



Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2014 and 2013

Interurban Transit Partnership

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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, 2014 and 2013 (as of and for the years ended June 30, 2014 and 2013 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 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 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 ITP'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 ITP'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, 2014 and 2013 (June 30, 2014 and 2013 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.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2014, ITP implemented Governmental Accounting Standards Board Statement No. 65., *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

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 supplementary information 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.

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The combining statements and supplementary information 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 supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2015 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

April 8, 2015

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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, 2014 and 2013.

Financial Highlights

- The state operating assistance rate for FY14 was 31.01% up from 30.65 in FY 13.
- ITP levied the entire 1.47 mills in FY14 as approved by the taxpayers.
- ITP completed work on its \$39.8 million bus rapid transit project which has been named the Silver Line. This new service came online in August 2014. Federal and state capital grants were secured to fund this project in its entirety.

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, liabilities and deferred inflows of resources 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, liabilities and deferred inflows of resources, 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 \$117.9 million during FY14, an increase of 11.3% from FY13 (see Table A-1) and 23.0% since the end of FY12.

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

<i>September 30,</i>	2014	2013	2012
Current assets	\$ 24,632	\$ 24,068	\$ 20,967
Capital assets, net	114,690	102,747	93,237
Total assets	139,322	126,815	114,204
Current liabilities	7,078	6,571	4,418
Deferred inflows of resources	14,278	14,220	13,886
Net position			
Investment in capital assets	114,690	102,747	93,237
Unrestricted	3,276	3,277	2,663
Total Net Position	\$ 117,966	\$ 106,024	\$ 95,900

The growth in net position in FY14 is largely due to two major ongoing construction projects: the \$39.8 million bus rapid transit line including 34 stations, and the \$5.2 million Amtrak passenger terminal.

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Changes in Net Position

Net position increased by \$11.9 million from September 30, 2013 to September 30, 2014 (see Table A-2).

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

<i>Year ended September 30,</i>	2014	2013	2012
Operating revenues			
Passenger fares	\$ 6,791	\$ 6,631	\$ 6,302
Advertising	128	104	108
Total operating revenues	6,919	6,735	6,410
Operating expenses			
Salaries and fringe benefits	23,491	22,149	20,876
Supplies and other operating expenses	25,916	19,585	20,745
Depreciation	9,309	8,278	7,623
Total operating expenses	58,716	50,012	49,244
Operating loss	(51,797)	(43,277)	(42,834)
Non-operating revenues			
State and federal	21,923	15,595	16,029
Property taxes	14,293	13,887	13,630
Other local	6,272	6,134	6,025
Total non-operating revenues	42,488	35,616	35,684
Loss before capital contributions	(9,309)	(7,661)	(7,150)
Capital contributions	21,251	17,785	22,950
Change in net position	11,942	10,124	15,800
Net Position, beginning of year	106,024	95,900	80,100
Net Position, end of year	\$ 117,966	\$ 106,024	\$ 95,900

Construction of the BRT project known as the Silver Line, along with construction of a new train depot for Amtrak services drove increases across the board in FY14.

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

<i>Year ended September 30,</i>	2014	2013	Percentage Change
Labor	\$ 15,081	\$ 14,350	5.1 %
Fringe benefits	8,410	7,799	7.8
Services	2,683	2,472	8.5
Materials and supplies consumed	11,690	6,501	79.8
Utilities	742	608	22.0
Casualty and liability costs	1,174	1,129	4.0
Purchased transportation	8,746	8,312	5.2
Miscellaneous	837	520	61.0

Construction of, hiring and training for and implantation of the new Silver Line BRT was the driving force behind increases in wages, fringes and consumption for FY14.

Capital Assets

As of September 30, 2014, ITP had invested nearly \$172 million in capital assets including land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2014 totaled approximately \$115 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$11.943 million or 11.6% over September 30, 2013.

