



Interurban Transit Partnership

Single Audit Report Years Ended September 30, 2013 and 2012

Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2013 and 2012

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Interurban Transit Partnership

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Independent Auditor's Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Interurban Transit Partnership (ITP) as of and for the years ended September 30, 2013 and 2012 (as of and for the years ended June 30, 2013 and 2012 for the Pension Trust Funds), and the related notes to the financial statements, which collectively comprise ITP'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 an express 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 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 audits 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Partnership as of September 30, 2013 and 2012 (June 30, 2013 and 2012 for the Pension Trust Funds), and the respective changes in financial position and cash flows thereof for the years 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 management's discussion and analysis on pages 11-15 and the schedules of funding progress on pages 38-39 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 ITP's basic financial statements. The accompanying combining statements and supplemental schedules and the schedule of expenditures of federal awards required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and 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 combining statements and supplemental schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2014 on our consideration of ITP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ITP's internal control over financial reporting and compliance.

BDO USA, LLP

January 9, 2014

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Management's Discussion and Analysis

This section of Interurban Transit Partnership's (ITP) annual financial report presents our discussion and analysis of ITP's financial performance during the fiscal years ended September 30, 2013 and 2012.

Financial Highlights

- The state operating assistance rate for FY13 remained 30.65% as it was for FY12.
- The citizens of the six cities served by The Rapid approved a property tax increase from 1.12 mills to 1.47 mills to fund service enhancements. The first of those enhancements came online during FY12. ITP levied the entire 1.47 mills in FY13.
- ITP continues work on its \$39.8 million bus rapid transit project which has been named the Silver Line. This new service is set to come online in August 2014. Federal and state capital grants were secured to fund this project in its entirety.
- ITP grew its unrestricted net position (fund balance) by approximately \$950,000 for the year ended September 30, 2013.

Overview of the Financial Statements

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and notes to the financial statements, and other supplementary information.

The financial statements provide both long-term and short-term information about ITP's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to public transit authorities on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses and Changes in Net Position. All assets and liabilities associated with the operation of ITP are included in the Statements of Net Position.

The Statements of Net Position report the net position and how it has changed. Net position, the difference between assets and liabilities, is one way to measure the financial health or position of ITP.

Financial Analysis of ITP

Net Position

ITP's total net position increased to \$120.2 million during FY13, an increase of 9.5% from FY12 (see Table A-1) and 27.9% since the end of FY11.

Table A-1
Net Position
(in thousands of dollars)

<i>September 30,</i>	2013	2012	2011
Current assets	\$ 24,068	\$ 20,967	\$ 21,457
Capital assets, net	102,747	93,237	77,906
Total assets	126,815	114,204	99,363
Current liabilities	6,571	4,418	5,377
Net position			
Investment in capital assets	102,747	93,237	77,906
Unrestricted	17,497	16,549	16,080
Total Net Position	\$ 120,244	\$ 109,786	\$ 93,986

The growth in net position in FY13 is largely due to two major ongoing construction projects. The \$39.8 million bus rapid transit line including 37 stations and the \$5.2 million Amtrak passenger terminal. Both of the projects are scheduled for completion during FY14.

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Changes in Net Position

Net position increased by \$10.5 million from September 30, 2012 to September 30, 2013 (see Table A-2).

Table A-2
Change in Net Position
(in thousands of dollars)

<i>Year ended September 30,</i>	2013	2012	2011
Operating revenues			
Passenger fares	\$ 6,631	\$ 6,302	\$ 5,953
Advertising	104	108	155
Total operating revenues	6,735	6,410	6,108
Operating expenses			
Salaries and fringe benefits	22,149	20,876	19,289
Supplies and other operating expenses	19,585	20,745	18,553
Depreciation	8,278	7,623	7,975
Total operating expenses	50,012	49,244	45,817
Operating loss	(43,277)	(42,834)	(39,709)
Non-operating revenues			
State and federal	15,595	16,029	14,840
Property taxes	14,221	13,630	13,054
Other local	6,134	6,025	5,960
Total non-operating revenues	35,950	35,684	33,854
Loss before capital contributions	(7,327)	(7,150)	(5,855)
Capital contributions	17,785	22,950	17,507
Change in net position	10,458	15,800	11,652
Net Position, beginning of year	109,786	93,986	82,334
Net Position, end of year	\$ 120,244	\$ 109,786	\$ 93,986

The end of JARC, a work-related transportation program, during FY12 offset gains in operating expenses for the service improvements that came online midway through FY12. The net effect was for FY13 operating expenses to remain comparable to those of FY12. The Rapid continues to experience good growth in ridership, which is evidenced with the steady climb in fare revenue.

Despite two major construction projects in progress, FY13 saw a decline in capital contributions. The spike in this line item in FY12 was the result of the purchase of 35 new buses.

Table A-3
Operating Expenses Before Depreciation
(in thousands of dollars)

<i>Year ended September 30,</i>	2013	2012	Percentage Change
Labor	\$ 14,350	\$ 13,556	5.9 %
Fringe benefits	7,799	7,320	6.5
Services	2,472	3,371	(27.7)
Materials and supplies consumed	6,501	5,848	11.2
Utilities	608	670	(9.3)
Casualty and liability costs	1,129	1,032	9.4
Purchased transportation	8,312	9,211	(9.8)
Miscellaneous	520	567	(8.3)

FY12 service enhancements which were online for the entire FY13 drove labor, fringes and materials consumed higher. This was offset with a decline in purchased transportation, which was largely due to the end of JARC, a job-related transportation program.

Capital Assets

As of September 30, 2013, ITP had invested nearly \$151 million in capital assets including construction in progress, land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2013 totaled approximately \$103 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$9.5 million or 10.2% over September 30, 2012.

Table A-4
Capital Assets, Net of Depreciation
(in thousands of dollars)

<i>September 30,</i>	2013	2012	Percentage Change
Construction in progress	\$ 13,360	\$ 1,257	962.8 %
Land	8,190	8,075	1.4
Artwork	368	368	-
Easements	132	55	140.0
Land improvements	564	614	(8.1)
Facilities	44,026	45,175	(2.5)
Revenue vehicles	32,661	34,306	(4.8)
Support equipment	2,235	2,558	(12.6)
Information systems and technology	935	673	38.9
Software	276	156	76.9
Total Net Capital Assets	\$ 102,747	\$ 93,237	10.2

The ongoing BRT and Amtrak projects dominate the capital activity during FY13, and are completely responsible for the growth in construction in progress and predominantly responsible for the growth in net capital assets. See Note 3 for additional information on capital assets.

