



Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2010 and 2009

Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2010 and 2009

This page intentionally left blank.

Interurban Transit Partnership

Contents

| | |
|---|-------|
| Independent Auditors' Report | 5-7 |
| Management's Discussion and Analysis | 9-13 |
| Basic Financial Statements | |
| Enterprise Fund: | |
| Statements of Net Assets | 16-17 |
| Statements of Revenues, Expenses and Changes in Net Assets | 19 |
| Statements of Cash Flows | 20-21 |
| Fiduciary Funds: | |
| Statements of Fiduciary Net Assets | 22 |
| Statements of Changes in Fiduciary Net Assets | 23 |
| Notes to Financial Statements | 24-34 |
| Required Supplemental Information | |
| Schedules of Funding Progress | 36-37 |
| Combining Statements and Supplemental Schedules | |
| Pension Trust Funds: | |
| Combining Statement of Plan Net Assets | 40 |
| Combining Statement of Changes in Plan Net Assets | 41 |
| Schedule of Non-operating Revenues - Local | 42 |
| Schedule of Non-operating Revenues - State and Federal | 43 |
| Schedule of Operating Expenses by Function | 44-47 |
| Schedule of Expenses by Grant | 48-51 |
| Schedule of Regular Service Expenses by Function - Urban | 52-53 |
| Schedule of Regular Service Revenues - Urban | 55 |
| Schedule of Hours and Miles - Urban | 57 |
| Schedule of Operating Assistance Calculation | 59 |
| Schedule of Expenditures of Federal Awards | 60-61 |
| Schedule of Expenditures of State Awards | 62-63 |
| Additional Information | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 69-71 |
| Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 | 75-77 |
| Schedule of Findings and Questioned Costs | 79 |

This page intentionally left blank.



Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited the accompanying financial statements of Interurban Transit Partnership (ITP) as of and for the years ended September 30, 2010 and 2009 (as of and for the years ended June 30, 2010 and 2009 for the Pension Trust Funds), which collectively comprise ITP's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ITP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Partnership at September 30, 2010 and 2009 (June 30, 2010 and 2009 for the Pension Trust Funds), and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated January 13, 2011 on our consideration of ITP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This page intentionally left blank.

Management's Discussion and Analysis and the Required Supplemental Information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of ITP taken as a whole. The accompanying combining statements, supplemental schedules and additional 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 of ITP. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO USA, LLP

Certified Public Accountants
January 13, 2011

This page intentionally left blank.

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, 2010 and 2009.

Financial Highlights

- The state operating assistance rate continued to fall from 30.63% in FY08 to 30.16% in FY09 and 29.74% in FY10.
- Property tax revenues fell by 4.5% in FY10 as a result of the poor housing market.
- ITP made two significant real property purchases during FY10. The first of which was \$970,000 for a parcel adjacent to its maintenance and bus storage facility to be used for that facility's expansion. Federal and state capital grant funding was used for that purchase. The second purchase for \$440,000 was a parcel in Kentwood, Michigan to be developed into a substation/transfer center. ITP used its restricted net assets, which had been set aside for this purpose, to fund this purchase.
- ITP grew its unrestricted net assets (fund balance) by approximately \$577,000 for the year ended September 30, 2010 as a result of good fiscal performance.

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 Assets. All assets and liabilities associated with the operation of ITP are included in the Statements of Net Assets.

The Statements of Net Assets report the net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the financial health or position of ITP.

The remainder of this page intentionally left blank.

Financial Analysis of ITP

Net Assets

ITP's total net assets expanded to \$82 million during FY10, an increase of 10.0% from FY09 (see Table A-1) and 26.7% since the end of FY08.

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

| <i>September 30,</i> | 2010 | 2009 | 2008 |
|----------------------------|------------------|------------------|------------------|
| Current assets | \$ 22,258 | \$ 18,454 | \$ 16,629 |
| Capital assets, net | 68,363 | 61,034 | 52,252 |
| Total assets | 90,621 | 79,488 | 68,881 |
| Current liabilities | 8,287 | 4,620 | 3,887 |
| Net assets | | | |
| Invested in capital assets | 68,363 | 61,034 | 52,252 |
| Restricted for STC project | - | 440 | 440 |
| Unrestricted | 13,971 | 13,394 | 12,302 |
| Total Net Assets | \$ 82,334 | \$ 74,868 | \$ 64,994 |

ITP secured \$10.6 million in American Recovery and Reinvestment Act (ARRA) funds during FY09. These funds allowed ITP to move forward its needed fleet maintenance facility expansion. Expenditures for this major construction project totaled \$9.2 million in FY10 and \$1.9 million in FY09. During the year, ITP purchased a parcel of land for use in this project for nearly \$1 million. ITP also purchased a parcel of land to be used as a transfer station in Kentwood, Michigan using \$440,000 of funds that had been set aside for this purpose (restricted net assets).