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

<i>September 30,</i>	2014	2013	Percentage Change
Construction in progress	\$ -	\$ 13,360	100.0 %
Land	8,571	8,190	4.7
Artwork	368	368	-
Easements	55	132	(58.3)
Land improvements	4,066	564	620.9
Facilities	59,391	44,026	34.9
Revenue vehicles	34,087	32,661	4.4
Support equipment	2,331	2,235	4.3
Information systems and technology	4,478	935	378.9
Software	1,343	276	386.6
Total Net Capital Assets	\$ 114,690	\$ 102,747	11.6

The ongoing BRT and Amtrak projects dominate the capital activity during FY14. See Note 3 for additional information on capital assets.

Economic Factors and Next Year's Budget

A state-wide ballot proposal is going forward May 5, 2015 that, if successful, has the potential for increasing our state operating assistance significantly. This ballot proposal asks for increases in tax rates from a variety of sources. Its success is difficult to predict, and it is unknown precisely how the funds are to be allocated if it does succeed.

GASB Statement No. 68 becomes effective for our FY ending September 30, 2015. With this, The Rapid will be recognizing an expense equal to the outstanding pension obligation as valued June 30, 2015. This is a significant change to The Rapid's financial position. If this change had occurred for the FY ended September 30, 2014, The Rapid would have finished the year in a deficit unrestricted net position if no action was taken to remedy the situation.

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Basic Financial Statements

Interurban Transit Partnership

Statements of Net Position Enterprise Fund

<i>September 30,</i>	2014	2013
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 12,744,240	\$ 11,689,435
Property taxes receivable, net	1,661,342	1,671,734
Due from federal government	6,374,763	5,378,763
Due from State of Michigan	1,381,750	3,101,965
Billed receivables	1,550,163	1,350,245
Materials and supplies inventories	646,616	612,681
Prepaid expenses and deposits	273,651	263,149
Total Current Assets	24,632,525	24,067,972
Capital Assets (Note 3)		
Facilities	70,711,630	52,990,156
Revenue vehicles	60,832,808	54,153,660
Support equipment	10,744,899	9,782,766
Land and improvements	13,581,892	9,547,763
Information systems, technology and software	15,394,596	10,386,431
Other nondepreciable assets	423,470	500,632
Construction in progress	-	13,360,574
	171,689,295	150,721,982
Less accumulated depreciation	(56,999,437)	(47,974,519)
Net Capital Assets	114,689,858	102,747,463
Total Assets	139,322,383	126,815,435

Interurban Transit Partnership

Statements of Net Position Enterprise Fund

<i>September 30,</i>	2014	2013
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,291,550	\$ 4,023,061
Employee compensation and related withholdings	2,148,597	1,912,683
Unredeemed fares	72,548	77,055
Unearned revenues	26,080	28,394
Due to State of Michigan	539,192	530,179
Total Current Liabilities	7,077,967	6,571,372
Deferred Inflows of Resources		
Property taxes received or receivable before the levy date	14,278,508	14,220,554
Net Position		
Investment in capital assets	114,689,858	102,747,463
Unrestricted	3,276,050	3,276,046
Total Net Position, as restated (Note 7)	\$ 117,965,908	\$ 106,023,509

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>	2014	2013
Operating Revenues		
Passenger fares	\$ 6,790,747	\$ 6,631,093
Advertising (Note 1)	127,777	103,871
Total operating revenues	6,918,524	6,734,964
Operating Expenses		
Salaries and fringe benefits	23,490,708	22,148,907
Supplies and other operating expenses	25,915,754	19,585,091
Depreciation	9,309,404	8,277,636
Total operating expenses	58,715,866	50,011,634
Operating loss	(51,797,342)	(43,276,670)
Non-operating Revenues		
State and federal	21,923,370	15,594,926
Property taxes (Note 7)	14,292,763	13,886,672
Other local	6,271,807	6,133,946
Total non-operating revenues	42,487,940	35,615,544
Loss before capital contributions	(9,309,402)	(7,661,126)
Capital Contributions	21,251,801	17,784,893
Change in net position	11,942,399	10,123,767
Net Position, beginning of year, as restated (Note 7)	106,023,509	95,899,742
Net Position, end of year, as restated (Note 7)	\$ 117,965,908	\$ 106,023,509