Economic Factors and Next Year's Budget

A significant part of ITP's operating revenues is provided by the State of Michigan. That funding appears to have stabilized for the present, and the FY14 reimbursement rate will be comparable to that of both FY12 and FY13.

Another significant revenue source is ITP's property tax millage. At this time it appears that taxable values in the six-city service area have leveled off and that the worst is in the past.

During FY13, ITP broke ground on its long-awaited, exciting new bus rapid transit line. This approximately \$40 million project will feature express boarding and express service on the system's most vital corridor. The new service will come online in August 2014.

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Basic Financial Statements

Interurban Transit Partnership

Statements of Net Position Enterprise Fund

<i>September 30,</i>	2013	2012
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 11,689,435	\$ 11,087,817
Property taxes receivable, net	1,671,734	1,560,232
Due from federal government	5,378,763	3,092,541
Due from State of Michigan	3,101,965	3,241,993
Billed receivables	1,350,245	1,170,124
Materials and supplies inventories	612,681	593,680
Prepaid expenses and deposits	263,149	220,228
Total Current Assets	24,067,972	20,966,615
Capital Assets (Note 3)		
Facilities	52,990,156	52,656,841
Revenue vehicles	54,153,660	53,562,374
Support equipment	9,782,766	9,750,551
Land and improvements	9,547,763	9,432,688
Information systems, technology and software	10,386,431	9,312,696
Other nondepreciable assets	500,632	423,470
Construction in progress	13,360,574	1,256,507
	150,721,982	136,395,127
Less accumulated depreciation	(47,974,519)	(43,158,232)
Net Capital Assets	102,747,463	93,236,895
Total Assets	126,815,435	114,203,510

Interurban Transit Partnership

Statements of Net Position Enterprise Fund

<i>September 30,</i>	2013	2012
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,023,061	\$ 2,221,881
Employee compensation and related withholdings	1,912,683	1,869,489
Unredeemed fares	77,055	82,369
Deferred revenues	28,394	28,394
Due to State of Michigan	530,179	214,963
<hr/>		
Total Current Liabilities	6,571,372	4,417,096
<hr/>		
Net Position		
Investment in capital assets	102,747,463	93,236,895
Unrestricted	17,496,600	16,549,519
<hr/>		
Total Net Position	\$ 120,244,063	\$ 109,786,414

See accompanying notes to financial statements.

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Interurban Transit Partnership

Statements of Revenues, Expenses and Changes in Net Position Enterprise Fund

<i>Year ended September 30,</i>	2013	2012
Operating Revenues		
Passenger fares	\$ 6,631,093	\$ 6,302,164
Advertising (Note 1)	103,871	108,296
Total operating revenues	6,734,964	6,410,460
Operating Expenses		
Salaries and fringe benefits	22,148,907	20,876,199
Supplies and other operating expenses	19,585,091	20,744,741
Depreciation	8,277,636	7,622,687
Total operating expenses	50,011,634	49,243,627
Operating loss	(43,276,670)	(42,833,167)
Non-operating Revenues		
State and federal	15,594,926	16,028,847
Property taxes	14,220,554	13,629,853
Other local	6,133,946	6,024,849
Total non-operating revenues	35,949,426	35,683,549
Loss before capital contributions	(7,327,244)	(7,149,618)
Capital Contributions	17,784,893	22,950,424
Change in net position	10,457,649	15,800,806
Net Position, beginning of year	109,786,414	93,985,608
Net Position, end of year	\$ 120,244,063	\$ 109,786,414

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2013	2012
Cash From (for) Operating Activities		
Receipts from customers	\$ 6,554,844	\$ 6,366,381
Payments to suppliers	(24,173,771)	(27,895,043)
Payments to employees	(15,458,420)	(14,481,978)
Net cash for operating activities	(33,077,347)	(36,010,640)
Cash From Noncapital Financing Activities		
Federal grants received	1,996,742	4,329,865
State grants received	13,525,809	13,048,452
Local government assistance received	6,041,691	5,881,755
Property taxes	14,316,513	13,979,574
Other income	114,878	132,983
Net cash from noncapital financing activities	35,995,633	37,372,629
Cash From (for) Capital and Related Financing Activities		
Federal contributed capital	12,238,187	18,651,844
State contributed capital	3,122,480	1,526,414
Purchase of capital assets	(17,788,203)	(22,953,309)
Proceeds from sale of capital assets	72,804	58,736
Net cash for capital and related financing activities	(2,354,732)	(2,716,315)
Cash From Investing Activity		
Interest received on investments	38,064	70,694
Net Increase (Decrease) in Cash and Investments	601,618	(1,283,632)
Cash and Investments, beginning of year	11,087,817	12,371,449
Cash and Investments, end of year	\$ 11,689,435	\$ 11,087,817

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2013	2012
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (43,276,670)	\$ (42,833,167)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	8,277,636	7,622,687
Changes in assets and liabilities:		
Increase in billed receivables	(180,121)	(44,079)
Increase in inventories	(19,001)	(60,530)
Decrease (increase) in prepaid expenses and deposits	(42,921)	1,303
Increase (decrease) in accounts payable	1,810,634	(582,335)
Increase in accrued payroll	43,194	188,934
Increase (decrease) in unredeemed fares	(5,314)	4,467
Increase (decrease) in other liabilities	315,216	(307,920)
Net Cash for Operating Activities	\$ (33,077,347)	\$ (36,010,640)

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Fiduciary Net Position

<i>June 30,</i>	Pension Trust Funds	
	2013	2012
Assets		
Cash and short-term investments (Note 2)	\$ 209,434	\$ 189,924
Receivables		
Employer contributions	40,469	37,457
Interest and dividends receivable	2	50
Total receivables	40,471	37,507
Investments, at fair value (Note 2)		
Bond mutual funds	1,966,649	2,999,876
Equity mutual funds	6,949,420	5,268,974
Total investments	8,916,069	8,268,850
Total Assets	9,165,974	8,496,281
Net Position Held in Trust for Pension Benefits	\$ 9,165,974	\$ 8,496,281

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Changes in Fiduciary Net Position

<i>Year ended June 30,</i>	Pension Trust Funds	
	2013	2012
Additions		
Employer contributions	\$ 904,805	\$ 921,317
Investment income:		
Net appreciation (depreciation)	589,427	(256,109)
Interest	152	90,519
Dividends	312,444	149,810
Investment expense	(48,463)	(43,598)
Total investment income	853,560	(59,378)
Total additions	1,758,365	861,939
Deductions		
Benefits	1,056,651	711,842
Administrative expense	32,021	29,596
Total deductions	1,088,672	741,438
Change in net position	669,693	120,501
Net Position Held in Trust for Pension Benefits, beginning of year	8,496,281	8,375,780
Net Position Held in Trust for Pension Benefits, end of year	\$ 9,165,974	\$ 8,496,281

See accompanying notes to financial statements.