The remainder of this page intentionally left blank.

Changes in Net Assets

Net assets grew by \$7.5 million from September 30, 2009 to September 30, 2010 (see Table A-2).

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

| <i>Year ended September 30,</i> | 2010 | 2009 | 2008 |
|--|------------------|------------------|------------------|
| Operating revenues | | | |
| Passenger fares | \$ 5,242 | \$ 5,227 | \$ 4,879 |
| Advertising | 102 | 80 | 90 |
| Total operating revenues | 5,344 | 5,307 | 4,969 |
| Operating expenses | | | |
| Salaries and benefits | 18,700 | 19,079 | 17,121 |
| Other operating expenses | 17,402 | 16,632 | 17,342 |
| Depreciation | 8,523 | 7,428 | 7,095 |
| Total operating expenses | 44,625 | 43,139 | 41,558 |
| Operating loss | (39,281) | (37,832) | (36,589) |
| Non-operating revenues | | | |
| Property taxes | 11,710 | 12,262 | 12,238 |
| Other local | 6,165 | 6,007 | 5,409 |
| State and federal | 13,522 | 13,228 | 13,455 |
| Total non-operating revenues | 31,397 | 31,497 | 31,102 |
| Loss before capital contributions | (7,884) | (6,335) | (5,487) |
| Capital contributions | 15,350 | 16,209 | 6,875 |
| Change in net assets | 7,466 | 9,874 | 1,388 |
| Net Assets, beginning of year | 74,868 | 64,994 | 63,606 |
| Net Assets, end of year | \$ 82,334 | \$ 74,868 | \$ 64,994 |

The sluggish economy and poor housing markets impacted fare revenues, which were flat, and property tax revenues, which declined 4.5%. Other revenues tended to trend slightly upward.

ITP realized a reduction in wage and benefit expenditures as a result of fiscal policy decisions which had favorable results.

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

| <i>Year ended September 30,</i> | 2010 | 2009 | Percentage Change |
|---------------------------------|-----------|-----------|----------------------|
| Labor | \$ 12,073 | \$ 12,180 | (0.9) |
| Fringe benefits | 6,628 | 6,898 | (3.9) |
| Services | 3,162 | 2,427 | 30.3 |
| Materials and supplies | 3,895 | 3,709 | 5.0 |
| Utilities | 537 | 510 | 5.3 |
| Casualty and liability | 692 | 924 | (25.1) |
| Purchased transportation | 8,542 | 8,476 | 0.8 |
| Miscellaneous | 517 | 541 | (4.4) |

Service expenditures rose significantly as ITP pursued two major grant funded projects. The first of which was the Transit Master Plan, a project that is undertaken every ten years and provides direction for service expansion and enhancement priorities for the next two decades. The second project consisted of various required tasks furthering ITP's pursuit of a BRT (bus rapid transit) service. Both of these projects exceeded \$500,000 in expenditures. A change in providers for ITP's PL/PD insurance coverage, as well as a refund for a previous policy period, resulted in a 25% reduction in this line item for the year.

Capital Assets

As of September 30, 2010, ITP had invested nearly \$110 million in capital assets including construction in progress, land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2010 totaled approximately \$68.3 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$7.3 million or 12.0% over September 30, 2009.

Table A-4
Capital Assets, net of depreciation
(in thousands of dollars)

| <i>September 30,</i> | 2010 | 2009 | Percentage Change |
|------------------------------------|------------------|------------------|----------------------|
| Construction in progress | \$ 11,151 | \$ 1,924 | 479.6 |
| Land | 8,011 | 6,605 | 21.3 |
| Artwork | 368 | 368 | - |
| Easements | 55 | - | 100 |
| Land improvements | 195 | 145 | 34.5 |
| Facilities | 18,318 | 20,410 | (10.3) |
| Revenue vehicles | 26,343 | 27,316 | (3.56) |
| Support equipment | 2,466 | 2,500 | (1.4) |
| Information systems and technology | 1,280 | 1,742 | (26.5) |
| Software | 176 | 24 | 633.3 |
| Total Net Capital Assets | \$ 68,363 | \$ 61,034 | 12.0 |

The fleet maintenance facility expansion continued and resulted in expenditures of a \$9.2 million balance in construction in progress. Land associated with this project was purchased for just less than \$1 million while another parcel was purchased to be used as a transfer center in Kentwood, Michigan.