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2014	2013
Cash From (for) Operating Activities		
Receipts from customers	\$ 6,744,597	\$ 6,554,844
Payments to suppliers	(32,809,014)	(24,173,771)
Payments to employees	(16,132,976)	(15,458,420)
Net cash for operating activities	(42,197,393)	(33,077,347)
Cash From Noncapital Financing Activities		
Federal grants received	6,288,588	1,996,742
State grants received	14,719,007	13,525,809
Local government assistance received	6,691,719	6,041,691
Property taxes	14,442,540	14,316,513
Other income	106,019	114,878
Net cash from noncapital financing activities	42,247,873	35,995,633
Cash From (for) Capital and Related Financing Activities		
Federal contributed capital	17,547,538	12,238,187
State contributed capital	5,438,121	3,122,480
Purchase of capital assets	(22,078,723)	(17,788,203)
Proceeds from sale of capital assets	40,210	72,804
Net cash from (for) capital and related financing activities	947,146	(2,354,732)
Cash From Investing Activity		
Interest received on investments	57,179	38,064
Net Increase in Cash and Investments	1,054,805	601,618
Cash and Investments, beginning of year	11,689,435	11,087,817
Cash and Investments, end of year	\$ 12,744,240	\$ 11,689,435

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2014	2013
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (51,797,342)	\$ (43,276,670)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	9,309,404	8,277,636
Changes in assets and liabilities:		
Increase in billed receivables	(173,927)	(180,121)
Increase in inventories	(33,935)	(19,001)
Increase in prepaid expenses and deposits	(10,502)	(42,921)
Increase in accounts payable	268,489	1,810,634
Increase in accrued payroll	235,914	43,194
Decrease in unredeemed fares	(4,507)	(5,314)
Increase in other liabilities	9,013	315,216
Net Cash for Operating Activities	\$ (42,197,393)	\$ (33,077,347)

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Fiduciary Net Position

<i>June 30,</i>	Pension Trust Funds	
	2014	2013
Assets		
Cash and short-term investments (Note 2)	\$ 528,538	\$ 209,434
Receivables		
Employer contributions	43,456	40,469
Interest and dividends receivable	3	2
Total receivables	43,459	40,471
Investments, at fair value (Note 2)		
Bond mutual funds	2,269,838	1,966,649
Equity mutual funds	7,171,394	6,949,420
Real estate fund	579,264	-
Total investments, at fair value	10,020,496	8,916,069
Total Assets	10,592,493	9,165,974
Net Position Held in Trust for Pension Benefits	\$ 10,592,493	\$ 9,165,974

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	
	2014	2013
Additions		
Employer contributions	\$ 790,534	\$ 904,805
Investment income:		
Net appreciation	913,099	589,427
Interest	35	152
Dividends	347,026	312,444
Investment expense	(50,514)	(48,463)
Total investment income	1,209,646	853,560
Total additions	2,000,180	1,758,365
Deductions		
Benefits	539,585	1,056,651
Administrative expense	34,076	32,021
Total deductions	573,661	1,088,672
Change in net position	1,426,519	669,693
Net Position Held in Trust for Pension Benefits, beginning of year	9,165,974	8,496,281
Net Position Held in Trust for Pension Benefits, end of year	\$ 10,592,493	\$ 9,165,974

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

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

Unearned Revenues

Unearned 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 unearned revenue is removed from the statement of net position and revenue is recognized.

Deferred Inflows of Resources

In addition to liabilities the statement of net position reports a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to future periods and will be recognized as revenue at that future time. ITP reports a deferred inflow of resources for property taxes received or receivable prior to the period for which they were levied.

Net Position

Net position represents the difference between assets, liabilities and deferred inflows of resources. 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.

Interurban Transit Partnership

Notes to Financial Statements

Property taxes are recognized as revenue in the period for which they are levied for, with proper allowances made for estimated uncollectible amounts. The Rapid levied 1.47 mills for FY14, 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.

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.

Subsequent Events

Management has evaluated subsequent events through April 8, 2015, the date the financial statements were available to be issued.

