

**City of Grand Haven, Michigan
Harbor Transit**

**Financial Statements
and Supplemental Information**
Years Ended June 30, 2007 and 2006

City of Grand Haven, Michigan Harbor Transit

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Grand Haven, Michigan

We have audited the financial statements of the City of Grand Haven, Michigan as of and for the years ended June 30, 2007 and 2006 and have issued our reports thereon dated October 30, 2007 and October 11, 2006, respectively. These financial statements are the responsibility of the City of Grand Haven, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were made for the purpose of forming an opinion on the financial statements of the City of Grand Haven, Michigan taken as a whole. The accompanying financial statements and supplemental material of the Harbor Transit of the City of Grand Haven, Michigan (an Enterprise Fund of the City) are presented for the purpose of additional analysis and are not a required part of the financial statements. The information in these statements except for the portion marked "unaudited" on which we express no opinion, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Pridnia Lapres, PLLC

October 30, 2007

City of Grand Haven, Michigan Harbor Transit

Statements of Net Assets

<i>June 30,</i>	2007	2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 450	\$ 2,857
Accounts receivable	44,420	3,161
Prepaid items	-	1,272
Inventory	32,874	30,009
Due from other governmental units	245,656	268,864
Total Current Assets	323,400	306,163
Property and Equipment – At Cost,		
less accumulated depreciation (Note 2)	888,112	1,485,213
Total Assets	1,211,512	1,791,376
Liabilities and Fund Equity		
Current Liabilities		
Accounts payable	40,405	37,228
Accrued and other liabilities	130,172	115,017
Due to other funds	149,450	53,340
Deferred revenue	-	76
Total Current Liabilities	320,027	205,661
Net Assets		
Invested in capital assets, net of related debt	888,112	1,485,213
Unreserved	3,373	100,502
Total Net Assets	\$ 891,485	\$ 1,585,715

See accompanying notes to financial statements.

City of Grand Haven, Michigan Harbor Transit

Statements of Revenues, Expenses, and Changes in Net Assets

<i>Years ended June 30,</i>	2007	2006
Operating Revenue		
Demand-response (farebox)	\$ 129,180	\$ 88,180
Contractual services	9,825	51,326
Charter	-	7,882
Total Operating Revenue	139,005	147,388
Operating Expenses		
Labor	840,772	773,476
Fringe benefits	258,831	240,015
Professional and contractual services	161,007	147,223
Fuel and supplies	156,576	261,262
Utilities	28,568	29,774
Casualty and liability costs	29,382	28,084
Depreciation	597,101	142,009
Other	46,939	36,469
Total Operating Expenses	2,119,176	1,658,312
Operating Loss	(1,980,171)	(1,510,924)
Non-Operating Revenue		
State grants	582,345	726,416
Federal grants	278,052	485,525
Local grants and transfers	394,296	98,606
Interest income	-	2,995
Gain on sale of capital assets	26,000	3,057
Other	303	1,385
Total Non-Operating Revenue	1,280,996	1,317,984
Loss Before Transfers	(699,175)	(192,940)
Transfers In	4,945	4,620
Changes in Net Assets	(694,230)	(188,320)
Net Assets – Beginning of year	1,585,715	1,774,035
Net Assets – End of year	\$ 891,485	\$ 1,585,715

See accompanying notes to financial statements.

City of Grand Haven, Michigan Harbor Transit

Statements of Cash Flows

<i>Years ended June 30,</i>	2007	2006
Cash Flows from Operating Activities		
Operating loss	\$ (1,980,171)	\$ (1,510,924)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	597,101	142,009
Miscellaneous income received	303	1,385
Changes in assets and liabilities:		
Accounts receivable	(41,259)	36,334
Prepaid items	1,272	(1,272)
Inventory	(2,865)	(2,445)
Due from other governmental units	23,208	19,313
Due from other funds	-	159
Accounts payable	3,177	(82,854)
Accrued and other liabilities	15,155	(19,690)
Due to other funds	96,110	51,800
Deferred revenue	(76)	(36,526)
Net Cash Used for Operating Activities	(1,288,045)	(1,402,711)
Cash Flows from Non-Capital Financing Activities		
Proceeds from operating grants and transfers	1,254,693	1,310,547
Operating transfers in from other funds	4,945	4,620
Net Cash Provided by Non-Capital Financing Activities	1,259,638	1,315,167
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	-	(245,283)
Proceeds from sale of capital assets	26,000	4,001
Net Cash Provided by (Used for) Capital and Related Financing Activities	26,000	(241,282)
Cash Flows from Investing Activities		
Interest received on investments	-	2,995
Net Decrease in Cash and Cash Equivalents	(2,407)	(325,831)
Cash and Cash Equivalents, Beginning of year	2,857	328,688
Cash and Cash Equivalents, End of year	\$ 450	\$ 2,857

See accompanying notes to financial statements.

