Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2016 and 2015

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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, 2016 and 2015 (as of and for the years ended June 30, 2016 and 2015 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, 2016 and 2015 (June 30, 2016 and 2015 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 changes in ITP's net pension liability and related ratios and the schedules of contributions and actuarial assumptions on pages 42-43 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 as a whole. The accompanying combining statements and supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 February 6, 2017 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

February 6, 2017

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This section of Interurban Transit Partnership's (ITP) annual financial report presents our discussion and analysis of ITP's financial performance during the fiscal year ended September 30, 2016 and 2015.

Financial Highlights

- The state operating assistance rate for FY16 was 29.00%, down from 29.73% in FY 15 and 31.01% in FY 14.
- ITP levied the entire 1.47 mills in FY16 and FY 15 as approved by the taxpayers.
- GASB 68 - *Accounting and Financial Reporting for Pensions* became effective for FY15. This new pronouncement requires that ITP's net pension liability, as well as deferred outflows and inflows of resources related to pensions, be recorded in its financial statements. ITP recognized a net pension liability of $8,479,799 and $9,833,836 at September 30, 2016 and 2015, respectively.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements and notes to the financial statements, required supplementary information, 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 Change in Net Position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of ITP are included in the Statement of Net Position.

The Statement of Net Position reports the net position and how it has changed. Net position, the difference between assets, deferred outflows of resources, 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 net position increased by $2.0 million during FY16, an increase of 2.04% from FY15 (see Table A-1).

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

September 30,	2016	2015	2014*
Current assets	$ 24,795	$ 22,594	$ 24,632
Capital assets, net	108,200	107,875	114,690
Total assets	132,995	130,469	139,322
Deferred outflows of resources	1,821	397	-
Current liabilities	6,369	4,957	7,078
Net pension liability	8,480	9,834	-
Deferred inflows of resources	20,001	18,121	14,278
Net position			
Investment in capital assets	108,200	107,874	114,690
Unrestricted	(8,234)	(9,920)	3,276
Total Net Position	$ 99,966	$ 97,954	$ 117,966

**The 2014 figures have not been updated for the adoption of GASB 68 and 71.*

The increase in net position during FY16 was due to depreciation expense exceeding capital acquisitions for the year.

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Changes in Net Position

Net position increased by $2.0 million from September 30, 2015 to September 30, 2016 (see Table A-2).

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

Year ended September 30,	2016	2015	2014*
Operating revenues			
Passenger fares	$ 7,503	$ 6,969	$ 6,791
Advertising	154	151	128
Total operating revenues	7,657	7,120	6,919
Operating expenses			
Salaries and fringe benefits	24,221	25,098	23,491
Supplies and other operating expenses	18,362	20,290	25,916
Depreciation	10,393	10,744	9,309
Total operating expenses	52,976	56,132	58,716
Operating loss	(45,319)	(49,012)	(51,797)
Non-operating revenues			
State and federal	15,582	17,860	21,923
Property taxes	14,893	14,484	14,293
Other local	6,139	5,924	6,272
Total non-operating revenues	36,614	38,268	42,488
Loss before capital contributions	(8,705)	(10,744)	(9,309)
Capital contributions	10,717	3,541	21,251
Change in net position	2,012	(7,203)	11,942
Net Position, beginning of year (as previously reported)	97,954	117,966	106,024
Prior period restatement	-	(12,809)	-
Net Position, end of year	$ 99,966	$ 97,954	$ 117,966

**The 2014 figures have not been updated for the adoption of GASB 68 and 71.*

A fiscally solid operating year and positive pension performance helped grow ITP's net position by $1.2 million in FY16.

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

Year ended September 30,	2016	2015	Percentage Change
Labor	$ 16,103	$ 16,029	0.5 %
Fringe benefits	8,117	9,069	(10.5)
Services	2,953	2,964	(0.4)
Materials and supplies consumed	4,204	5,618	(25.2)
Utilities	739	818	(9.7)
Casualty and liability costs	1,319	1,345	(1.9)
Purchased transportation	8,473	8,716	(2.8)
Miscellaneous	674	829	(18.7)

ITP's Fringe Benefits were down due to a strong market year which produced favorable pension results. Service and Materials were down due to fewer active grant funded projects. Materials were also impacted by favorable fuel prices.

Capital Assets

As of September 30, 2016, ITP had invested $181.7 million in capital assets including land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2016 totaled approximately $108.2 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $325,000, or 0.4% from September 30, 2015.

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

September 30,	2016	2015	Percentage Change
Land	$ 9,014	$ 8,991	0.3 %
Artwork	369	369	-
Easements	55	55	-
Construction in progress	2,122	-	100.0
Software in development	961	82	1072.0
Land improvements	3,736	3,994	(6.5)
Facilities	57,120	57,534	(0.7)
Revenue vehicles	27,054	29,637	(8.7)
Support equipment	3,431	2,243	53.0
Information systems and technology	4,036	4,209	(4.1)
Software	301	760	(60.4)
Total Net Capital Assets	$ 108,199	$ 107,874	(0.3)%

Economic Factors and Next Year's Budget

ITP's federal and state funded compressed natural gas (cng) fueling station, currently under construction, will begin to ease ITP's fuel costs during FY17. In addition to fuel savings, the project will also benefit fleet maintenance and the local environment Tax increases aimed at benefiting Michigan's various transportation services (road, bridge, public transit, etc.) have begun to impact ITP positively. The State's assistance to ITP moved from 29.00% in FY 16 to 32.22% for FY 17. This increase is in contrast to the pattern in recent years of declining State assistance.