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, 2014, the bank balances were \$12,737,557 of which \$11,596,162 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

Interurban Transit Partnership

Notes to Financial Statements

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, 2014, 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	\$ 2,080,188
Municipal Investment Funds	Less than 1 year	56,785
Total		\$ 2,136,973

At June 30, 2014, ITP's Pension Trust Funds had investments in mutual funds with a value of \$10,020,496 that mature in less than one year.

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, 2014.

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, 2014, 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	5.01
Bond mutual funds	Not rated	21.52

Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2014 is as follows:

	Balance October 1, 2013	Additions	Transfers/ Deletions	Balance September 30, 2014
Capital Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 13,360,574	\$ -	\$ 13,360,574	\$ -
Land	8,190,396	380,174	-	8,570,570
Artwork	368,470	-	-	368,470
Easements - intangible	132,162	-	77,162	55,000
Capital assets being depreciated:				
Land improvements	1,357,367	3,653,955	-	5,011,322
Facilities	52,990,156	17,721,474	-	70,711,630
Revenue vehicles	54,153,660	6,782,464	103,316	60,832,808,
Support equipment	9,782,766	1,097,563	135,430	10,744,899
Information systems and technology	9,268,226	3,565,446	45,741	12,787,931
Software - intangible	1,118,205	1,488,460	-	2,606,665
Total capital assets	150,721,982	34,689,536	13,722,223	171,689,295
Accumulated depreciation:				
Land improvements	793,223	152,083	-	945,306
Facilities	8,964,348	2,356,132	-	11,320,480
Revenue vehicles	21,493,362	5,356,413	103,315	26,746,460
Support equipment	7,547,978	1,001,027	135,430	8,413,575
Information systems and technology	8,333,242	22,873	45,741	8,310,374
Software - intangible	842,366	420,876	-	1,263,242
Total accumulated depreciation	47,974,519	9,309,404	284,486	56,999,437
Net Capital Assets	\$ 102,747,463	\$ 25,380,132	\$ 13,437,737	\$114,689,858

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Interurban Transit Partnership

Notes to Financial Statements

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

	Balance October 1, 2012	Additions	Transfers/ Deletions	Balance September 30, 2013
Capital 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 capital 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

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, the plan's membership consisted of:

	2014	2013
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	32	32
Current active members	9	9
Total	41	41

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 \$211,902 and \$256,371, and the contribution totaled \$211,902 and \$352,603 for the years ended September 30, 2014 and 2013, 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
2012	\$ 248,970	167.1%	-
2013	256,371	137.5	-
2014	211,902	100.0	-

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 63.8% funded. The actuarial accrued liability for benefits was \$4,884,679, and the actuarial value of assets was \$3,116,094, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,768,585.

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, 2014 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, 2014 was 30 years. The covered payroll (annual payroll of active employees covered by the plan) was \$777,702.

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:

	2014	2013
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	162	153
Transferred to non-union	18	15
Active plan members	264	264
Total	444	432

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, 2013 to June 30, 2014, this rate is \$1.00 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 \$578,632 and \$457,070, and the contribution totaled \$578,632 and \$552,202 for the years ended September 30, 2014 and 2013, 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
2012	\$ 446,879	113.1%	-
2013	457,070	120.8	-
2014	578,632	100.0	-

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 73.5% funded. The actuarial accrued liability for benefits was \$10,054,540, and the actuarial value of assets was \$7,391,567, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,662,973.

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, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.5% 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, 2014 was 18.6 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 9.0% of compensation paid during the month. ITP made contributions of \$203,452 and \$199,265 for the plan years ended June 30, 2014 and 2013, 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 \$50,000 deductible and has excess coverage for an additional \$5,000,000. 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 2014 and 2013 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$19,906,922 and \$19,181,091 in 2014 and 2013, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 31.01% totaled \$12,348,264 and \$11,758,009 in 2014 and 2013, 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.

7. Implementation of New Pronouncement and Prior Period Restatements

In 2014, ITP implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. One of the effects of Statement No. 65 was the requirement that property taxes received before the period for which they were levied for should be reported as deferred inflows of resources in the statements of net position. This change resulted in a restatement of net position as previously reported at September 30, 2012. Net position as previously reported in the amount of \$109,786,414 has been reduced by \$13,886,672 resulting in a restated net position of \$95,899,742. In addition, non-operating revenues from property taxes in 2013 have also been restated. Property tax revenues as previously reported in 2013 in the amount of \$14,220,554 have been reduced by \$333,882.