See Note 3 for additional information on capital assets.

Economic Factors and Next Year's Budget

A significant source of ITP's operating revenues is provided by the State of Michigan. These revenues are based upon total eligible operating expenses, as defined by the Michigan Department of Transportation, and represent a percentage of these eligible expenses.

As the State of Michigan continues to face difficult budgetary issues, there is annual uncertainty about the funding for public transit. In addition, area-wide taxable values were down this past year resulting in a reduction in property tax revenues. For the next year and perhaps beyond, ITP expects to see a decline in taxable values throughout its service areas and, accordingly, expects to see a decline in the related revenues.

ITP is contemplating a calendar year 2011 millage request to fund the first of the service improvements and enhancements called for in the Master Transit Plan. This transit plan represents the community's priorities for improvements over a 20 year period. If the millage request moves forward and passes, it will fund the first set of improvements to be implemented in the first five years.

This page intentionally left blank.

Basic Financial Statements

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

| <i>September 30,</i> | 2010 | 2009 |
|------------------------------------|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and investments (Note 2) | \$ 13,545,485 | \$ 12,165,971 |
| Property taxes receivable, net | 1,569,598 | 1,037,864 |
| Due from federal government | 5,011,957 | 1,254,725 |
| Due from State of Michigan | 347,657 | 1,483,044 |
| Billed receivables | 1,112,977 | 1,869,132 |
| Materials and supplies inventories | 493,666 | 495,154 |
| Prepaid expenses and deposits | 177,073 | 148,498 |
| Total Current Assets | 22,258,413 | 18,454,388 |
| Capital Assets (Note 3) | | |
| Facilities | 28,997,559 | 29,394,963 |
| Revenue vehicles | 42,270,139 | 48,982,122 |
| Support equipment | 9,098,869 | 9,160,614 |
| Land and improvements | 8,863,891 | 7,382,830 |
| Information systems technology | 9,051,891 | 8,042,112 |
| Other nondepreciable assets | 423,470 | 368,470 |
| Construction in progress | 11,151,083 | 1,923,979 |
| | 109,856,902 | 105,255,090 |
| Less accumulated depreciation | (41,493,639) | (44,221,188) |
| Net Capital Assets | 68,363,263 | 61,033,902 |
| Total Assets | \$ 90,621,676 | \$ 79,488,290 |

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

| <i>September 30,</i> | 2010 | 2009 |
|--|----------------------|----------------------|
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 3,088,280 | \$ 1,947,957 |
| Employee compensation and related withholdings | 2,164,013 | 2,064,488 |
| Unredeemed fares | 64,070 | 116,536 |
| Deferred revenues | 54,180 | 42,578 |
| Reserve for future PL/PD claims | 181,049 | - |
| Due to State of Michigan | 2,736,006 | 448,352 |
| Total Current Liabilities | 8,287,598 | 4,619,911 |
| Net Assets | | |
| Invested in capital assets | 68,363,263 | 61,033,902 |
| Restricted | - | 440,492 |
| Unrestricted | 13,970,815 | 13,393,985 |
| Total Net Assets | \$ 82,334,078 | \$ 74,868,379 |

See accompanying notes to financial statements.

This page intentionally left blank.

Interurban Transit Partnership

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

| <i>Year ended September 30,</i> | 2010 | 2009 |
|--|----------------------|----------------------|
| Operating Revenues | | |
| Passenger fares | \$ 5,242,304 | \$ 5,227,018 |
| Advertising (Note 1) | 102,186 | 79,617 |
| Total operating revenues | 5,344,490 | 5,306,635 |
| Operating Expenses | | |
| Salaries and fringe benefits | 18,700,429 | 19,079,004 |
| Supplies and other operating expenses | 17,402,160 | 16,632,280 |
| Depreciation | 8,523,216 | 7,427,759 |
| Total operating expenses | 44,625,805 | 43,139,043 |
| Operating loss | (39,281,315) | (37,832,408) |
| Non-operating Revenues | | |
| State and federal | 13,522,107 | 13,227,569 |
| Property taxes | 11,709,833 | 12,261,811 |
| Other local | 6,165,330 | 6,007,839 |
| Total non-operating revenues | 31,397,270 | 31,497,219 |
| Loss before capital contributions | (7,884,045) | (6,335,189) |
| Capital Contributions | 15,349,744 | 16,209,663 |
| Change in net assets | 7,465,699 | 9,874,474 |
| Net Assets, beginning of year | 74,868,379 | 64,993,905 |
| Net Assets, end of year | \$ 82,334,078 | \$ 74,868,379 |