City of Grand Haven, Michigan Harbor Transit

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies

Harbor Transit of the City of Grand Haven, Michigan is an Enterprise Fund of the City of Grand Haven. It operates under direction of the City Charter. Harbor Transit provides public transportation services to users in the City of Grand Haven and portions of the surrounding area. The accrual basis of accounting is used in preparing the financial statements.

Inventories

Inventories consist of materials and supplies and are stated at the lower of cost or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line method.

2. Property and Equipment

A summary of property and equipment is as follows:

<i>June 30,</i>	2007	2006	Depreciable Life-Years
Land	\$ 9,261	\$ 9,261	-
Building	1,093,906	1,093,906	20 years
Vehicles	1,655,579	1,655,579	3-7 years
Dispatch and office equipment	114,658	114,658	3-10 years
Total Cost	2,873,404	2,873,404	
Less accumulated depreciation	1,985,292	1,388,191	
Net Carrying Amount	\$ 888,112	\$1,485,213	

City of Grand Haven, Michigan

Harbor Transit

Notes to Financial Statements

3. Local Grants

In fiscal year 2007-08, the City of Grand Haven and the local governments served by Harbor Transit will begin grant-funded, detailed discussions on future funding of demand-response services. Included will be a determination of the formula which will calculate the local shares owed by each unit for these services. Likewise, these discussions will include scenerios on reimbursing the City's prior period overpayments into the Harbor Transit Fund.

To meet current fiscal needs of Harbor Transit, using the current "fair share formula" structure, the City General Fund paid \$234,258 as the City's annual formula payment, plus \$27,318 for trolley services provided in the City alone during May and June 2007. Formula amounts for the Village of Spring Lake and the City of Ferrysburg were \$53,123 and \$79,597, respectively, for the year ended June 30, 2007. The Cities of Grand Haven and Ferrysburg fund this obligation through millage, while the Village of Spring Lake through its General Fund.

Supplemental Information



City of Grand Haven, Michigan Harbor Transit

Operating Revenue

<i>Year ended June 30, 2007</i>	July 1, 2006 to September 30, 2006	October 1, 2006 to June 30, 2007
Demand-response (farebox)	\$ 43,332	\$ 85,848
Contractual services	2,479	7,346
Total Operating Revenue	\$ 45,811	\$ 93,194

City of Grand Haven, Michigan Harbor Transit

Operating Expenses

<i>Year ended June 30, 2007</i>	Operations	Maintenance	General Administration	Total
Labor				
Operators' salaries and wages	\$ 576,271	\$ 40,927	\$ 60,516	\$ 677,714
Other salaries and wages	163,058	-	-	163,058
Fringe benefits	219,035	19,358	20,438	258,831
Professional and contractual services	8,406	35,694	116,907	161,007
Fuel and supplies consumed				
Fuel and lubricants	92,048	-	-	92,048
Other material and supplies	16,303	48,056	169	64,528
Utilities	23,010	-	5,558	28,568
Casualty and liability costs –				
Premiums for public liability and property damage insurance	29,382	-	-	29,382
Depreciation	597,101	-	-	597,101
Other – Advertising/ Promotion media	24,581	-	22,358	46,939
Total operating expenses	\$ 1,749,195	\$ 144,035	\$ 225,946	\$ 2,119,176

City of Grand Haven, Michigan Harbor Transit

Non-Operating Revenue

<i>Year ended June 30, 2007</i>	July 1, 2006 to September 30, 2006	October 1, 2006 to June 30, 2007
<hr/>		
State of Michigan operating grants		
Formula operating assistance (Act 51)	\$ 154,988	\$ 475,866
Specialized services grant	-	(48,509)
<hr/>		
Total State of Michigan operating grants	154,988	427,357
Federal (U.S. Department of Transportation) operating grants		
Section 5307	-	278,052
Local operating grants and transfers		
City of Grand Haven	-	261,576
Village of Spring Lake	-	53,123
City of Ferrysburg	-	79,597
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Total local operating grants	-	394,296
Gain on sale of capital assets	-	26,000
Miscellaneous income	76	227
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Total non-operating revenue	\$ 155,064	\$ 1,125,932
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City of Grand Haven, Michigan Harbor Transit

Expenses by Contract and General Operations

Year ended June 30, 2007

The Harbor Transit does not account for the actual cost of charter service provided. Charter expenses are calculated based on the formula included in the State of Michigan Department of Transportation Local Public Transit Revenue and Expense manual.