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, 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
July 1, 2014	3,116,094	4,884,679	1,768,585	63.79

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, 2014
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 2014 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, 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
July 1, 2014	7,391,567	10,054,540	2,662,973	73.50

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, 2014
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	18.6 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	7.5%
Mortality table	2014 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 Supplementary Information

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

<i>June 30, 2014</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 158,033	\$ 370,505	\$ 528,538
Receivables			
Employer contributions	-	43,456	43,456
Interest and dividends receivable	1	2	3
Total receivables	1	43,458	43,459
Investments, at fair value			
Bond mutual funds	931,486	1,338,352	2,269,838
Equity mutual funds	1,901,917	5,269,477	7,171,394
Real estate fund	124,657	454,607	579,264
Total investments, at fair value	2,958,060	7,062,436	10,020,496
Total Assets	3,116,094	7,476,399	10,592,493
Net Position Held in Trust for Pension Benefits	\$ 3,116,094	\$ 7,476,399	\$ 10,592,493

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

<i>Year ended June 30, 2014</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 211,902	\$ 578,632	\$ 790,534
Investment income:			
Net appreciation	265,686	647,413	913,099
Interest	11	24	35
Dividends	99,987	247,039	347,026
Investment expense	(16,845)	(33,669)	(50,514)
Total investment income	348,839	860,807	1,209,646
Total additions	560,741	1,439,439	2,000,180
Deductions			
Benefits	143,467	396,118	539,585
Administrative expense	11,130	22,946	34,076
Total deductions	154,597	419,064	573,661
Change in net position	406,144	1,020,375	1,426,519
Net Position Held in Trust for Pension Benefits, beginning of year	2,709,950	6,456,024	9,165,974
Net Position Held in Trust for Pension Benefits, end of year	\$ 3,116,094	\$ 7,476,399	\$ 10,592,493

Interurban Transit Partnership
Schedule of Non-operating Revenues - Local

Year ended September 30, 2014

Local Revenue	
Property taxes	\$ 14,292,763
Grand Valley State University	2,791,698
Network 180	1,382,030
DASH - City of Grand Rapids	1,132,470
Grand Rapids Community College	153,030
Van pool	227,012
Alpine Township	86,064
Byron Township	65,755
Cascade Township	29,611
Gaines Township	50,417
Ferris State University	80,853
Other local services	69,459
<hr/>	
Total local revenue	20,361,162
<hr/>	
Other Income	
Gain on sale of property	40,210
Retail lease	47,586
Interest income	57,179
Miscellaneous	58,433
<hr/>	
Total other income	203,408
<hr/>	
Total Non-operating Revenues - Local	\$ 20,564,570

Interurban Transit Partnership

Schedule of Non-operating Revenues - State and Federal

Year ended September 30, 2014

State of Michigan Grants	
General operating assistance	\$ 12,348,264
Capital assistance	1,625,261
Planning and miscellaneous project assistance	54,274
Specialized services	463,289
<hr/>	
Total State of Michigan grants	14,491,088
<hr/>	
Federal Government Grants	
Capital assistance	6,501,228
Planning and miscellaneous project assistance	931,054
<hr/>	
Total federal government grants	7,432,282
<hr/>	
Total Non-operating Revenues - State and Federal	\$ 21,923,370
<hr/>	

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<i>Year ended September 30, 2014</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 10,006,827	\$ -
Other salaries and wages	1,092,470	1,902,953
Dispatchers' salaries and wages	100,627	-
Total labor	11,199,924	1,902,953
Fringe Benefits		
Pension	678,957	131,131
Other fringe benefits	5,586,955	968,576
Total fringe benefits	6,265,912	1,099,707
Services		
Audit fees	-	-
Other services	390,352	799,957
Total services	390,352	799,957
Materials and Supplies Consumed		
Fuel and lubricants	4,463,225	-
Tires and tubes	-	20,664
Other materials and supplies	10,328	1,387,565
Total materials and supplies consumed	4,473,553	1,408,229
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	936,006	-
Other insurance	-	-
Total casualty and liability costs	936,006	-

