciation	<u>429,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,568</u>
Total	<u>\$ 3,931,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,931,079</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 zero dollars are included in operating expenses and are excluded for purposes of calculating operating reimbursements.

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 4R - Urban Regular Service Revenue Report

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Description</u>	<u>Amount</u>
Fare box revenue	
Passenger fares	\$ 86,454
Auxiliary transit revenue	
Advertising	3,775
Local revenue	
Taxes levied directly for/by transit agency	1,454,452
State formula and contracts	
State operating assistance	1,157,840
State operating assistance accrued	115,000
State operating assistance reconciliation	91,517
Federal contracts	
Section 5307 (operating funds)	1,716,398
Other revenue	
Refunds and credits	32,620
Interest income	<u>6,748</u>
Total	<u>\$ 4,664,804</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 4E - Urban Regular Service Expense Report

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total</u>
Labor				
Operator salaries and wages	\$ 335,410	\$ 18,166	\$ 75,783	\$ 429,359
Dispatcher salaries and wages	74,766	-	-	74,766
Fringe Benefits				
Other fringe benefits	139,777	6,779	33,117	179,673
Services				
Advertising fees	20,917	-	-	20,917
Audit cost	-	-	8,500	8,500
Other services	1,633,635	109,927	678,644	2,422,206
Materials and Supplies				
Fuel and lubricants	145,142	-	-	145,142
Tires and tubes	-	5,841	-	5,841
Other materials and supplies	10,573	72,566	4,677	87,816
Utilities				
Utilities	29,718	-	6,932	36,650
Insurance				
Liability insurance	75,311	-	4,120	79,431
Misc. expenses				
Travel, meetings, training	239	-	712	951
Association dues and subscriptions	-	-	5,706	5,706
Other	200	-	4,353	4,553
Depreciation				
Depreciation	<u>429,568</u>	<u>-</u>	<u>-</u>	<u>429,568</u>
Total operating expense	<u>\$ 2,895,256</u>	<u>\$ 213,279</u>	<u>\$ 822,544</u>	<u>3,931,079</u>
Ineligible Expenses				
Depreciation	-	-	429,568	429,568
Ineligible refunds and credits	-	-	32,620	32,620
MPTA dues	<u>-</u>	<u>-</u>	<u>599</u>	<u>599</u>
Total ineligible expenses				<u>462,787</u>
Total eligible expenses				<u>\$ 3,468,292</u>

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

Schedule 4N - Urban Regular Service Non-Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Code</u>	<u>Description</u>	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
610	Vehicle hours	40,246	2,492	603	43,341
611	Vehicle miles	574,843	30,803	6,097	611,743

The methodology used for compiling mileage on OAR Schedule 4N is an adequate and reliable method for recording

HARBOR TRANSIT MULTI-MODAL TRANSPORTATION SYSTEM

OPERATING ASSISTANCE CALCULATION (5)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Urban</u>
State eligible expenses	
Labor	\$ 504,125
Fringe benefits	179,673
Professional and contractual	2,451,623
Fuel and supplies	238,799
Utilities	36,650
Casualty and liability costs	79,431
Other	11,210
Depreciation	<u>429,568</u>
Total expenses	<u>3,931,079</u>
Less ineligible expenses	
Depreciation	429,568
Ineligible refunds and credits	32,620
MPTA dues	<u>599</u>
Total ineligible expenses	<u>462,787</u>
State eligible expenses	<u>\$ 3,468,292</u>
State operating assistance - 36.7916%	<u>\$ 1,276,040</u>
 Federal eligible expenses	
State eligible expenses	\$ 3,468,292
Less additional federal ineligible expenses	
Audit costs	<u>8,500</u>
Federal eligible expenses	<u>\$ 3,459,792</u>
Section 5307 reimbursement - 50% with maximum of \$1,799,536	<u>\$ 1,729,896</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.

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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

January 19, 2021

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, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated January 19, 2021.

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.

Vredexeld 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

January 19, 2021

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 September 30, 2020. 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 September 30, 2020.

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 SEPTEMBER 30, 2020

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No. / Authorization Number	Expenditures
U.S. Department of Transportation			
Federal Transit Cluster			
Direct assistance			
Formula grants			
2020 CARES Act Operating Assistance - Section 5307	20.507	MI-2020-027-00	\$ 1,565,547
2019 Operating Assistance - Section 5307	20.507	MI-2019-032-01	150,851
2018 CMAQ Rolling Stock - Section 5307	20.507	MI-2018-023-02 2017-0061/P4	95,723
2018 CMAQ Other Capital - Section 5307	20.507	MI-2018-023-02 2017-0061/P4	30,000
2018 CMAQ Rolling Stock - Section 5307	20.507	MI-2018-023-01 2017-0061/P4	402,720
Total formula grants			<u>2,244,841</u>
Bus and bus facilities formula program			
2018 Competitive Bus Expansion - Section 5339	20.526	MI-2019-032-04 2017-0061/P5	<u>256,000</u>
Total Federal Financial Assistance			<u>\$ 2,500,841</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 SEPTEMBER 30, 2020

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

\$ 1,716,398

Capital contribution

Federal

784,443

Total revenues from Federal sources per the financial statements

2,500,841

Expenditures per Schedule of Expenditures of Federal Awards

2,500,841

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, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	☐ yes	☒ no	
Significant deficiency(ies) identified?	☐ yes	☒ none reported	
Noncompliance material to financial statements noted?	☐ yes	☒ no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	☐ yes	☒ no	
Significant deficiency(ies) identified?	☐ yes	☒ 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	☒ no	

Identification of major programs:

CFDA Number(s)

20.507, 20.526

Name of Federal Program or Cluster

Federal Transit Cluster

Dollar threshold used to distinguish between Type A and B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ 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