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Basic Financial Statements

Interurban Transit Partnership

Statements of Net Position
Enterprise Fund

September 30,	**2016**	2015
Assets		
`		
Current Assets		
Cash and investments (Note 2)	**$ 13,440,948**	$ 14,097,923
Property taxes receivable, net	**1,537,795**	1,634,832
Due from federal government	**4,591,211**	3,263,033
Due from State of Michigan	**2,909,834**	961,620
Billed receivables	**1,287,815**	1,645,428
Materials and supplies inventories	**744,819**	675,871
Prepaid expenses and deposits	**282,790**	315,684
Total Current Assets	**24,795,212**	22,594,391
Capital Assets (Note 3)		
Facilities	**73,436,558**	71,284,928
Revenue vehicles	**60,646,260**	60,636,823
Support equipment	**13,688,868**	11,269,989
Land and improvements	**14,212,936**	14,189,086
Information systems, technology and software	**16,206,291**	15,772,940
Other nondepreciable assets	**1,384,174**	506,357
Construction in progress	**2,121,733**	-
	181,696,820	173,660,123
Less accumulated depreciation	**(73,497,524)**	(65,785,687)
Net Capital Assets	**108,199,296**	107,874,436
Total Assets	**132,994,508**	130,468,827
Deferred Outflows of Resources		
Related to pensions	**1,820,736**	397,072

Interurban Transit Partnership

Statements of Net Position
Enterprise Fund

September 30,		**2016**		2015
Liabilities				
Current Liabilities				
Accounts payable	**$**	**2,218,767**	$	2,046,516
Employee compensation and related withholdings		**2,268,302**		2,179,395
Unredeemed fares		**86,321**		123,907
Unearned revenues		**42,128**		42,128
Due to State of Michigan		**1,752,939**		565,425
Total Current Liabilities		**6,368,457**		4,957,371
Net Pension Liability		**8,479,799**		9,833,836
Total Liabilities		**14,848,256**		14,791,207
Deferred Inflows of Resources				
Property taxes received or receivable before the levy date		**15,570,400**		14,785,706
Related to pensions		**4,430,144**		3,335,012
Total Deferred Inflows of Resources		**20,000,544**		18,120,718
Net Position				
Investment in capital assets		**108,199,296**		107,874,436
Unrestricted		**(8,232,852)**		(9,920,462)
Total Net Position, as restated (Note 7)	**$**	**99,966,444**	$	97,953,974

See accompanying notes to financial statements.

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Interurban Transit Partnership

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

Year ended September 30,		**2016**		2015
Operating Revenues				
Passenger fares	**$**	**7,502,863**	$	6,969,276
Advertising (Note 1)		**153,944**		151,039
Total operating revenues		**7,656,807**		7,120,315
Operating Expenses				
Salaries and fringe benefits		**24,220,817**		25,098,081
Supplies and other operating expenses		**18,362,305**		20,289,676
Depreciation		**10,392,913**		10,744,307
Total operating expenses		**52,976,035**		56,132,064
Operating loss		**(45,319,228)**		(49,011,749)
Non-operating Revenues				
State and federal		**15,581,565**		17,859,915
Property taxes		**14,893,302**		14,483,950
Other local		**6,139,060**		5,923,578
Total non-operating revenues		**36,613,927**		38,267,443
Loss before capital contributions		**(8,705,301)**		(10,744,306)
Capital Contributions		**10,717,771**		3,541,697
Change in net position		**2,012,470**		(7,202,609)
Net Position, beginning of year, as restated (Note 7)		**97,953,974**		105,156,583
Net Position, end of year	**$**	**99,966,444**	$	97,953,974

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows
Enterprise Fund

Year ended September 30,	**2016**	2015
Cash From (for) Operating Activities		
Receipts from customers	**$ 7,619,221**	$ 7,169,473
Payments to suppliers	**(23,488,935)**	(30,548,583)
Payments to employees	**(17,323,956)**	(17,311,425)
Net cash for operating activities	**(33,193,670)**	(40,690,535)
Cash From Noncapital Financing Activities		
Federal grants received	**1,958,409**	3,742,769
State grants received	**13,332,296**	12,504,889
Local government assistance received	**2,743,093**	5,779,290
Property taxes	**14,990,339**	14,990,178
Other income	**108,040**	104,186
Net cash from noncapital financing activities	**33,132,177**	37,121,312
Cash From (for) Capital and Related Financing Activities		
Federal contributed capital	**7,942,395**	7,313,898
State contributed capital	**1,985,599**	1,420,382
Purchase of capital assets	**(10,717,771)**	(3,928,886)
Proceeds from sale of capital assets	**143,447**	61,393
Net cash from (for) capital and related financing activities	**(646,330)**	4,866,787
Cash From Investing Activity		
Interest received on investments	**50,848**	56,118
Net (Decrease) Increase in Cash and Investments	**(656,975)**	1,353,682
Cash and Investments, beginning of year	**14,097,923**	12,744,241
Cash and Investments, end of year	**$ 13,440,948**	$ 14,097,923

Interurban Transit Partnership

Statements of Cash Flows
Enterprise Fund

Year ended September 30,	**2016**	2015
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	**$ (45,319,228)**	$ (49,011,749)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	**10,392,913**	10,744,307
Changes in assets and liabilities:		
(Increase) decrease in billed receivables	**357,613**	(95,265)
Increase in inventories	**(68,948)**	(29,255)
(Increase) decrease in prepaid expenses and deposits	**32,894**	(42,033)
Increase (decrease) in accounts payable	**172,251**	(2,254,524)
Increase in accrued payroll	**88,907**	30,798
Increase (decrease) in unredeemed fares	**(37,586)**	51,359
Increase (decrease) in other liabilities	**1,187,514**	(84,173)
Net Cash for Operating Activities	**$ (33,193,670)**	$ (40,690,535)