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

| <i>Year ended September 30,</i> | 2010 | 2009 |
|--|----------------------|----------------------|
| Cash for Operating Activities | | |
| Receipts from customers | \$ 5,265,440 | \$ 5,274,072 |
| Payments to suppliers | (21,271,081) | (21,953,932) |
| Payments to employees | (13,049,575) | (13,139,341) |
| Net cash for operating activities | (29,055,216) | (29,819,201) |
| Cash From Noncapital Financing Activities | | |
| Federal grants received | 1,905,137 | 2,322,596 |
| State grants received | 12,006,403 | 11,136,831 |
| Local government assistance received | 5,104,886 | 5,687,188 |
| Property taxes | 11,226,492 | 12,365,083 |
| Other income | 148,685 | 119,894 |
| Net cash from noncapital financing activities | 30,391,603 | 31,631,592 |
| Cash for Capital and Related Financing Activities | | |
| Federal contributed capital | 10,438,994 | 13,116,935 |
| State contributed capital | 5,153,148 | 1,135,954 |
| Purchase of capital assets | (15,852,571) | (16,209,663) |
| Proceeds from sale of capital assets | 216,586 | 40,796 |
| Net cash for capital and related financing activities | (43,843) | (1,915,978) |
| Cash From Investing Activity | | |
| Interest received on investments | 86,970 | 158,037 |
| Net Increase in Cash and Cash Equivalents | 1,379,514 | 54,450 |
| Cash and Investments, beginning of year | 12,165,971 | 12,111,521 |
| Cash and Investments, end of year | \$ 13,545,485 | \$ 12,165,971 |

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

| <i>Year ended September 30,</i> | 2010 | 2009 |
|---|------------------------|------------------------|
| Reconciliation of Operating Loss to Net Cash for Operating Activities | | |
| Operating loss | \$ (39,281,315) | \$ (37,832,408) |
| Adjustments to reconcile operating loss to net cash for operating activities: | | |
| Depreciation | 8,523,216 | 7,427,759 |
| Changes in assets and liabilities: | | |
| Increase in billed receivables | (79,050) | (32,563) |
| Decrease (increase) in inventories | 1,488 | (79,658) |
| Increase in prepaid expenses and deposits | (28,575) | (35,041) |
| Increase in accounts payable | 1,140,323 | 497,667 |
| Increase in accrued payroll | 99,525 | 193,662 |
| Increase (decrease) in unredeemed fares | (52,466) | 41,985 |
| Increase (decrease) in other liabilities | 621,638 | (604) |
| Net Cash for Operating Activities | \$ (29,055,216) | \$ (29,819,201) |

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Fiduciary Net Assets

| <i>June 30,</i> | Pension Trust Funds | |
|--|---------------------|---------------------|
| | 2010 | 2009 |
| Assets | | |
| Cash and short-term investments (Note 2) | \$ 107,529 | \$ 1,042,221 |
| Receivables | | |
| Employer contributions | 29,324 | 28,302 |
| Interest and dividends receivable | 792 | 1,083 |
| Due from non-administrative plan | 3,637 | 9,157 |
| Total receivables | 33,753 | 38,542 |
| Investments, at fair value (Note 2) | | |
| Bond mutual funds | 1,753,741 | 856,785 |
| Equity mutual funds | 4,732,701 | 3,952,996 |
| Total investments | 6,486,442 | 4,809,781 |
| Total Assets | 6,627,724 | 5,890,544 |
| Liabilities | | |
| Due to administrative plan | 3,637 | 9,157 |
| Net Assets Held in Trust for Pension Benefits | \$ 6,624,087 | \$ 5,881,387 |

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Changes in Fiduciary Net Assets

| <i>Year ended June 30,</i> | Pension Trust Funds | |
|---|---------------------|---------------------|
| | 2010 | 2009 |
| Additions | | |
| Employer contributions | \$ 751,483 | \$ 728,150 |
| Investment income: | | |
| Net appreciation (depreciation) | 583,632 | (1,294,795) |
| Interest | 57,663 | 79,354 |
| Dividends | 81,554 | 146,425 |
| Other | - | (20) |
| Investment expense | (37,487) | (35,745) |
| Fee rebates | 6,942 | 6,033 |
| Total investment income | 692,304 | (1,098,748) |
| Total additions | 1,443,787 | (370,598) |
| Deductions | | |
| Benefits | 669,882 | 929,102 |
| Administrative expense | 31,205 | 35,367 |
| Total deductions | 701,087 | 964,469 |
| Change in net assets | 742,700 | (1,335,067) |
| Net Assets Held in Trust for Pension Benefits, beginning of year | 5,881,387 | 7,216,454 |
| Net Assets Held in Trust for Pension Benefits, end of year | \$ 6,624,087 | \$ 5,881,387 |

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 0.95 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.