Interurban Transit Partnership

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Interurban Transit Partnership (ITP) was created in 2000 pursuant to the provisions of the Public Transit Authority Act of 1986, as amended. The six-member municipalities of East Grand Rapids, Grand Rapids, Grandville, Kentwood, Walker and Wyoming each levy 1.47 mills to fund operations. ITP replaced the Grand Rapids Area Transit Authority.

ITP provides public passenger transportation to the general public in the greater Grand Rapids area. These financial statements include the Enterprise Fund and the Pension Trust Funds of ITP.

Measurement Focus and Basis of Accounting

The Enterprise Fund's and Pension Trust Funds' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Grants are recognized as revenue as soon as all eligibility requirements have been met.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expense generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues are passenger fares. Operating expense include salaries and benefits, supplies and operating expense and depreciation. All revenues not meeting this definition are reported as non-operating revenues.

Cash and Cash Equivalents

ITP considers cash on hand, demand deposits and short-term investments in Kent County's investment pool, and governmental money market funds with local financial institutions with maturities of three months or less when purchased to be cash for the statements of cash flows.

Materials and Supplies Inventories

Materials and supplies inventories are stated at the lower of average cost or market.

Investments

Investments are recorded at fair value based on quoted market prices.

Capital Assets

Property, buildings and equipment are recorded at cost. Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets. Assets having a useful life in excess of three years and whose costs exceed \$1,000 are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Contributions of funds from federal, state or local sources for the purpose of purchasing property, plant and equipment are recorded as contributions when received.

Interurban Transit Partnership

Notes to Financial Statements

Estimated useful lives of the related assets by asset category are as follows:

	Years
Land improvements	10 - 30
Facilities	20 - 40
Revenue vehicles	3 - 12
Support equipment	3 - 10
Information systems, technology and software	3 - 10

Deferred Revenues

Deferred revenues arise when resources are received by ITP before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when ITP has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net position and revenue is recognized.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets is net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through legislation or external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Compensated Absences

Bus operators, maintenance and facility employees are credited 56 hours of personal paid leave each year on their seniority date. An employee who has worked less than 1,680 hours in the prior 12 months shall be credited with a proportionate share of paid personal leave. Paid personal leave may be accrued with no maximum limit. Upon termination, employees are paid for unused personal leave at their current rates.

Property Taxes

Property taxes are levied as an enforceable lien on property as of December 1. ITP's taxes are billed on July 1 and are due without penalty on July 31 for the City of Grand Rapids and September 14 for all other local governments. Real property taxes not collected as of March 1 are turned over to Kent County for collection. The County then advances ITP 100% of the delinquent real property taxes. Collection of the delinquent personal property taxes remains the responsibility of the local communities.

Property taxes are recognized as revenue when levied, with proper allowances made for estimated uncollectible amounts. The Rapid levied 1.47 mills for FY13, as approved by the voters in a prior year.

Advertising

ITP advertising is outsourced. The contracting agency is responsible for any related expenses. ITP records no advertising expenses, and none are included in total eligible operating expenses.

Interurban Transit Partnership

Notes to Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, ITP's deposits might not be recovered. ITP minimizes custodial credit risk by pre-qualifying financial institutions. At September 30, 2013, the bank balances were \$12,040,240 of which \$10,899,086 was uninsured and uncollateralized.

Accounts held by government depositors are insured as follows:

In-state accounts: All time and savings deposits owned by a public unit in an insured depository institution are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit in an insured depository institution are added together and insured up to \$250,000.

Investments

State statutes authorize ITP to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act, and mutual funds composed entirely of the above investments.

At September 30, 2013, ITP's Enterprise Fund had the following investments:

<i>Investment</i>	<i>Maturity</i>	<i>Fair Value</i>
Kent County Investment Pool	Less than 1 year	\$ 2,076,405
Municipal Investment Funds	Less than 1 year	56,773
Total		\$ 2,133,178

At June 30, 2013, ITP's Pension Trust Funds had investments in mutual funds with a value of \$8,916,069 that mature in less than one year.

Interurban Transit Partnership

Notes to Financial Statements

Interest Rate Risk

ITP minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term investments.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, ITP will not be able to recover the value of its investments that are in the possession of an outside party. ITP minimizes custodial credit risk by limiting investments and pre-qualifying financial institutions. ITP had no investments subject to custodial credit risk at September 30, 2013.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ITP's policy to mitigate such risk is by limiting investment choices to that of the highest ratings and direct obligations of the United States or those which are guaranteed by the United States.

At September 30, 2013, ITP's investments had the following credit ratings and exposure:

<i>Investment Type</i>	<i>Rating</i>	<i>Credit Exposure as a Percent of Total Investments</i>
Enterprise Fund		
Kent County Investment Pool	Not rated	97.34%
Municipal Investment Funds	Moody's Aaa	2.66
Pension Trust Funds		
Money market funds	Moody's A-mf	2.30
Bond mutual funds	Not rated	21.55

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Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2013 is as follows:

	Balance October 1, 2012	Additions	Transfers/ Deletions	Balance September 30, 2013
Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 1,256,507	\$ 12,104,067	\$ -	\$ 13,360,574
Land	8,075,321	115,075	-	8,190,396
Artwork	368,470	-	-	368,470
Easements - intangible	55,000	77,162	-	132,162
Capital assets being depreciated:				
Land improvements	1,357,367	-	-	1,357,367
Facilities	52,656,841	333,315	-	52,990,156
Revenue vehicles	53,562,374	3,366,020	2,774,734	54,153,660
Support equipment	9,750,551	696,504	664,289	9,782,766
Information systems and technology	8,481,773	808,778	22,325	9,268,226
Software - intangible	830,923	287,282	-	1,118,205
Total assets	136,395,127	17,788,203	3,461,348	150,721,982
Accumulated depreciation:				
Land improvements	743,534	49,689	-	793,223
Facilities	7,481,406	1,482,942	-	8,964,348
Revenue vehicles	19,256,840	5,011,256	2,774,734	21,493,362
Support equipment	7,192,428	1,019,839	664,289	7,547,978
Information systems and technology	7,809,151	546,416	22,325	8,333,242
Software - intangible	674,873	167,493	-	842,366
Total accumulated depreciation	43,158,232	8,277,635	3,461,348	47,974,519
Net Capital Assets	\$ 93,236,895	\$ 9,510,568	\$ -	\$102,747,463

Cost to complete the construction in progress is \$27.4 million for the BRT and \$3.6 million for the Amtrak relocation project.

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Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2012 is as follows:

	Balance October 1, 2011	Additions	Transfers/ Deletions	Balance September 30, 2012
Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 475,038	\$ 1,256,506	\$ 475,037	\$ 1,256,507
Land	8,067,897	7,424	-	8,075,321
Artwork	368,470	-	-	368,470
Easements	55,000	-	-	55,000
Capital assets being depreciated:				
Land improvements	852,453	504,914	-	1,357,367
Facilities	47,993,251	4,680,470	16,880	52,656,841
Revenue vehicles	41,833,952	15,167,719	3,439,297	53,562,374
Support equipment	8,998,694	1,488,458	736,601	9,750,551
Information systems and technology	8,527,594	241,914	287,735	8,481,773
Software	754,181	80,942	4,200	830,923
Total assets	117,926,530	23,428,347	4,959,750	136,395,127
Accumulated depreciation:				
Land improvements	693,978	49,556	-	743,534
Facilities	6,023,813	1,474,473	16,880	7,481,406
Revenue vehicles	18,294,675	4,401,462	3,439,297	19,256,840
Support equipment	6,933,962	1,012,550	754,084	7,192,428
Information systems and technology	7,523,353	556,051	270,253	7,809,151
Software	550,478	128,595	4,200	674,873
Total accumulated depreciation	40,020,259	7,622,687	4,484,714	43,158,232
Net Capital Assets	\$ 77,906,271	\$ 15,805,660	\$ 475,036	\$ 93,236,895

4. Pension and Retirement Plans

Defined Benefit - Administrative Plan

Plan Description

ITP has a non-contributory defined benefit pension plan for its administrative employees. Administrative employees are eligible to participate when they have attained 21 years of age and completed one full year of service. One full year of service is defined as at least 1,000 hours of service in the 12-consecutive-month period beginning on the employee's hire date. The plan provides for vesting based on years of credited service, ranging from 20% at three years to 100% at five or more years. The pension benefit, payable monthly for life to the retired employee, equals 50% of the employee's average monthly compensation, adjusted for the employee's years of credited service. Full benefits are received if the employee retires at age 65 and is fully vested. This plan is now closed to new participants.

The plan issues a separate financial report which may be obtained by contacting ITP.

Interurban Transit Partnership

Notes to Financial Statements

As of June 30, 2013 and 2012 the plan's membership consisted of:

	2013	2012
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	32	33
Current active members	9	11
Total	41	44

Significant Accounting Policies

Basis of Accounting

The financial statements of the Administrative Plan have been prepared on the accrual basis. The employer contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable, according to the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value based on quoted market prices.

Funding Policy

The Interurban Transit Partnership Pension Plan was established and is being funded under the authority of ITP.

The plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

The plan has no legally required reserves.

Concentrations

No single investment constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$256,351 and \$248,970, and the contribution totaled \$352,603 and \$415,960 for the years ended September 30, 2013 and 2012, respectively.

Interurban Transit Partnership

Notes to Financial Statements

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 287,560	144.6%	-
2012	248,970	167.1	-
2013	256,351	137.5	-

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 59.6% funded. The actuarial accrued liability for benefits was \$4,548,500, and the actuarial value of assets was \$2,709,950, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,838,550.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included (a) 8.0% pre-retirement and 6.0% post-retirement investment rate of return and (b) projected salary increases of 3.0% per year. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level percentage of compensation. The remaining amortization period at July 1, 2013 was 30 years. The covered payroll (annual payroll of active employees covered by the plan) was \$749,557.

Defined Benefit - Non-Administrative Plan

Plan Description

ITP has a non-contributory defined benefit pension plan, Amalgamated Transit Union Pension Plan, for its non-administrative employees (drivers and mechanics). Non-administrative employees are eligible to participate upon completion of 60 days continuous service. Accumulated benefits attributable to ITP contributions are fully vested after five years of service. Termination of employment prior to completion of five years of service results in the forfeiture of the accumulated benefits attributable to ITP contributions. The pension benefit, payable monthly for life to the retired employee, equals a minimum of \$230.45, increased by a function of the employee's years of credited service or \$34 per year of service, whichever is greater.

The plan issues a separate financial report which may be obtained by contacting ITP.

Interurban Transit Partnership

Notes to Financial Statements

As of June 30, the plan's membership consisted of:

	2013	2012
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	153	141
Transferred to non-union	15	16
Active plan members	264	231
Total	432	388

Significant Accounting Policies

Basis of Accounting

The financial statements of the Non-administrative Plan have been prepared on the accrual basis. The employer contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable, according to the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value based on quoted market prices.

Funding Policy

ITP's Amalgamated Transit Union Pension Plan was established and is being funded under the authority of ITP and under agreements with the union representing employees covered by the plan.

The plan's funding policy is that the employer will contribute to the plan based on the current negotiated rate; for July 1, 2012 to June 30, 2013, this rate is \$.95 for each hour of service completed. ITP is required by the terms of the plan to contribute based on the negotiated rate.

The plan has no legally required reserves.

Concentrations

No single investment constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$457,050 and \$446,879, and the contribution totaled \$552,202 and \$505,357 for the years ended September 30, 2013 and 2012, respectively.