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Fiduciary Net Position

June 30,		Pension Trust Funds **2016**		2015
Assets				
Cash and short-term investments (Note 2)	**$**	**499,245**	$	629,957
Receivables				
Employer contributions		**48,754**		50,031
Interest and dividends receivable		**64**		7
Total receivables		**48,818**		50,038
Investments, at fair value (Note 2)				
Bond mutual funds		**2,768,462**		2,756,810
Equity mutual funds		**7,145,119**		6,849,853
Real estate fund		**609,783**		500,165
Total investments, at fair value		**10,523,364**		10,106,828
Total Assets		**11,071,427**		10,786,823
Net Position Held in Trust for Pension Benefits	**$**	**11,071,427**	$	10,786,823

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Change in Fiduciary Net Position

	Pension Trust Funds	
Year ended June 30,	**2016**	2015
Additions		
Employer and employee contributions	**$ 1,078,904**	$ 1,079,399
Investment income (loss):		
Net depreciation	**(375,252)**	(255,385)
Interest	**314**	55
Dividends	**396,708**	388,391
Investment expense	**(58,992)**	(56,075)
Total investment income (loss)	**(37,222)**	76,986
Total additions	**1,041,682**	1,156,385
Deductions		
Benefits	**714,010**	927,003
Administrative expense	**43,068**	35,052
Total deductions	**757,078**	962,055
Change in net position	**284,604**	194,330
Net Position Held in Trust for Pension Benefits, beginning of year	**10,786,823**	10,592,493
Net Position Held in Trust for Pension Benefits, end of year	**$ 11,071,427**	$ 10,786,823

See accompanying 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.

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

	Years
Facilities	20 - 40
Revenue vehicles	3 - 12
Support equipment	3 - 10
Land improvements	10 - 30
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 Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. ITP has pension-related items that qualify to be reported in this category. These amounts are expensed in the plan years in which it applies.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. ITP has two items that qualify for reporting in this category. First, ITP reports a deferred inflow of resources for property taxes received or receivable prior to the period for which they were levied. Second are the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of ITPs pension plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets, deferred outflows of resources, 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.

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 FY16, 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 February 6, 2017, 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, 2016, the bank balances were $15,609,991, of which $14,473,216 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, 2016, ITP's Enterprise Fund had the following investment, which is measured at amortized cost:

Investment	Maturity	Amortized Cost
Kent County Investment Pool	Less than 1 year	$ 2,084,550
Total		$ 2,084,550

At June 30, 2016, ITP's Pension Trust Funds had investments in mutual funds with a value of $11,022,605 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, 2016.

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, 2016, ITP's investments had the following credit ratings and exposure:

Investment Type	Rating	Credit Exposure as a Percent of Total Investments
Enterprise Fund		
Kent County Investment Pool	Not rated	100.00%
Pension Trust Funds		
Money market funds	Moody's A-mf	4.53%
Bond mutual funds	Not rated	25.12%

Fair Value Measurement

ITP Is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical asserts or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 - Prices determined using significant unobservable inputs. In situations where quoted prices are observable, inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect on ITP's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset of liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All of the investments in ITP's Pension Trust Funds were measured using Level 1 inputs.

3. Capital Assets

Capital asset activity for the year ended September 30, 2016 is as follows:

	Balance October 1, 2015	Additions	Transfers/ Deletions	Balance September 30, 2016
Capital Assets				
Capital assets not being depreciated:				
Construction in progress	$ -	$ 2,121,733	$ -	$ 2,121,733
Land	8,990,525	23,850	-	9,014,375
Artwork	368,470	-	-	368,470
Easements - intangible	55,000	-	-	55,000
Software in development	82,887	877,817	-	960,704
Capital assets being depreciated:				
Facilities	71,284,928	2,151,630	-	73,436,558
Revenue vehicles	60,636,823	2,492,055	2,482,618	60,646,260
Support equipment	11,269,989	2,510,624	91,745	13,688,868
Land improvements	5,198,561	-	-	5,198,561
Information systems and technology	13,158,183	433,803	88,308	13,503,678
Software - intangible	2,614,757	106,261	18,405	2,702,613
Total capital assets	173,660,123	10,717,773	2,681,076	181,696,820
Accumulated depreciation:				
Facilities	13,750,858	2,564,552	-	16,315,410
Revenue vehicles	30,999,687	5,074,890	2,482,618	33,591,959
Support equipment	9,027,117	1,322,516	91,745	10,257,888
Land improvements	1,204,134	258,828	-	1,462,962
Information systems and technology	8,948,935	607,012	88,308	9,467,639
Software - intangible	1,854,956	565,115	18,405	2,401,666
Total accumulated depreciation	65,785,687	10,392,913	2,681,076	73,497,524
Net Capital Assets	$ 107,874,436	$ 324,860	$ -	$108,199,296

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Capital asset activity for the year ended September 30, 2015 is as follows:

	Balance October 1, 2014	Additions	Transfers/ Deletions	Balance September 30, 2015
Capital Assets				
Capital assets not being depreciated:				
Land	$ 8,570,570	$ 419,955	$ -	$ 8,990,525
Artwork	368,470	-	-	368,470
Easements – intangible	55,000	-	-	55,000
Software in development	-	82,887	-	82,887
Capital assets being depreciated:				
Facilities	70,711,630	573,298	-	71,284,928
Revenue vehicles	60,832,808	991,468	1,187,453	60,636,823
Support equipment	10,744,899	916,119	391,029	11,269,989
Land improvements	5,011,322	187,239	-	5,198,561
Information systems and technology	12,787,931	739,640	369,388	13,158,183
Software – intangible	2,606,665	18,280	10,188	2,614,757
Total capital assets	171,689,295	3,928,886	1,958,058	173,660,123
Accumulated depreciation:				
Facilities	11,320,480	2,430,378	-	13,750,858
Revenue vehicles	26,746,460	5,440,680	1,187,453	30,999,687
Support equipment	8,413,575	1,004,571	391,029	9,027,117
Land improvements	945,306	258,828	-	1,204,134
Information systems and technology	8,310,374	1,007,949	369,388	8,948,935
Software – intangible	1,263,242	601,902	10,188	1,854,956
Total accumulated depreciation	56,999,437	10,744,308	1,958,058	65,785,687
Net Capital Assets	$ 114,689,858	$ (6,815,422)	$ -	$107,874,436

4. Pension and Retirement Plans

ITP has two single-employer defined benefit pension plans which provide retirement benefits to plan members and beneficiaries consisting of the Interurban Transit Partnership Pension Plan (Administrative Plan) and the Interurban Transit Partnership and Amalgamated Transit Union Pension Plan (Non-administrative Plan).