The Enterprise Fund follows applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless these pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements. ITP has elected to apply only GASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

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

Materials and Supplies Inventories

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

Investments

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

Capital Assets

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

Interurban Transit Partnership

Notes to Financial Statements

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

| | Years |
|----------------------------|---------|
| Land improvements | 10 - 30 |
| Buildings and improvements | 20 - 40 |
| Revenue vehicles | 3 - 12 |
| Machinery and equipment | 3 - 10 |

Deferred Revenues

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

Net Assets

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

Compensated Absences

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

Property Taxes

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

Property taxes are recognized as revenue when levied, with proper allowances made for estimated uncollectible amounts. The current millage rate was approved in May 2007 at 1.12 mills for collections beginning in 2008.

Interurban Transit Partnership

Notes to Financial Statements

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.

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, 2010, the bank balances were \$10,734,780, of which \$8,226,157 was uninsured and uncollateralized.

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, banker's 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, 2010, 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 | \$ 2,542,813 |
| Municipal Investment Funds | Less than 1 year | 56,707 |
| Total | | \$ 2,599,520 |

Interurban Transit Partnership

Notes to Financial Statements

At June 30, 2010, ITP's Pension Trust Funds had investments in mutual funds with a value of \$6,486,442 and 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, 2010.

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, 2010, ITP's investments had the following credit ratings and exposure:

| <i>Investment Type</i> | Rating | Credit Exposure as a Percent of Total Investments |
|-----------------------------|-------------|---|
| Enterprise Fund | | |
| Kent County Investment Pool | Not rated | 97.8% |
| Municipal Investment Funds | Moody's Aaa | 2.2 |
| Pension Trust Funds | | |
| Money market funds | Not rated | 1.6 |
| Bond mutual funds | Not rated | 26.6 |

Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2010 is as follows:

| | Balance October 1, 2009 | Additions | Transfers/ Deletions | Balance September 30, 2010 |
|---------------------------------------|-------------------------------|---------------------|-------------------------|----------------------------------|
| Assets | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 1,923,979 | \$ 9,227,104 | \$ - | \$ 11,151,083 |
| Land | 6,605,315 | 1,406,123 | - | 8,011,438 |
| Artwork | 368,470 | - | - | 368,470 |
| Easements | - | 55,000 | - | 55,000 |
| Capital assets being depreciated: | | | | |
| Land improvements | 777,515 | 74,938 | - | 852,453 |
| Facilities | 29,394,963 | 119,929 | 517,333 | 28,997,559 |
| Revenue vehicles | 48,982,122 | 2,786,441 | 9,498,424 | 42,270,139 |
| Support equipment | 9,160,614 | 1,030,131 | 1,091,876 | 9,098,869 |
| Information systems and technology | 7,610,221 | 960,775 | 143,132 | 8,427,864 |
| Software | 431,891 | 192,136 | - | 624,027 |
| Total assets | 105,255,090 | 15,852,577 | 11,250,765 | 109,856,902 |
| Accumulated depreciation: | | | | |
| Land improvements | 632,601 | 24,444 | - | 657,045 |
| Facilities | 8,986,420 | 2,211,231 | 517,334 | 10,680,317 |
| Revenue vehicles | 21,665,875 | 3,760,065 | 9,498,425 | 15,927,517 |
| Support equipment | 6,660,578 | 1,063,826 | 1,091,876 | 6,632,528 |
| Information systems and technology | 5,867,840 | 1,423,107 | 143,131 | 7,147,816 |
| Software | 407,874 | 40,542 | - | 448,416 |
| Total accumulated depreciation | 44,221,188 | 8,523,216 | 11,250,765 | 41,493,639 |
| Net Capital Assets | \$ 61,033,902 | \$ 7,329,362 | \$ - | \$ 68,363,263 |

Cost to complete the construction in progress is approximately \$20.3 million.

Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2009 is as follows:

| | Balance October 1, 2008 | Additions | Transfers/ Deletions | Balance September 30, 2009 |
|---------------------------------------|-------------------------------|---------------------|-------------------------|----------------------------------|
| Assets | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 1,923,979 | \$ - | \$ 1,923,979 |
| Land | 6,597,870 | 7,445 | - | 6,605,315 |
| Artwork | 209,921 | 158,549 | - | 368,470 |
| Capital assets being depreciated: | | | | |
| Land improvements | 777,515 | - | - | 777,515 |
| Buildings and improvements | 29,182,019 | 213,893 | 949 | 29,394,963 |
| Revenue vehicles | 38,841,957 | 12,810,523 | 2,670,358 | 48,982,122 |
| Machinery and equipment | 16,553,150 | 1,095,274 | 445,698 | 17,202,726 |
| Total assets | 92,162,432 | 16,209,663 | 3,117,005 | 105,255,090 |
| Accumulated depreciation: | | | | |
| Land improvements | 620,647 | 11,954 | - | 632,601 |
| Buildings and improvements | 7,885,143 | 1,102,226 | 949 | 8,986,420 |
| Revenue vehicles | 20,753,006 | 3,583,227 | 2,670,358 | 21,665,875 |
| Machinery and equipment | 10,651,638 | 2,730,352 | 445,698 | 12,936,292 |
| Total accumulated depreciation | 39,910,434 | 7,427,759 | 3,117,005 | 44,221,188 |
| Net Capital Assets | \$ 52,251,998 | \$ 8,781,904 | \$ - | \$ 61,033,902 |

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:

| | 2010 | 2009 |
|--|-----------|-----------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 31 | 30 |
| Current active members | 13 | 15 |
| Total | 44 | 45 |

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 \$309,630 and \$245,092, and the contribution totaled \$341,366 and \$299,212 for the years ended September 30, 2010 and 2009, 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 |
|---------------------------------|------------------------------------|-------------------------------------|------------------------------|
| 2008 | \$ 226,300 | 155.0 | - |
| 2009 | 245,092 | 122.1 | - |
| 2010 | 309,630 | 110.3 | - |

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 48.6% funded. The actuarial accrued liability for benefits was \$4,307,750, and the actuarial value of assets was \$2,092,892, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,214,858.

The schedule of funding progress, presented as required supplemental 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, 2010 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, 2010 was 30 years. The covered payroll (annual payroll of active employees covered by the plan) was \$909,585.

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 month 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:

| | 2010 | 2009 |
|--|------------|------------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 124 | 120 |
| Transferred to non-union | 15 | 16 |
| Active plan members | 226 | 229 |
| Total | 365 | 365 |

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, 2009 to June 30, 2010, this rate is \$.80 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 448,915 and \$345,966, and the contribution totaled \$410,117 and \$428,938 for the years ended September 30, 2010 and 2009, 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 |
|---------------------------------|------------------------------------|-------------------------------------|------------------------------|
| 2008 | \$ 300,837 | 111.3 | - |
| 2009 | 345,966 | 124.0 | - |
| 2010 | 448,915 | 91.4 | - |

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 71.90% funded. The actuarial accrued liability for benefits was \$7,119,898, and the actuarial value of assets was \$5,121,284, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,998,614.

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, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return. The actuarial value of assets was determined using the average of expected assets and market value of assets, but not less than 80%, nor more than 120% of market value. The UAAL is being amortized using the level dollar open method. The remaining amortization period at July 1, 2010 was 30 years.

Defined Contribution - Administrative Plan

ITP has a non-contributory defined contribution benefit plan for its administrative employees. The plan was established July 1, 2000. Administrative employees are eligible to participate on the first day of the month following completion of six months of service, provided that the employee has at least 500 hours of service. The plan provides 100% vesting after five years of service. The contribution is made monthly at 7.5% of compensation paid during the month. ITP made contributions of \$175,275 and \$147,469 for the plan years ended June 30, 2010 and 2009, 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

Interurban Transit Partnership

Notes to Financial Statements

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 regards to known and unknown covered events occurring prior to December 1, 2009. ITP currently purchases commercial insurance for property and liability with coverage of \$5,000,000 per occurrence with a \$75,000 deductible. ITP carries catastrophic insurance to cover direct damage to property.

6. Description of Grant Funding

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

Operations

ITP's general operations are funded as follows:

The Michigan Department of Transportation (MDOT) authorized funding for fiscal years 2010 and 2009 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$15,968,492 and \$16,183,424 in 2010 and 2009, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 29.74% and 30.16% totaled \$9,498,059 and \$9,761,730 in 2010 and 2009, respectively.