Interurban Transit Partnership

Notes to Financial Statements

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 449,569	98.8%	-
2012	446,879	113.1	-
2013	457,070	120.8	-

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 75.8% funded. The actuarial accrued liability for benefits was \$8,977,259, and the actuarial value of assets was \$6,808,193, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,169,066.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return. The actuarial value of assets was determined using the average of expected assets and market value of assets, but not less than 80%, nor more than 120% of market value. The UAAL is being amortized using the level dollar open method. The remaining amortization period at July 1, 2013 was 30 years.

Defined Contribution - Administrative Plan

ITP has a non-contributory defined contribution benefit plan for its administrative employees. The plan was established July 1, 2000. Administrative employees are eligible to participate on the first day of the month following completion of six months of service, provided that the employee has at least 500 hours of service. The plan provides 100% vesting after five years of service. The contribution is made monthly at 7.5% of compensation paid during the month. ITP made contributions of \$199,265 and \$203,348 for the plan years ended June 30, 2013 and 2012, respectively.

5. Risk Management

ITP is exposed to various risks of loss related to torts, theft of and damage to assets, errors and omissions, injuries to employees and natural disasters. ITP carries commercial insurance for most risks of loss, including employee life, health and accident insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. ITP participated in a public entity risk pool for property and liability coverage through November 30, 2009. ITP paid an annual premium to the pool, which is adjusted retroactively to reflect the actual cost. Each member is responsible for all losses falling within its selected retention level, plus its share of pool losses and administrative expenses, less its share of investment income. The agreement for

Interurban Transit Partnership

Notes to Financial Statements

formation of the Michigan Transit Pool (Pool) provides that the Pool will be self-sustaining through member premiums and will provide property and liability coverage to its members for the first \$2,000,000 per occurrence. The Pool has purchased excess insurance for an additional \$3,000,000 per occurrence. In addition, ITP carried excess insurance for an additional \$5,000,000 per occurrence. The Pool publishes its own financial report which can be obtained from the Pool. ITP's participation in the Pool ended as of December 1, 2009 except with regard to known and unknown covered events occurring prior to December 1, 2009. ITP currently purchases commercial insurance for property and liability with coverage of \$5,000,000 per occurrence with a \$75,000 deductible. ITP carries catastrophic insurance to cover direct damage to property.

6. Description of Grant Funding

The following is a description of ITP's major grant funding:

Operations

ITP's general operations are funded as follows:

The Michigan Department of Transportation (MDOT) authorized funding for fiscal years 2013 and 2012 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$19,181,091 and \$18,323,657 in 2013 and 2012, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 30.65% totaled \$11,758,009 and \$11,232,402 in 2013 and 2012, respectively.

Capital Acquisitions

Funds used to purchase property, buildings and equipment were advanced to ITP pursuant to grants provided by agencies of the state and federal governments. Funding is generally provided by the Federal Transit Authority (FTA) (80%) and by MDOT. Pursuant to the terms of those grants and applicable state and federal law, ITP is required to remit to the state and federal governments substantially all of the amounts it may receive as a result of the sale or other disposal of the property which has been purchased with monies provided by state and federal grants.

Required Supplementary Information

Interurban Transit Partnership

Schedules of Funding Progress

Administrative Plan

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2008	\$ 2,911,069	\$ 4,510,260	\$ 1,599,191	64.54%
July 1, 2009	1,899,000	4,264,247	2,365,247	44.53
July 1, 2010	2,092,892	4,307,750	2,214,858	48.58
July 1, 2011	2,785,626	4,573,244	1,787,618	60.91
July 1, 2012	2,798,356	4,699,325	1,900,969	59.55
July 1, 2013	2,709,950	4,548,500	1,838,550	59.58

The information presented in the three-year trend information and schedule of funding progress was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of compensation
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Retirement age	Age 65
Investment rate of return	8% - pre-retirement 6% - post-retirement
Mortality table:	
Pre-retirement	None
Post-retirement	IRC Sec.417(e)(3) Applicable 2010 Mortality Table (Rev. Rul.2007-67)
Turnover rates	None
Salary scale	3%
Cost of living adjustments	None

Interurban Transit Partnership

Schedules of Funding Progress

Non-Administrative Plan

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2008	\$ 4,634,693	\$ 5,908,196	\$ 1,273,503	78.45%
July 1, 2009	4,778,864	6,679,489	1,900,625	71.55
July 1, 2010	5,121,284	7,119,898	1,998,614	71.93
July 1, 2011	5,621,032	7,645,248	2,024,216	73.52
July 1, 2012	6,081,674	8,258,189	2,176,515	73.64
July 1, 2013	6,808,193	8,977,259	2,169,066	75.84

The information presented in the three-year trend information and schedule of funding progress was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Average of expected assets and market value of assets, but not less than 80%, nor more than 120% of market value
Actuarial assumptions:	
Retirement age	50% are assumed to retire at age 62 if eligible and all remaining at age 65
Investment rate of return	8%
Mortality table	2012 430(h) Mortality (non-annuitant and annuitant tables); ages set forward three years
Turnover rates	Crocker-Sarason-Straight T-5
Cost of living adjustments	None

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Combining Statements and Supplemental Schedules

Interurban Transit Partnership
Combining Statement of Plan Net Position
Pension Trust Funds

<i>June 30, 2013</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 102,207	\$ 107,227	\$ 209,434
Receivables			
Employer contributions	-	40,469	40,469
Interest and dividends receivable	1	1	2
Total receivables	1	40,470	40,471
Investments, at fair value			
Bond mutual funds	578,026	1,388,623	1,966,649
Equity mutual funds	2,029,716	4,919,704	6,949,420
Total investments	2,607,742	6,308,327	8,916,069
Total Assets	2,709,950	6,456,024	9,165,974
Net Position Held in Trust for Pension Benefits	\$ 2,709,950	\$ 6,456,024	\$ 9,165,974

Interurban Transit Partnership
Combining Statement of Changes in Plan Net Position
Pension Trust Funds

<i>Year ended June 30, 2013</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 352,603	\$ 552,202	\$ 904,805
Investment income:			
Net appreciation	178,676	410,751	589,427
Interest	85	67	152
Dividends	100,194	212,250	312,444
Investment expense	(17,064)	(31,399)	(48,463)
Total investment income	261,891	591,669	853,560
Total additions	614,494	1,143,871	1,758,365
Deductions			
Benefits	690,012	366,639	1,056,651
Administrative expense	12,888	19,133	32,021
Total deductions	702,900	385,772	1,088,672
Change in net position	(88,406)	758,099	669,693
Net Position Held in Trust for Pension Benefits, beginning of year	2,798,356	5,697,925	8,496,281
Net Position Held in Trust for Pension Benefits, end of year	\$ 2,709,950	\$ 6,456,024	\$ 9,165,974