Plan Description – Administrative Plan

ITP administers the Administrative Plan – a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. The plan is currently closed to new participants. Administrative employees who were eligible to participate when they 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.

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

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

	2016	2015
Retirees and beneficiaries currently receiving benefits	**14**	14
Terminated employees entitled to benefits but not yet receiving them	**17**	18
Active plan members	**7**	8
Total	**38**	40

Plan Description – Non-administrative Plan

ITP administers the Amalgamated Transit Union Pension Plan, a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. The plan is a non-contributory defined benefit pension plan, for ITP's non-administrative employees (drivers and mechanics). Non-administrative employees are eligible to participate upon completion of 60 days of 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.

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

	2016	2015
Retirees and beneficiaries currently receiving benefits	**100**	93
Terminated employees entitled to benefits but not yet receiving them	**99**	96
Active plan members	**288**	275
Total	**487**	464

Basis of Accounting

The financial statements of both plans 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 plans. Investments are reported at fair value.

Funding Policy

The Administrative Plan was established and is being funded under the authority of ITP. Article 9, section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. ITP retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. ITP is required to contribute the actuarially determined amount.

The Non-administrative 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, 2015 to June 30, 2016, 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.

Actuarial Assumptions

The total pension liability for both plans was determined by an actuarial valuation as of July 1, 2016 and the following actuarial assumptions, applied to all periods included in the measurement:

	Administrative Plan	Non-administrative Plan
Inflation	2.00%	2.00%
Salary increases	0.00	0.00
Investment rate of return	4.95	5.45

Discount Rate

The discount rate used to measure the total pension liability for the Administrative Plan was 6.95% and 4.80% for the Non-administrative Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, both plans' fiduciary net position was not projected to be sufficient to make all future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate is used to determine the Total Pension Liability.

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Sensitivity of the Net Pension liability to Changes in the Discount Rate

The following tables present the pension plans' net pension liability, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Administrative plan	1% Decrease (5.95%)	Current Rate (6.95%)	1% Increase (7.95%)
Net Pension Liability	$ 1,671,690	$ 1,222,585	$ 837,411

Non-administrative plan	1% Decrease (3.80%)	Current Rate (4.80%)	1% Increase (5.80%)
Net Pension Liability	$ 9,267,578	$ 7,257,214	$ 5,580,916

Long-Term Expected Rate of Return and Asset Allocation

The long-term expected rate of retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate or return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major asset class included in the retirement plan's investment policy.

	Administrative Plan		Non-administrative Plan	
Asset Class	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	44%	6.85%	49%	6.85%
International Equity	12	7.67	13	7.67
Fixed Income	37	1.74	29	1.74
Cash	3	1.00	3	1.00
Real Estate	4	9.03	6	9.03

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Changes in the Net Pension Liability

The following table summarized changes in the net pension liability related to the Administrative Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Positions (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2015	$ 5,843,899	$ 3,050,916	$ 2,792,983
Changes in pension liability			
Service cost	77,449	-	77,449
Interest	305,827		305,827
Experience (gains)	(472,647)	-	(472,647)
Contributions - employer	-	434,492	(434,492)
Assumption change	(793,053)	-	(793,053)
Changes of benefit terms	(271,192)	-	(271,192)
Net investment income	-	(226)	226
Benefit payment	(214,300)	(214,300)	-
Administrative expenses	-	(17,484)	17,484
Net changes in pension liability	(1,367,916)	202,482	(1,570,398)
Balance, June 30, 2016	$ 4,475,983	$ 3,253,398	$ 1,222,585

The following table summarized changes in the net pension liability related to the Non-administrative Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Positions (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2015	$ 14,776,760	$ 7,735,907	$ 7,040,853
Changes in pension liability			
Service cost	628,910	-	628,910
Interest	686,559	-	686,559
Experience (gains)	(51,400)	-	(51,400)
Contributions - employee	-	644,412	(644,412)
Assumption change	(465,876)	-	(465,876)
Net investment income	-	(36,996)	36,996
Benefit payment	(499,710)	(499,710)	-
Administrative expenses	-	(25,584)	25,584
Net changes in pension liability	298,483	82,122	216,361
Balance, June 30, 2016	$ 15,075,243	$ 7,818,029	$ 7,257,214

Deferred Inflows and Outflows of Resources Related to the Pension Plan

At September 30, 2016, ITP reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Administrative Plan		Non-administrative Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 392,964	$ -	$ 177,006
Change of assumptions	-	812,933	-	3,047,241
Net difference between projected and actual earnings on pension plan investments	266,101	-	634,824	-
Contributions subsequent to the measurement date	800,000	-	119,811	-
Total	$ 1,066,101	$ 1,205,897	$ 754,635	$ 3,224,247

Deferred outflows of resources and deferred inflows of resources that are the result of differences in expected and actual experience with regard to economic and demographic factors, or from changes in assumptions regarding those factors are amortized over a closed period equal to the average of the expected remaining period of service for all plan participants. Those time periods are five years for both plans. The differences between projected and actual investment earnings are amortized over five years. The $919,811 reported as deferred outflows of resources for contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Administrative Plan	Non-administrative Plan	Total
2017	$ (273,524)	$ (167,368)	$ (440,892)
2018	(273,524)	(167,368)	(440,892)
2019	(273,527)	(167,368)	(440,895)
2020	(119,221)	(226,712)	(345,933)
2021	-	(340,910)	(340,910)
Thereafter	-	(1,519,697)	(1,519,697)

Components of Pension Expense

For the year ended September 30, 2016, ITP recognized pension expense of $(373,077) for the Administrative Plan and $(4,717) for the Non-administrative Plan.