Interurban Transit Partnership
Schedule of Operating Expenses by Function

Operations			
Administration	Total	Grants	Total System
\$ -	\$ 10,006,827	\$ 211,166	\$ 10,217,993
1,575,650	4,571,073	191,167	4,762,240
-	100,627	-	100,627
<hr/>	<hr/>	<hr/>	<hr/>
1,575,650	14,678,527	402,333	15,080,860
<hr/>	<hr/>	<hr/>	<hr/>
216,433	1,026,521	-	1,026,521
623,894	7,179,425	203,902	7,383,327
<hr/>	<hr/>	<hr/>	<hr/>
840,327	8,205,946	203,902	8,409,848
<hr/>	<hr/>	<hr/>	<hr/>
39,200	39,200	-	39,200
553,178	1,743,487	900,041	2,643,528
<hr/>	<hr/>	<hr/>	<hr/>
592,378	1,782,687	900,041	2,682,728
<hr/>	<hr/>	<hr/>	<hr/>
-	4,463,225	-	4,463,225
-	20,664	266,276	286,940
77,769	1,475,662	5,463,855	6,939,517
<hr/>	<hr/>	<hr/>	<hr/>
77,769	5,959,551	5,730,131	11,689,682
<hr/>	<hr/>	<hr/>	<hr/>
742,233	742,233	-	742,233
<hr/>	<hr/>	<hr/>	<hr/>
-	936,006	-	936,006
237,742	237,742	-	237,742
<hr/>	<hr/>	<hr/>	<hr/>
237,742	1,173,748	-	1,173,748
<hr/>	<hr/>	<hr/>	<hr/>

Interurban Transit Partnership
Schedule of Operating Expenses by Function

	General	
<i>Year ended September 30, 2014</i>	Operations	Maintenance
Purchased Transportation	\$ 7,553,975	\$ -
Miscellaneous		
Travel and meetings	6,155	2,586
Advertising/promotion media	-	-
Other miscellaneous	1,810	39,683
Total miscellaneous	7,965	42,269
Leases and Rentals	-	-
Depreciation	-	-
Preventive Maintenance	-	(679,456)
Total Expenses	\$ 30,827,687	\$ 4,573,659

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>
\$ -	\$ 7,553,975	\$ 1,191,838	\$ 8,745,813
38,809	47,550	96,975	144,525
217,162	217,162	297,911	515,073
107,942	149,435	28,117	177,552
363,913	414,147	423,003	837,150
-	-	44,400	44,400
9,309,404	9,309,404	-	9,309,404
-	(679,456)	679,456	-
\$ 13,739,416	\$ 49,140,762	\$ 9,575,104	\$ 58,715,866

Interurban Transit Partnership

Schedule of Expenses by Grant

			480
			MI-90-X608
		001	07-0230-Z23
		General	FY10
<i>Year ended September 30, 2014</i>	Total	Operations	Section 5307
Expenses			
Labor	\$ 15,080,860	\$ 14,678,527	\$ -
Fringe benefits	8,409,848	8,205,946	-
Services	2,682,728	1,782,687	18,783
Materials and supplies consumed	11,689,682	5,959,551	184
Utilities	742,233	742,233	-
Casualty and liability costs	1,173,748	1,173,748	-
Purchased transportation	8,745,813	7,553,975	-
Miscellaneous	837,150	414,147	10,748
Leases and rentals	44,400	-	-
Preventive maintenance	-	(679,456)	-
Depreciation	9,309,404	9,309,404	-
Total Expenses	\$ 58,715,866	\$ 49,140,762	\$ 29,715

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

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	770 MI-95-X064 07-0230-Z27 FY 11 Section 5307	790 2012-0104-P12 Specialized Services
\$ -	\$ 16,408	\$ -	\$ 38,369	\$ -
-	8,979	-	21,118	-
24,754	111,929	40,361	-	-
1,282	46,340	327,165	1,138	-
-	-	-	-	-
-	-	700,000	28,549	463,289
14,774	25,747	61,054	41,061	-
-	40,700	3,700	-	-
170,715	-	508,741	-	-
-	-	-	-	-
\$ 211,525	\$ 250,103	\$ 1,641,021	\$ 130,235	\$ 463,289