Interurban Transit Partnership
Schedule of Non-operating Revenues - Local

Year ended September 30, 2013

Local Revenue	
Property taxes	\$ 14,220,554
Grand Valley State University	2,633,566
Network 180	1,547,929
DASH - City of Grand Rapids	1,026,467
Grand Rapids Community College	144,483
Van pool	188,135
Alpine Township	93,193
Byron Township	61,393
Cascade Township	27,614
Gaines Township	47,073
Ferris State University	54,846
Other local services	83,501
<hr/>	
Total local revenue	20,128,754
<hr/>	
Other Income	
Gain on sale of property	72,804
Retail lease	47,476
Interest income	38,064
Miscellaneous	67,402
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Total other income	225,746
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Total Non-operating Revenues - Local	\$ 20,354,500
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Interurban Transit Partnership

Schedule of Non-operating Revenues - State and Federal

Year ended September 30, 2013

State of Michigan Grants	
General operating assistance	\$ 12,252,398
Capital assistance	274,714
Planning and miscellaneous project assistance	25,171
Specialized services	463,125
<hr/>	
Total State of Michigan grants	13,015,408
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Federal Government Grants	
Capital assistance	2,239,539
Planning and miscellaneous project assistance	339,979
<hr/>	
Total federal government grants	2,579,518
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Total Non-operating Revenues - State and Federal	\$ 15,594,926
<hr/>	

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<i>Year ended September 30, 2013</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 9,864,788	\$ -
Other salaries and wages	999,507	1,716,009
Dispatchers' salaries and wages	100,279	-
Total labor	10,964,574	1,716,009
Fringe Benefits		
Pension	719,897	131,889
Other fringe benefits	5,075,990	810,462
Total fringe benefits	5,795,887	942,351
Services		
Audit fees	-	-
Other services	447,076	776,904
Total services	447,076	776,904
Materials and Supplies Consumed		
Fuel and lubricants	4,686,381	-
Tires and tubes	-	21,002
Other materials and supplies	10,356	1,266,212
Total materials and supplies consumed	4,696,737	1,287,214
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	879,215	-
Other insurance	-	-
Total casualty and liability costs	879,215	-

Interurban Transit Partnership
Schedule of Operating Expenses by Function

Operations			
Administration	Total	Grants	Total System
\$ -	\$ 9,864,788	\$ -	\$ 9,864,788
1,580,207	4,295,723	89,046	4,384,769
-	100,279	-	100,279
1,580,207	14,260,790	89,046	14,349,836
294,520	1,146,306	-	1,146,306
718,189	6,604,641	48,124	6,652,765
1,012,709	7,750,947	48,124	7,799,071
38,100	38,100	-	38,100
581,682	1,805,662	627,950	2,433,612
619,782	1,843,762	627,950	2,471,712
-	4,686,381	-	4,686,381
-	21,002	230,518	251,520
110,545	1,387,113	175,709	1,562,822
110,545	6,094,496	406,227	6,500,723
607,544	607,544	-	607,544
-	879,215	-	879,215
249,782	249,782	-	249,782
249,782	1,128,997	-	1,128,997

Interurban Transit Partnership
Schedule of Operating Expenses by Function

	General	
<i>Year ended September 30, 2013</i>	Operations	Maintenance
Purchased Transportation	\$ 7,129,053	\$ -
Miscellaneous		
Travel and meetings	17,021	6,919
Advertising/promotion media	-	-
Other miscellaneous	1,130	37,993
Total miscellaneous	18,151	44,912
Leases and Rentals	-	-
Depreciation	-	-
Preventive Maintenance	-	(804,000)
Total Expenses	\$ 29,930,693	\$ 3,963,390

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<u>Operations</u>			
<u>Administration</u>	<u>Total</u>	<u>Grants</u>	<u>Total System</u>
\$ -	\$ 7,129,053	\$ 1,182,637	\$ 8,311,690
34,320	58,260	51,500	109,760
178,122	178,122	60,131	238,253
104,279	143,402	28,610	172,012
316,721	379,784	140,241	520,025
-	-	44,400	44,400
8,277,636	8,277,636	-	8,277,636
-	(804,000)	804,000	-
\$ 12,774,926	\$ 46,669,009	\$ 3,342,625	\$ 50,011,634

Interurban Transit Partnership

Schedule of Expenses by Grant

			440 MI-90-X-548 001 07-0230-Z8 General FY08 Section 5307
<i>Year ended September 30, 2013</i>	Total	Operations	
Expenses			
Labor	\$ 14,349,836	\$ 14,260,790	\$ -
Fringe benefits	7,799,071	7,750,947	-
Services	2,471,712	1,843,762	38,132
Materials and supplies consumed	6,500,723	6,094,496	43,978
Utilities	607,544	607,544	-
Casualty and liability costs	1,128,997	1,128,997	-
Purchased transportation	8,311,690	7,129,053	-
Miscellaneous	520,025	379,784	-
Leases and rentals	44,400	-	-
Preventive maintenance	-	(804,000)	-
Depreciation	8,277,636	8,277,636	-
Total Expenses	\$ 50,011,634	\$ 46,669,009	\$ 82,110

Interurban Transit Partnership charges only direct costs to its grant projects. Therefore, ITP has no Bureau of Passenger Transportation approved cost allocation plan. As there are no indirect costs allocated to programs such as specialized services there was no review of the methodology for capturing nonfinancial information for such programs.