City of Grand Haven, Michigan Harbor Transit

Net Eligible Cost Computation of General Operations

<i>Year ended June 30, 2007</i>	July 1, 2006 to September 30, 2006	October 1, 2006 to June 30, 2007	Total
Expenses			
Labor	\$205,671	\$ 635,101	\$ 840,772
Fringe benefits	74,976	183,855	258,831
Professional and contractual services	32,171	128,836	161,007
Fuel and supplies	49,481	107,095	156,576
Utilities	5,444	23,124	28,568
Casualty and liability costs	7,346	22,036	29,382
Depreciation	149,275	447,826	597,101
Other	14,854	32,085	46,939
Total expenses	539,218	1,579,958	2,119,176
Less ineligible expenses			
MPTA dues	-	(109)	(109)
Depreciation	(149,275)	(447,826)	(597,101)
Total ineligible expenses	(149,275)	(447,935)	(597,210)
Net Eligible Expenses	\$389,943	\$ 1,132,023	\$ 1,521,966
Maximum State Operating Assistance	\$152,020	\$ 437,187	\$ 589,207

City of Grand Haven, Michigan Harbor Transit

Property and Equipment

<i>Year ended June 30, 2007</i>	Purchased with Harbor Transit Funds	Purchased with Capital Grants	Total
Land	\$ 9,261	\$ -	\$ 9,261
Building	37,884	1,056,022	1,093,906
Vehicles	-	1,655,579	1,655,579
Dispatch and office equipment	81,872	32,786	114,658
 Total cost	 129,017	 2,744,387	 2,873,404
Less accumulated depreciation	87,985	1,897,307	1,985,292
Net Property and Equipment	\$ 41,032	\$ 847,080	\$ 888,112

City of Grand Haven, Michigan Harbor Transit

Changes in Contributed Capital and Retained Earnings

Year ended June 30, 2007

Due to the adoption of GASB Statement No. 33, assets contributed after July 1, 2000 are no longer recorded as fund equity. Rather, the contributed assets are recorded as capital contribution revenue, thus becoming additional retained earnings. In addition, in accordance with GASB Statement No. 34, contributed capital is no longer reported in the financial statements.

City of Grand Haven, Michigan Harbor Transit

Vehicle Miles and Hours of Service (Unaudited)

Schedule of Mileage Data	
<i>Year ended June 30, 2007</i>	Public Transportation
Demand-response	
First quarter	84,356
Second quarter	71,626
Third quarter	76,446
Fourth quarter	68,847
	301,275

Schedule of Vehicle Hours and Passengers					
<i>Year ended June 30, 2007</i>	Vehicle Hours	Regular Passengers	Senior Passengers	Disabled Passengers	Senior/ Disabled Passengers
Demand-response					
First quarter	6,805	32,189	8,519	8,045	2,983
Second quarter	5,517	19,552	4,798	7,910	2,271
Third quarter	5,759	22,248	4,694	8,650	2,061
Fourth quarter	5,578	22,313	5,540	7,950	2,399
	23,659	96,302	23,551	32,555	9,714

City of Grand Haven, Michigan Harbor Transit

Schedule of Financial Assistance - Federal and State

Federal Grantor/Pass thru Grantor/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Federal Expenditures	State Expenditures
Urban Mass Transportation and Public Transportation for Urban and Non-Urbanized Areas – Passed through the State of Michigan Department of Transportation					
Project #10/01/05-9/30/06	20.507		\$ 268,310	\$ 67,077	\$ -
Project #10/01/06-9/30/07			281,300	210,975	-
Total Urban Mass Transportation and Public Transportation for Urban And Non-Urbanized Areas			549,610	278,052	-
Michigan Department of Transportation					
Operating assistance					
Act 51 9/30/07	N/A		-	-	475,866
Act 51 9/30/06	N/A		-	-	154,988
Total Michigan Department of Transportation			-	-	630,854
Total Financial Assistance – Federal and State			\$ 549,610	\$ 278,052	\$ 630,854