Below are the components of the total pension expense:

Year ended September 30, 2016	Administrative Plan	Non-administrative Plan
Service cost	$ 77,449	$ 628,910
Interest	305,827	686,559
Experience gains	(110,437)	(18,524)
Assumption change	(236,497)	(322,386)
Changes of benefit terms	(271,192)	-
Employee contributions	-	(644,412)
Projected earnings on pension plan investments	(229,121)	(533,990)
Investment earnings losses	73,410	173,542
Administrative expenses	17,484	25,584
Total Pension Expense	$ (373,077)	$ (4,717)

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 approximately $1,879,000 for the plan year ended June 30, 2016.

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 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 year 2016 and 2015 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled $19,327,626 and $19,488,450 in 2016 and 2015, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 29.00% totaled $11,210,023 and $11,587,832 in 2016 and 2015, 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

For the year ended September 30, 2016, ITP implemented the following new pronouncements: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary

GASB Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation of the net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

GASB Statement No. 71 addresses the issue of contributions made to the defined benefit pension plans after the measurement date for the year in which GASB Statement No. 68 is implemented. The effect is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual basis financial statements.

The restatement of the beginning of the year net position is as follows:

	Enterprise Fund
Net Position as Previously Stated, October 1, 2014	$ 117,965,908
Adoption of GASB Statements 68 and 71	
Net pension liability	(12,860,483)
Deferred outflows	51,158
Net Position as Restated, October 1, 2014	$ 105,156,583

Required Supplementary Information

Interurban Transit Partnership

Schedule of Change in the Net Pension Liability and Related Ratios - Administrative Plan

Year ended June 30,	**2016**	2015
Total Pension Liability		
Service cost	**$ 77,449**	$ 112,377
Interest	**305,827**	245,343
Changes in benefit terms	**(271,192)**	-
Difference between expected and actual experience	**(472,647)**	(38,442)
Change of assumptions	**(793,053)**	(320,471)
Benefit payments	**(214,300)**	(485,609)
Net Change in Total Pension Liability	**(1,367,916)**	(486,802)
Total Pension Liability - beginning	**5,843,899**	6,330,701
Total Pension Liability - ending (a)	**4,475,983**	5,843,899
Plan Fiduciary Net Position		
Contributions - employer	**434,492**	434,492
Net investment income	**(226)**	(1,878)
Benefit payments	**(214,300)**	(485,609)
Administrative expenses	**(17,484)**	(12,183)
Net Change in Fiduciary Net Position	**202,482**	(65,178)
Plan Fiduciary Net Position - beginning	**3,050,916**	3,116,094
Plan Fiduciary Net Position - ending (b)	**3,253,398**	3,050,916
Net Pension Liability - ending (a)-(b)	**$ 1,222,585**	$ 2,792,983
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**72.7%**	52.2%
Covered-employee payroll	**$ 725,494**	$ 719,319
Net Pension Liability as a Percentage of Covered-Employee Payroll	**168.5%**	388.3%

An additional year will be added to the schedule each year until ten years are presented.
Amounts presented for the fiscal year are determined based on a measurement date of July 1 of the current year.

Interurban Transit Partnership

Schedule of Change in the Net Pension Liability and Related Ratios - Non-administrative Plan

Year ended June 30,	**2016**	2015
Total Pension Liability		
Service cost	**$ 628,910**	$ 787,815
Interest	**686,559**	650,711
Difference between expected and actual experience	**(51,400)**	(158,069)
Change of assumptions	**(465,876)**	(3,184,578)
Benefit payments	**(499,710)**	(441,394)
Net Change in Total Pension Liability	**298,483**	(2,345,515)
Total Pension Liability - beginning	**14,776,760**	17,122,275
Total Pension Liability - ending (a)	**15,075,243**	14,776,760
Plan Fiduciary Net Position		
Contributions - employee	**644,412**	644,907
Net investment income	**(36,996)**	78,864
Benefit payments	**(499,710)**	(441,394)
Administrative expenses	**(25,584)**	(22,869)
Net Change in Fiduciary Net Position	**82,122**	259,508
Plan Fiduciary Net Position - beginning	**7,735,907**	7,476,399
Plan Fiduciary Net Position - ending (b)	**7,818,029**	7,735,907
Net Pension Liability - ending (a)-(b)	**$ 7,257,214**	$ 7,040,853
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	**51.9%**	52.4%
Covered-employee payroll	**n/a**	n/a
Net Pension Liability as a Percentage of Covered-Employee Payroll	**n/a**	n/a

An additional year will be added to the schedule each year until ten years are presented.
Amounts presented for the fiscal year are determined based on a measurement date of July 1 of the current year.

Interurban Transit Partnership

Schedule of Contributions – Administrative Plan

Fiscal year ended September 30,		**2016**		2015
Actuarially determined contribution	**$**	**216,577**	$	214,687
Actual contribution		**434,492**		434,492
Contribution (excess)	**$**	**(217,915)**	$	(219,805)
Covered payroll	**$**	**725,494**	$	719,319
Actual contribution as a percentage of covered payroll		**59.9%**		60.4%

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal (level of percentage of pay)
Asset valuation method	Market value
Retirement age	Age 65
Interest rate	6.95% per annum rate of asset return and 3.15% 20-year AA/Aa tax-exempt municipal bond
Mortality tables:	
Pre-retirement	None
Post-retirement	IRC Sec. 417(e)(3) Applicable 2016 Mortality Table
Turnover rates	None
Salary scale	3% per year
Ancillary benefits values	None
Administrative experience	Prior year, rounded to nearest $100
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross
Changes since prior valuation	Post-retirement mortality was changed from IRC Sec. 417(e)(3) Applicable 2015 Mortality Table to the 2016 Table; interest rate was changed from 5.26%
Cost of living adjustments after retirement	None