Interurban Transit Partnership

Schedule of Expenses by Grant

450 MI-90-X580 07-0230-Z16 FY09 Section 5307	480 MI-90-X608 07-0230-Z23 FY10 Section 5307	490 MI-90-X626 07-0230-Z28-01 FY11 Section 5307	500 MI-90-X626 07-0230-Z28-01 FY12 Section 5307	510 MI-90-X658 12-0104-P7 FY13 Section 5307
\$ -	\$ -	\$ 6,078	\$ 48,921	\$ -
-	-	4,328	25,689	-
15,045	91,497	140,785	71,329	-
60,884	4,577	92,311	161,879	42,598
-	-	-	-	-
-	-	-	668,352	31,648
727	38,032	31,498	1,052	5,243
-	-	17,542	26,858	-
-	804,000	-	-	-
-	-	-	-	-
\$ 76,656	\$ 938,106	\$ 292,542	\$ 1,004,080	\$ 79,489

Interurban Transit Partnership

Schedule of Expenses by Grant

	768 MI-95-X039 07-0230-Z15 FY09 Section 5307	769 MI-95-X050 07-230-Z24 FY10 Section 5307	770 MI-95-X064 07-0230-Z27 FY 11 Section 5307
<i>Year ended September 30, 2013</i>			
Expenses			
Labor	\$ 2,403	\$ (314)	\$ 31,958
Fringe benefits	1,416	79	16,612
Services	-	-	3,879
Materials and supplies consumed	-	-	-
Utilities	-	-	-
Casualty and liability costs	-	-	-
Purchased transportation	-	-	19,512
Miscellaneous	3,294	31,726	27,169
Leases and rentals	-	-	-
Preventive maintenance	-	-	-
Depreciation	-	-	-
Total Expenses	\$ 7,113	\$ 31,491	\$ 99,130

Interurban Transit Partnership

Schedule of Expenses by Grant

789 12-0104-P5 Specialized Services	865 MI-03-X239 07-0230-Z18 FY09 Section 5309	866 MI-90-X003 07-0230-Z21	868 MI-39-0003 07-0230-Z21 FY 10 Section 5339	869 MI-90-X003 07-0230-Z21
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	1,981	50,477	212,925	1,900
-	-	-	-	-
-	-	-	-	-
463,125	-	-	-	-
-	-	-	-	1,500
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ 463,125	\$ 1,981	\$ 50,477	\$ 212,925	\$ 3,400

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2013</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 9,864,788	\$ -	\$ -	\$ 9,864,788
Other salaries and wages	999,507	1,716,009	1,580,207	4,295,723
Dispatchers' salaries and wages	100,279	-	-	100,279
Total labor	10,964,574	1,716,009	1,580,207	14,260,790
Fringe Benefits				
Pension	719,897	131,889	294,520	1,146,306
Other fringe benefits	5,075,990	810,462	718,189	6,604,641
Total fringe benefits	5,795,887	942,351	1,012,709	7,750,947
Services				
Audit fees	-	-	38,100	38,100
Other services	447,076	776,904	581,682	1,805,662
Total services	447,076	776,904	619,782	1,843,762
Materials and Supplies Consumed				
Fuel and lubricants	4,686,381	-	-	4,686,381
Tires and tubes	-	21,002	-	21,002
Other materials and supplies	10,356	1,266,212	110,545	1,387,113
Total materials and supplies consumed	4,696,737	1,287,214	110,545	6,094,496
Utilities				
Other	-	-	607,544	607,544
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	879,215	-	-	879,215
Other insurance	-	-	249,782	249,782
Total casualty and liability costs	879,215	-	249,782	1,128,997
Purchased Transportation	7,129,053	-	-	7,129,053
Miscellaneous				
Travel and meetings	17,021	6,919	34,320	58,260
Advertising/promotion media	-	-	178,122	178,122
Other miscellaneous	1,130	37,993	104,279	143,402
Total miscellaneous	18,151	44,912	316,721	379,784
Depreciation	-	-	8,277,636	8,277,636
Preventive Maintenance	-	(804,000)	-	(804,000)
Total Expenses	\$ 29,930,693	\$ 3,963,390	\$ 12,774,926	\$ 46,669,009

Interurban Transit Partnership
Schedule of Regular Service Revenues - Urban

Year ended September 30, 2013

Operating Revenues	
Passenger fares	\$ 6,631,093
Advertising	103,871
<hr/>	
Total operating revenues	6,734,964
<hr/>	
Non-operating Revenues	
State and federal assistance	15,594,926
<hr/>	
Local Revenue	
Property taxes	14,220,554
Grand Valley State University	2,633,566
Network 180	1,547,929
DASH - City of Grand Rapids	1,026,467
Grand Rapids Community College	144,483
Van pool	188,135
Alpine Township	93,193
Byron Township	61,393
Cascade Township	27,614
Gaines Township	47,073
Ferris State University	54,846
Other local services	83,501
<hr/>	
Total local revenue	20,128,754
<hr/>	
Other Income	
Gain on sale of property	72,804
Retail lease	47,476
Interest income	38,064
Miscellaneous	67,402
<hr/>	
Total other income	225,746
<hr/>	
Total Revenues	\$ 42,684,390
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Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2013</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	379,535	29,913	13,385	422,833
Revenue hours - linehaul	364,578	29,005	12,863	406,446
Total vehicle hours - demand response	177,014	11,582	9,766	198,362
Revenue hours - demand response	146,972	10,071	8,391	165,434
Total vehicle miles - linehaul	4,755,561	383,707	156,641	5,295,909
Revenue miles - linehaul	4,509,254	367,514	146,886	5,023,654
Total vehicle miles - demand response	2,339,900	132,761	116,128	2,588,789
Revenue miles - demand response	1,944,119	115,367	99,551	2,159,037

As there are no indirect costs allocated to programs such as specialized services there was no review of the methodology for capturing nonfinancial information for such programs.

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Interurban Transit Partnership

Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2013</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$ 46,669,009	\$ -	\$ 46,669,009
Less Ineligible Expenses			
Depreciation expense	8,277,636	-	8,277,636
APTA and MPTA dues	7,197	-	7,197
Other (lobbying fees)	21,994	-	21,994
	8,306,827	-	8,306,827
Eligible Operating Expenses	\$ 38,362,182	\$ -	\$ 38,362,182
Maximum State Operating Assistance (50/60%)	\$ 19,181,091	\$ -	\$ 19,181,091
State Operating Assistance Accrual (30.65%)	\$ 11,758,009	\$ -	\$ 11,758,009

Note: There are no capital (grant-funded) expenditures included in eligible operating expenses. ITP has deducted all known ineligible expenses in completing this calculation of state operating assistance. Any refunds or rebates are deducted from the appropriate expense item when received. Any expenses related to miscellaneous revenue were netted against said revenue. Advertising revenue comes to ITP on a contractual basis net of any related expenses. No expenses relative to advertising revenue are incurred or recorded by ITP. Expenses such as utilities related to leased space at ITP's Rapid Central Station are the obligation of the lessee and are not included in ITP's expenses. ITP had no "other" post employment benefits. No such expense was accrued or paid during FY13 and, therefore, there are no applicable issues regarding calculation of eligible operating expenses or the related assistance from the State of Michigan. ITP did not apply for non-urban assistance for FY13.