Interurban Transit Partnership

Schedule of Expenses by Grant

		865		
		MI-03-X239		
	842	07-0230-Z18		866
	MI-34-0002	FY09		MI-90-X003
<i>Year ended September 30, 2014</i>	2012-0104-P10	Section 5309		07-0230-Z21
<hr/>				
Expenses				
Labor	\$ -	\$ 347,556		\$ -
Fringe benefits	-	173,805		-
Services	6,514	7,089		439,799
Materials and supplies consumed	-	4,125,339		-
Utilities	-	-		-
Casualty and liability costs	-	-		-
Purchased transportation	-	-		-
Miscellaneous	-	264,252		-
Leases and rentals	-	-		-
Preventive maintenance	-	-		-
Depreciation	-	-		-
<hr/>				
Total Expenses	\$ 6,514	\$ 4,918,041		\$ 439,799

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2014</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 10,006,827	\$ -	\$ -	\$ 10,006,827
Other salaries and wages	1,092,470	1,902,953	1,575,650	4,571,073
Dispatchers' salaries and wages	100,627	-	-	100,627
Total labor	11,199,924	1,902,953	1,575,650	14,678,527
Fringe Benefits				
Pension	678,957	131,131	216,433	1,026,521
Other fringe benefits	5,586,955	968,576	623,894	7,179,425
Total fringe benefits	6,265,912	1,099,707	840,327	8,205,946
Services				
Audit fees	-	-	39,200	39,200
Other services	390,352	799,957	553,178	1,743,487
Total services	390,352	799,957	592,378	1,782,687
Materials and Supplies Consumed				
Fuel and lubricants	4,463,225	-	-	4,463,225
Tires and tubes	-	20,664	-	20,664
Other materials and supplies	10,328	1,387,565	77,769	1,475,662
Total materials and supplies consumed	4,473,553	1,408,229	77,769	5,959,551
Utilities				
Other	-	-	742,233	742,233
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	936,006	-	-	936,006
Other insurance	-	-	237,742	237,742
Total casualty and liability costs	936,006	-	237,742	1,173,748
Purchased Transportation	7,553,975	-	-	7,553,975
Miscellaneous				
Travel and meetings	6,155	2,586	38,809	47,550
Advertising/promotion media	-	-	217,162	217,162
Other miscellaneous	1,810	39,683	107,942	149,435
Total miscellaneous	7,965	42,269	363,913	414,147
Depreciation	-	-	9,309,404	9,309,404
Preventive Maintenance	-	(679,456)	-	(679,456)
Total Expenses	\$ 30,827,687	\$ 4,573,659	\$ 13,739,416	\$ 49,140,762

Interurban Transit Partnership
Schedule of Regular Service Revenues - Urban

Year ended September 30, 2014

Operating Revenues	
Passenger fares	\$ 6,790,747
Advertising	127,777
<hr/>	
Total operating revenues	6,918,524
<hr/>	
Non-operating Revenues	
State and federal assistance	21,923,370
<hr/>	
Local Revenue	
Property taxes	14,292,763
Grand Valley State University	2,791,698
Network 180	1,382,030
DASH - City of Grand Rapids	1,132,470
Grand Rapids Community College	153,030
Van pool	227,012
Alpine Township	86,064
Byron Township	65,755
Cascade Township	29,611
Gaines Township	50,417
Ferris State University	80,853
Other local services	69,459
<hr/>	
Total local revenue	20,361,162
<hr/>	
Other Income	
Gain on sale of property	40,210
Retail lease	47,586
Interest income	57,179
Miscellaneous	58,433
<hr/>	
Total other income	203,408
<hr/>	
Total Revenues	\$ 49,406,464
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Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2014</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	387,155	29,984	13,507	430,646
Revenue hours - linehaul	372,003	29,108	12,998	414,109
Total vehicle hours - demand response	173,689	15,627	10,772	200,088
Revenue hours - demand response	145,010	13,085	9,214	167,309
Total vehicle miles - linehaul	4,802,492	380,138	155,975	5,338,605
Revenue miles - linehaul	4,551,988	364,722	145,975	5,062,685
Total vehicle miles - demand response	2,529,976	224,233	154,764	2,908,955
Revenue miles - demand response	2,140,996	190,906	135,627	2,467,529