Capital Acquisitions

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

Required Supplemental 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, 2005 | \$ 1,949,924 | \$ 3,251,433 | \$ 1,301,509 | 59.97% |
| July 1, 2006* | 2,496,589 | 4,069,182 | 1,572,593 | 61.35 |
| July 1, 2007 | 2,979,136 | 4,236,844 | 1,257,708 | 70.31 |
| July 1, 2008 | 2,911,069 | 4,510,260 | 1,599,191 | 64.54 |
| July 1, 2009 | 1,899,000 | 4,264,247 | 2,365,247 | 44.53 |
| July 1, 2010 | 2,092,892 | 4,307,750 | 2,214,858 | 48.58 |

* As of July 1, 2006, post-retirement interest discount is changed from 8% to 6% to adjust for the lump sum option under the plan.

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

Interurban Transit Partnership

Schedules of Funding Progress

Non-Administrative Plan

| <i>Actuarial Valuation Date</i> | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (b-a) | Funded Ratio (a/b) |
|---------------------------------|--|--|--|--------------------------|
| July 1, 2005 | \$ 3,536,535 | \$ 4,439,438 | \$ 902,903 | 79.66% |
| July 1, 2006 | 3,887,464 | 4,894,318 | 1,006,854 | 79.43 |
| July 1, 2007 | 4,317,746 | 5,442,916 | 1,125,170 | 79.33 |
| July 1, 2008 | 4,634,693 | 5,908,196 | 1,273,503 | 78.45 |
| July 1, 2009 | 4,778,864 | 6,679,489 | 1,900,625 | 71.55 |
| July 1, 2010 | 5,121,284 | 7,119,898 | 1,998,614 | 71.93 |

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, 2010 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, open |
| Remaining amortization period | 30 years |
| Asset valuation method | Average of expected assets and market value of assets, but not less than 80%, nor more than 120% of market value |
| Actuarial assumptions: | |
| Retirement age | 50% are assumed to retire at age 62 if eligible and all remaining at age 65 |
| Investment rate of return | 8% |
| Mortality table | 2010 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 |

This page intentionally left blank.

Combining Statements and Supplemental Schedules

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

| <i>June 30, 2010</i> | Administrative Plan | Non- Administrative Plan | Total |
|--|------------------------|--------------------------------|---------------------|
| Assets | | | |
| Cash and short-term investments | \$ 11,544 | \$ 95,985 | \$ 107,529 |
| Receivables | | | |
| Employer contributions | - | 29,324 | 29,324 |
| Interest and dividends receivable | 247 | 545 | 792 |
| Due from non-administrative plan | 3,637 | - | 3,637 |
| Total receivables | 3,884 | 29,869 | 33,753 |
| Investments, at fair value | | | |
| Bond mutual funds | 560,229 | 1,193,512 | 1,753,741 |
| Equity mutual funds | 1,517,235 | 3,215,466 | 4,732,701 |
| Total investments | 2,077,464 | 4,408,978 | 6,486,442 |
| Total Assets | 2,092,892 | 4,534,832 | 6,627,724 |
| Liabilities | | | |
| Due to administrative plan | - | 3,637 | 3,637 |
| Net Assets Held in Trust for Pension Benefits | \$ 2,092,892 | \$ 4,531,195 | \$ 6,624,087 |

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

| <i>Year ended June 30, 2010</i> | Administrative Plan | Non- Administrative Plan | Total |
|---|------------------------|--------------------------------|---------------------|
| Additions | | | |
| Employer contributions | \$ 341,366 | \$ 410,117 | \$ 751,483 |
| Investment income: | | | |
| Net appreciation | 185,420 | 398,212 | 583,632 |
| Interest | 18,285 | 39,378 | 57,663 |
| Dividends | 26,194 | 55,360 | 81,554 |
| Investment expense | (14,456) | (23,031) | (37,487) |
| Fee rebates | 2,263 | 4,679 | 6,942 |
| Total investment income | 217,706 | 474,598 | 692,304 |
| Total additions | 559,072 | 884,715 | 1,443,787 |
| Deductions | | | |
| Benefits | 353,181 | 316,701 | 669,882 |
| Administrative expense | 11,999 | 19,206 | 31,205 |
| Total deductions | 365,180 | 335,907 | 701,087 |
| Change in net assets | 193,892 | 548,808 | 742,700 |
| Net Assets Held in Trust for Pension Benefits, beginning of year | 1,899,000 | 3,982,387 | 5,881,387 |
| Net Assets Held in Trust for Pension Benefits, end of year | \$ 2,092,892 | \$ 4,531,195 | \$ 6,624,087 |