Interurban Transit Partnership

Schedule of Contributions – Non-administrative Plan

Fiscal year ended September 30,		**2016**		2015
Actuarially determined contribution	**$**	**746,846**	$	584,391
Actual contribution		**644,412**		648,347
Contribution deficiency (excess)	**$**	**102,434**	$	(63,956)
Covered payroll		**n/a**		n/a
Actual contribution as a percentage of covered payroll		**n/a**		n/a

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal (level dollar amount)
Asset valuation method	Market value
Retirement age	10% are assumed to retire at age 62 (if eligible for early retirement) and all remaining at age 65 (or current age if older)
Interest rate	6.85% per annum rate of asset return and 3.15% 20-year AA/Aa tax-exempt municipal bond
Mortality table	2016 430(h) Mortality tables (non-annuitant and annuitants); ages set forward 3 years as in recent valuations; before the age set forward these tables are based on RP-2000 adjusted for mortality improvement using Projection Scale AA
Turnover rates	Crocker-Sarason-Straight T-5
Ancillary benefits values	Vesting and pre-retirement death
Normal cost expenses (non-investment related)	Estimated expense is calculated as the average of prior two years' non-investment related expenses paid from the trust, rounded to the nearest $1,000
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross
Changes since prior valuation	The mortality tables changed from 2015 430(h) tables; interest rate was changed from 3.85%; retirement rate at age 62 changed from 50%
Cost of living adjustments after retirement	None

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Combining Statements and Supplementary Information

Interurban Transit Partnership

Combining Statement of Plan Net Position
Pension Trust Funds

June 30, 2016	Administrative Plan	Non-administrative Plan	Total
Assets			
Cash and short-term investments	$ 161,132	$ 338,113	$ 499,245
Receivables			
Employer contributions	-	48,754	48,754
Interest and dividends receivable	23	41	64
Total receivables	23	48,795	48,818
Investments, at fair value			
Bond mutual funds	966,312	1,802,150	2,768,462
Equity mutual funds	1,997,541	5,147,578	7,145,119
Real estate fund	128,390	481,393	609,783
Total investments, at fair value	3,092,243	7,431,121	10,523,364
Total Assets	3,253,398	7,818,029	11,071,427
Net Position Held in Trust for Pension Benefits	$ 3,253,398	$ 7,818,029	$ 11,071,427

Interurban Transit Partnership

Combining Statement of Changes in Plan Net Position
Pension Trust Funds

Year ended June 30, 2016	Administrative Plan	Non-administrative Plan	Total
Additions			
Employer and employee contributions	$ 434,492	$ 644,412	$ 1,078,904
Investment income (loss):			
Net depreciation	(90,707)	(284,545)	(375,252)
Interest	124	190	314
Dividends	108,728	287,980	396,708
Investment expense	(18,371)	(40,621)	(58,992)
Total investment income	(226)	(36,996)	(37,222)
Total additions	434,266	607,416	1,041,682
Deductions			
Benefits	214,300	499,710	714,010
Administrative expense	17,484	25,584	43,068
Total deductions	231,784	525,294	757,078
Change in net position	202,482	82,122	284,604
Net Position Held in Trust for Pension Benefits, beginning of year	3,050,916	7,735,907	10,786,823
Net Position Held in Trust for Pension Benefits, end of year	$ 3,253,398	$ 7,818,029	$ 11,071,427

Interurban Transit Partnership

Schedule of Non-operating Revenues - Local

Year ended September 30, 2016

Local Revenue		
Property taxes	$	14,893,302
Grand Valley State University		2,652,104
Network180		1,103,458
DASH - City of Grand Rapids		1,112,407
Van pool		157,566
Ferris State University		70,036
Grand Rapids Community College		115,638
Amtrak		121,639
Alpine Township		83,143
Byron Township		63,533
Cascade Township		273,268
Gaines Township		48,736
Other local services		35,195
Total local revenue		20,730,025
Other Income		
Gain on sale of property		143,449
Retail lease		53,558
Interest income		50,848
Miscellaneous		54,482
Total other income		302,337
Total Non-operating Revenues - Local	$	21,032,362

Interurban Transit Partnership

Schedule of Non-operating Revenues - State and Federal

Year ended September 30, 2016	
State of Michigan Grants	
General operating assistance	$ 11,801,047
Capital assistance	527,127
Planning and miscellaneous project assistance	135,340
Specialized services	463,289
Total State of Michigan grants	12,926,803
Federal Government Grants	
Capital assistance	2,108,508
Planning and miscellaneous project assistance	546,254
Total federal government grants	2,654,762
Total Non-operating Revenues - State and Federal	$ 15,581,565

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Year ended September 30, 2016	Operations	General Maintenance
Labor		
Operators' salaries and wages	$ 10,795,457	$ -
Other salaries and wages	1,375,547	1,963,600
Dispatchers' salaries and wages	128,327	-
Total labor	12,299,331	1,963,600
Fringe Benefits		
Pension	278,983	54,350
Other fringe benefits	5,791,361	942,242
Total fringe benefits	6,070,344	996,592
Services		
Audit fees	-	-
Other services	392,344	1,055,660
Total services	392,344	1,055,660
Materials and Supplies Consumed		
Fuel and lubricants	2,283,503	-
Tires and tubes	-	31,387
Other materials and supplies	6,209	1,340,471
Total materials and supplies consumed	2,289,712	1,371,858
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	1,041,450	-
Other insurance	-	-
Total casualty and liability costs	1,041,450	-