Interurban Transit Partnership
Schedule of Expenditures of Federal Awards

<i>Year ended September 30, 2013</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
Federal Grantor/Program Title			
Federal Transit Authority			
Direct Programs:			
FTA Capital Assistance	20.507	MI-90-X025	425
FTA Capital Assistance	20.507	MI-90-X548	440
FTA Capital Assistance	20.507	MI-90-X580	450
FTA Capital Assistance	20.507	MI-90-X608	480
FTA Capital Assistance	20.507	MI-90-X626	490
FTA Capital Assistance	20.507	MI-90-X626	500
FTA Capital Assistance	20.507	MI-90-X658	510
FTA Capital Assistance	20.507	MI-90-X039	768
FTA Capital Assistance	20.507	MI-95-X050	769
FTA Capital Assistance	20.507	MI-95-X064	770
Total Capital and Planning Assistance - Section 5307			
FTA Capital Assistance	20.500	MI-03-0239	865
FTA Capital Assistance	20.500	MI-04-0060	867
FTA Capital Assistance	20.500	MI-04-0081	868
Total Capital Assistance - Section 5309			
FTA Metropolitan Planning	20.522	MI-39-0003	866
FTA Metropolitan Planning	20.522	MI-39-0003	869
Total FTA Metropolitan Planning			
FTA Capital Assistance - Section 5339	20.526	MI-34-0002	842
Passed through the State of Michigan:			
Rail Line Relocation and Improvement	20.320	N/A	854
U.S. Department of HUD			
Passed through Kent County, Michigan:			
Community Development Block Grant	14.218	N/A	1
Total Federal Financial Assistance			

Interurban Transit Partnership
Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/12	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/13
\$ 7,391	\$ 7,391	\$ -	\$ -
657,673	1,165,578	542,947	35,042
53,877	237,904	184,784	757
505,965	1,110,530	1,145,580	541,015
-	1,119,841	1,119,841	-
1,032,278	1,281,588	1,006,349	757,039
-	2,521,877	2,828,655	306,778
143	-	7,113	7,256
70,452	119,773	51,367	2,046
4,294	159,529	284,823	129,588
<u>2,332,073</u>	<u>7,724,011</u>	<u>7,171,459</u>	<u>1,779,521</u>
1,615	1,905	2,376,544	2,376,254
213,215	213,215	-	-
540,604	6,357,694	6,387,752	570,662
<u>755,434</u>	<u>6,572,814</u>	<u>8,764,296</u>	<u>2,946,916</u>
-	3,212	50,477	47,265
-	-	3,400	3,400
<u>-</u>	<u>3,212</u>	<u>53,877</u>	<u>50,665</u>
-	-	38,639	38,639
<u>51,681</u>	<u>86,716</u>	<u>593,024</u>	<u>557,989</u>
1,428	14,266	12,838	-
<u>\$ 3,140,616</u>	<u>\$ 14,401,019</u>	<u>\$ 16,634,133</u>	<u>\$ 5,373,730</u>

Interurban Transit Partnership
Schedule of Expenditures of State Awards

<i>Year ended September 30, 2013</i>	State Grantor Number	Grantee Number
Program		
Section 5307	2007-0230-Z8	440
Section 5307	2007-0230-Z16	450
Section 5307	2007-0230-Z23	480
Section 5307	2007-0230-Z28-01	490
Section 5307	2007-0230-Z28-01	500
Section 5307	12-0104-P7	510
Section 5307	2007-0230-Z15	768
Section 5307	2007-0230-Z24	769
Section 5307	2007-0230-Z27	770
Specialized Services	2012-0104	788
Specialized Services	2012-0104	789
Section 5309	2012-0104-P10	842
Section 5309	2007-0230-Z18	865
Section 5309	2007-0230-Z25	867
Section 5309	2012-0104	868
Total State Assistance		

Interurban Transit Partnership
Schedule of Expenditures of State Awards

Accrued (Deferred) Revenue 10/1/12	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/13
\$ 14,258	\$ 50	\$ (14,208)	\$ -
27,897	4,112	(23,785)	-
(2,310)	-	-	(2,310)
805,048	935,905	279,960	149,103
1,470,036	1,650,508	251,587	71,115
-	-	707,164	707,164
14,864	14,864	-	-
(3)	-	4,969	4,966
153,540	156,272	71,206	68,474
124,079	124,079	-	-
-	343,012	463,125	120,113
-	-	9,660	9,660
1,459	1,532	594,136	594,063
98,481	98,481	-	-
135,151	690,780	1,596,938	1,041,309
\$ 2,842,500	\$ 4,019,595	\$ 3,940,752	\$ 2,763,657

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Independent Auditor's 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*

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited 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, the financial statements of Interurban Transit Partnership (ITP) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise ITP's basic financial statements and have issued our report thereon dated January 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ITP'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ITP's internal control. Accordingly, we do not express an opinion on the effectiveness of ITP'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether ITP's basic 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 ITP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ITP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

January 9, 2014

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of Interurban Transit Partnership (ITP) with the types of compliance requirements described in the OMB's *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ITP's major federal programs for the year ended September 30, 2013. ITP'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 laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ITP'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 ITP'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 ITP's compliance.

Opinion on Each Major Federal Program

In our opinion, Interurban Transit Partnership 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, 2013.

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Report on Internal Control Over Compliance

Management of ITP 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 ITP'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 OMB Circular A-133, 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 ITP'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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

January 9, 2014

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of <i>OMB Circular A-133</i> ?	no
Identification of major programs:	

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
20.500 and 20.507	Federal Transit Cluster
20.320	Rail Line Relocation and Improvement

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 499,024
Auditee qualified as low-risk auditee?	yes

Section II - Findings Related to the Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.

Section IV - Prior Year Findings

There were no findings related to the financial statements or federal programs reported in the Schedule of Findings and Questioned Costs for the year ended September 30, 2012.

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