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, 2014</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$ 49,140,762	\$ -	\$ 49,140,762
Less Ineligible Expenses			
Depreciation expense	9,309,404	-	9,309,404
APTA and MPTA dues	9,614	-	9,614
Other (lobbying fees)	4,666	-	4,666
Expenses associated with goodwill lease	3,234	-	3,234
	9,326,918	-	9,326,918
Eligible Operating Expenses	\$ 39,813,844	\$ -	\$ 39,813,844
Maximum State Operating Assistance (50/60%)	\$ 19,906,922	\$ -	\$ 19,906,922
State Operating Assistance Accrual (31.01%)	\$ 12,348,264	\$ -	\$ 12,348,264

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 FY14 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 FY14.

Interurban Transit Partnership
Schedule of Expenditures of Federal Awards

<i>Year ended September 30, 2014</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-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-04-0081	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
Total Federal Financial Assistance			

Interurban Transit Partnership
Schedule of Expenditures of Federal Awards

Accrued (Unearned) Revenue 10/1/13	Adjustments	Receipts	Expenditures	Accrued (Unearned) Revenue 9/30/14
\$ 35,042	\$ -	\$ 209,890	\$ 174,848	\$ -
757	-	7,532	6,775	-
541,015	-	568,420	27,405	-
-	-	355,444	492,016	136,572
757,039	-	588,595	514,768	683,212
306,778	-	1,468,697	3,170,778	2,008,859
7,256	(36) *	7,220	-	-
2,046	(2,046) *	-	-	-
129,588	-	507,353	575,195	197,430
1,779,521	(2,082)	3,713,151	4,961,785	3,026,073
2,376,254	-	11,202,372	11,120,955	2,294,837
570,662	-	5,424,569	5,300,877	446,970
2,946,916	-	16,626,941	16,421,832	2,741,807
47,265	-	487,064	439,799	-
3,400	-	15,609	256,178	243,969
50,665	-	502,673	695,977	243,969
38,639	-	350,691	334,699	22,647
557,989	-	2,640,587	2,794,762	712,164
\$ 5,373,730	\$ (2,082)	\$ 23,834,043	\$ 25,209,055	\$ 6,746,660

* Accounts receivable written off.

Interurban Transit Partnership
Schedule of Expenditures of State Awards

<i>Year ended September 30, 2014</i>	State Grantor Number	Grantee Number
Program		
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-Z24	769
Section 5307	2007-0230-Z27	770
Specialized Services	2012-0104	789
Specialized Services	2012-0104-P12	790
Section 5309	2012-0104-P10	842
Section 5309	2007-0230-Z18	865
Section 5309	2012-0104	868
Total State Assistance		

Interurban Transit Partnership
Schedule of Expenditures of State Awards

Accrued (Unearned) Revenue 10/1/13	Receipts	Expenditures	Accrued (Unearned) Revenue 9/30/14
\$ (2,310)	\$ -	\$ 2,310	\$ -
149,103	237,965	123,004	34,142
71,115	166,642	128,692	33,165
707,164	1,168,418	792,695	331,441
4,966	4,966	-	-
68,474	94,664	143,798	117,608
120,113	125,079	4,966	-
-	343,012	463,125	120,113
9,660	11,628	83,675	81,707
594,063	2,989,818	2,780,239	384,484
1,041,309	2,257,815	1,325,219	108,713
\$ 2,763,657	\$ 7,400,007	\$ 5,847,723	\$ 1,211,373

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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, 2014, and the related notes to the financial statements, which collectively comprise ITP's basic financial statements and have issued our report thereon dated April 8, 2015.

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

April 8, 2015

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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, 2014. 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, 2014.

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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

April 8, 2015

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2014

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>
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20.500 and 20.507	Federal Transit Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ 756,272
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, 2013.

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