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations			
Administration	Total	Grants	Total System
$ -	$ 10,795,457	$ -	$ 10,795,457
1,800,428	5,139,575	40,046	5,179,621
-	128,327	-	128,327
1,800,428	16,063,359	40,046	16,103,405
156,470	489,803	-	489,803
872,205	7,605,808	21,801	7,627,609
1,028,675	8,095,611	21,801	8,117,412
46,250	46,250	-	46,250
848,685	2,296,689	610,287	2,906,976
894,935	2,342,939	610,287	2,953,226
-	2,283,503	-	2,283,503
-	31,387	291,035	322,422
98,175	1,444,855	153,482	1,598,337
98,175	3,759,745	444,517	4,204,262
738,681	738,681	-	738,681
-	1,041,450	-	1,041,450
277,832	277,832	-	277,832
277,832	1,319,282	-	1,319,282

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Year ended September 30, 2016	Operations	General Maintenance
Purchased Transportation	$ 7,132,608	$ -
Miscellaneous		
Travel and meetings	3,249	3,461
Advertising/promotion media	-	-
Other miscellaneous	2,016	46,307
Total miscellaneous	5,265	49,768
Leases and Rentals	-	-
Depreciation	-	-
Preventive Maintenance	-	(1,126,761)
Total Expenses	$ 29,231,054	$ 4,310,717

Interurban Transit Partnership

Schedule of Operating Expenses by Function

	Operations			
	Administration	Total	Grants	Total System
	$ -	$ 7,132,608	$ 1,340,519	$ 8,473,127
	23,993	30,703	108,800	139,503
	268,719	268,719	59,560	328,279
	129,392	177,715	28,230	205,945
	422,104	477,137	196,590	673,727
	-	-	-	-
	10,392,913	10,392,913	-	10,392,913
	-	(1,126,761)	1,126,761	-
	$ 15,653,743	$ 49,195,514	$ 3,780,521	$ 52,976,035

Interurban Transit Partnership

Schedule of Expenses by Grant

Year ended September 30, 2016	Total	001 General Operations
Expenses		
Labor	$ 16,103,405	$ 16,063,359
Fringe benefits	8,117,412	8,095,611
Services	2,953,226	2,342,939
Materials and supplies consumed	4,204,262	3,759,745
Utilities	738,681	738,681
Casualty and liability costs	1,319,282	1,319,282
Purchased transportation	8,473,127	7,132,608
Miscellaneous	673,727	477,137
Leases and rentals	-	-
Preventive maintenance	-	(1,126,761)
Depreciation	10,392,913	10,392,913
Total Expenses	$ 52,976,035	$ 49,195,514

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	530 MI-2016-X009 12-0104-P12 FY16 Section 5307	770 MI-95-X064 07-0230-Z27 FY11 Section 5307
$ -	$ -	$ -	$ -	$ 40,046
-	-	-	-	21,801
118,462	64,583	355,232	43,153	-
1,546	4,935	430,423	-	7,613
-	-	-	-	-
-	-	-	-	-
-	-	710,819	74,247	92,164
29,630	469	96,928	8,986	60,577
-	-	-	-	-
-	-	500,001	626,760	-
-	-	-	-	-
$ 149,638	$ 69,987	$ 2,093,403	$ 753,146	$ 222,201

Interurban Transit Partnership

Schedule of Expenses by Grant

Year ended September 30, 2016	865 MI-03-X239 07-0230-Z18 FY09 Section 5309	866 MI-90-X003 07-0230-Z21	792 12-0104-P12 Specialized Services
Expenses			
Labor	$ -	$ -	$ -
Fringe benefits	-	-	-
Services	23,964	4,893	-
Materials and supplies consumed	-	-	-
Utilities	-	-	-
Casualty and liability costs	-	-	-
Purchased transportation	-	-	463,289
Miscellaneous	-	-	-
Leases and rentals	-	-	-
Preventive maintenance	-	-	-
Depreciation	-	-	-
Total Expenses	$ 23,964	$ 4,893	$ 463,289

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

Year ended September 30, 2016	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	$ 10,795,457	$ -	$ -	$ 10,795,457
Other salaries and wages	1,375,547	1,963,600	1,800,428	5,139,575
Dispatchers' salaries and wages	128,327	-	-	128,327
Total labor	12,299,331	1,963,600	1,800,428	16,063,359
Fringe Benefits				
Pension	278,983	54,350	156,470	489,803
Other fringe benefits	5,791,361	942,242	872,205	7,605,808
Total fringe benefits	6,070,344	996,592	1,028,675	8,095,611
Services				
Audit fees	-	-	46,250	46,250
Other services	392,344	1,055,660	848,685	2,296,689
Total services	392,344	1,055,660	894,935	2,342,939
Materials and Supplies Consumed				
Fuel and lubricants	2,283,503	-	-	2,283,503
Tires and tubes	-	31,387	-	31,387
Other materials and supplies	6,209	1,340,471	98,175	1,444,855
Total materials and supplies consumed	2,289,712	1,371,858	98,175	3,759,745
Utilities				
Other	-	-	738,681	738,681
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	1,041,450	-	-	1,041,450
Other insurance	-	-	277,832	277,832
Total casualty and liability costs	1,041,450	-	277,832	1,319,282
Purchased Transportation	7,132,608	-	-	7,132,608
Miscellaneous				
Travel and meetings	3,249	3,461	23,993	30,703
Advertising/promotion media	-	-	268,719	268,719
Other miscellaneous	2,016	46,307	129,392	177,715
Total miscellaneous	5,265	49,768	422,104	477,137
Depreciation	-	-	10,392,913	10,392,913
Preventive Maintenance	-	(1,126,761)	-	(1,126,761)
Total Expenses	$ 29,231,054	$ 4,310,717	$ 15,653,743	$ 49,195,514

Interurban Transit Partnership

Schedule of Regular Service Revenues - Urban

Year ended September 30, 2016

Operating Revenues	
Passenger fares	$ 7,502,863
Advertising	153,944
Total operating revenues	7,656,807
Non-operating Revenues	
State and federal assistance	15,581,565
Local Revenue	
Property taxes	14,893,302
Grand Valley State University	2,652,104
Network180	1,103,458
DASH - City of Grand Rapids	-
Van pool	-
Ferris State University	-
Grand Rapids Community College	-
Amtrak	-
Alpine Township	83,143
Byron Township	63,533
Cascade Township	273,268
Gaines Township	48,736
Other local services	35,195
Total local revenue	19,152,739
Other Income	
Gain on sale of property	143,449
Retail lease	53,558
Interest income	50,848
Miscellaneous	54,482
Total other income	302,337
Total Revenues	$ 42,693,448

Interurban Transit Partnership

Schedule of Hours and Miles - Urban

Year ended September 30, 2016	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	379,136	33,540	13,872	426,548
Revenue hours - linehaul	36,520	32,396	13,311	82,227
Total vehicle hours - bus rapid transit	24,576	2,548	1,938	29,062
Revenue hours - bus rapid transit	23,296	2,444	1,836	27,576
Total vehicle hours - demand response	142,592	12,272	11,284	166,148
Revenue hours - demand response	121,856	10,608	9,516	141,980
Total vehicle miles - linehaul	4,769,024	427,024	167,484	5,363,532
Revenue miles - linehaul	4,524,288	407,160	156,723	5,088,171
Total vehicle miles - bus rapid transit	340,992	31,928	24,633	397,553
Revenue miles - bus rapid transit	318,720	30,420	22,848	371,988
Total vehicle miles - demand response	2,194,432	172,068	164,060	2,530,560
Revenue miles - demand response	1,892,864	148,928	141,856	2,183,648

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

Year ended September 30, 2016	State Operating Assistance Urban	State Operating Assistance Non-urban	Total
General Operating Expenses	$ 50,322,277	$ -	$ 50,322,277
Less Ineligible Expenses			
Depreciation expense	10,392,913	-	10,392,913
Preventive maintenance	1,126,761	-	1,126,761
Amtrak-billed directly to the State of Michigan	124,707	-	124,707
APTA and MPTA dues	12,253	-	12,253
Other (lobbying fees)	5,355	-	5,355
Expenses associated with goodwill lease	5,036	-	5,036
	11,667,025	-	11,667,025
Eligible Operating Expenses	$ 38,655,252	$ -	$ 38,655,252
Maximum State Operating Assistance (50/60%)	$ 19,327,626	$ -	$ 19,327,626
State Operating Assistance Accrual (29.00%)	$ 11,210,023	$ -	$ 11,210,023

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 FY16 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 FY16.

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Year ended September 30, 2016	Federal CFDA Number	Passed Through	Pass-Through Federal Grantor Number	Passed Through to Subrecipients	Total Federal Expenditures
Federal Grantor/Program Title					
Federal Awards Directly Distributed to the Interurban Transit Partnership					
Department of Transportation - Federal Transit Authority					
Federal Transit Cluster:					
FTA Formula Grants	20.507	Direct	MI-90-X626	$ -	$ 122,888
FTA Formula Grants	20.507	Direct	MI-90-X626	-	61,837
FTA Formula Grants	20.507	Direct	MI-90-X658	-	7,272,996
FTA Formula Grants	20.507	Direct	MI-2016-0009	-	2,884,326
FTA Formula Grants	20.507	Direct	MI-90-X626	-	267,239
FTA Investment Grants	20.500	Direct	MI-03-0239	-	25,308
FTA-Bus and Bus Facilities Formula Program	20.526	Direct	MI-2016-0009	-	589,496
Total Federal Transit Cluster				-	11,224,090
FTA Alternative Analysis	20.522	Direct	MI-39-0003	-	4,893
Total Federal Awards Directly Distributed to the Interurban Transit Partnership				-	11,228,983
Total Federal Awards				$ -	$ 11,228,983

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of ITP under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of ITP, it is not intended to and does not present the financial position, changes in net assets or cash flows of ITP.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Agency has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Interurban Transit Partnership

Schedule of Expenditures of State Awards

Year ended September 30, 2016	State Grantor Number	Grantee Number
Program		
Section 5307	2007-0230-Z28-01	490
Section 5307	2007-0230-z8-01	500
Section 5307	12-0104-p7	510
Section 5307	2012-0104-p12	530
Section 5307	2007-0230-z27	770
Specialized Services	2012-0104-p12	791
Specialized Services	2012-0104-p12	792
Section 5309	2012-0104-p10	842
Section 5309	2012-0104-p10	843
Section 5309	2007-0230-z18	865
Section 5309	2012-0104	868
Total State Assistance		

Accrued (Unearned) Revenue 10/1/15	Receipts	Expenditures	Accrued (Unearned) Revenue 9/30/16
$ 39,176	$ 69,900	$ 30,724	$ -
2,163	9,760	15,459	7,862
1,238,937	2,545,124	1,818,249	512,062
-	-	721,081	721,081
175,902	140,580	66,810	102,132
115,823	115,823	-	-
-	347,466	463,289	115,823
-	-	-	-
-	-	147,374	147,374
27,713	34,041	6,328	-
(347)	-	-	(347)
$ 1,599,367	$ 3,262,694	$ 3,269,314	$ 1,605,987

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Additional Information

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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Interurban Transit Partnership (ITP) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise ITP's basic financial statements and have issued our report thereon dated February 6, 2017

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

February 6, 2017

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

We have audited Interurban Transit Partnership's (ITP) compliance with the types of compliance requirements described in the OMB's *Compliance Supplement* that could have a direct and material effect on each of ITP's major federal programs for the year ended September 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

February 6, 2017

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:	unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified?	none reported
Type of auditor's report issued on compliance for major federal programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

Identification of major federal programs:

CFDA Number	*Name of Federal Program or Cluster*
20.500, 20.507 and 20.526	Federal Transit Cluster

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

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