Interurban Transit Partnership

Schedule of Non-operating Revenues - Local

Year ended September 30, 2010

| | |
|--------------------------------------|---------------|
| Local Revenue | |
| Property taxes | \$ 11,709,833 |
| Grand Valley State University | 2,573,255 |
| Network 180 | 1,726,340 |
| DASH - City of Grand Rapids | 812,260 |
| Davenport College | 80,038 |
| Van pool | 83,986 |
| Ada Township | 24,111 |
| Alpine Township | 80,817 |
| Byron Township | 78,861 |
| Cascade Township | 109,081 |
| Gaines Township | 65,672 |
| Other local services | 78,668 |
| <hr/> | |
| Total local revenue | 17,422,922 |
| <hr/> | |
| Other Income | |
| Gain on sale of property | 216,586 |
| Retail lease | 50,230 |
| Interest income | 86,970 |
| Miscellaneous | 98,455 |
| <hr/> | |
| Total other income | 452,241 |
| <hr/> | |
| Total Non-operating Revenues - Local | \$ 17,875,163 |

Interurban Transit Partnership

Schedule of Non-operating Revenues - State and Federal

Year ended September 30, 2010

| | |
|--|---------------|
| State of Michigan Grants | |
| General operating assistance | \$ 9,585,660 |
| Capital assistance | 35,825 |
| Specialized services | 463,289 |
| Job Access and Reverse Commute | 417,782 |
| <hr/> | |
| Total State of Michigan grants | 10,502,556 |
| <hr/> | |
| Federal Government Grants | |
| General operating assistance | 5,224 |
| Capital assistance | 1,924,079 |
| Planning and miscellaneous project assistance | 672,466 |
| Job Access and Reverse Commute | 417,782 |
| <hr/> | |
| Total federal government grants | 3,019,551 |
| <hr/> | |
| Total Non-operating Revenues - State and Federal | \$ 13,522,107 |
| <hr/> | |

Interurban Transit Partnership
Schedule of Operating Expenses by Function

| <i>Year ended September 30, 2010</i> | General | |
|---|------------------|------------------|
| | Operations | Maintenance |
| Labor | | |
| Operators' salaries and wages | \$ 7,899,849 | \$ - |
| Other salaries and wages | 993,516 | 1,563,092 |
| Dispatchers' salaries and wages | 121,394 | - |
| Total labor | 9,014,759 | 1,563,092 |
| Fringe Benefits | | |
| Pension | 555,680 | 120,288 |
| Other fringe benefits | 4,244,565 | 750,558 |
| Total fringe benefits | 4,800,245 | 870,846 |
| Services | | |
| Audit fees | - | - |
| Other services | 370,127 | 759,698 |
| Total services | 370,127 | 759,698 |
| Materials and Supplies Consumed | | |
| Fuel and lubricants | 2,596,155 | - |
| Tires and tubes | - | 12,013 |
| Other materials and supplies | 10,098 | 892,723 |
| Total materials and supplies consumed | 2,606,253 | 904,736 |
| Utilities | | |
| Other | - | - |
| Casualty and Liability Costs | | |
| Premiums for public liability and property damage insurance | 559,836 | - |
| Other insurance | - | - |
| Total casualty and liability costs | 559,836 | - |

Interurban Transit Partnership

Schedule of Operating Expenses by Function

| Operations | | | Total |
|----------------|--------------|-----------|--------------|
| Administration | Total | Grants | System |
| \$ - | \$ 7,899,849 | \$ - | \$ 7,899,849 |
| 1,401,245 | 3,957,853 | 93,579 | 4,051,432 |
| - | 121,394 | - | 121,394 |
| 1,401,245 | 11,979,096 | 93,579 | 12,072,675 |
| 253,345 | 929,313 | - | 929,313 |
| 651,209 | 5,646,332 | 52,109 | 5,698,441 |
| 904,554 | 6,575,645 | 52,109 | 6,627,754 |
| 38,500 | 38,500 | - | 38,500 |
| 387,550 | 1,517,375 | 1,606,532 | 3,123,907 |
| 426,050 | 1,555,875 | 1,606,532 | 3,162,407 |
| - | 2,596,155 | - | 2,596,155 |
| - | 12,013 | 187,283 | 199,296 |
| 74,369 | 977,190 | 122,566 | 1,099,756 |
| 74,369 | 3,585,358 | 309,849 | 3,895,207 |
| 537,051 | 537,051 | - | 537,051 |
| - | 559,836 | - | 559,836 |
| 132,380 | 132,380 | - | 132,380 |
| 132,380 | 692,216 | - | 692,216 |

Interurban Transit Partnership
Schedule of Operating Expenses by Function

| | General | |
|--------------------------------------|---------------|--------------|
| <i>Year ended September 30, 2010</i> | Operations | Maintenance |
| Purchased Transportation | \$ 6,629,647 | \$ - |
| Miscellaneous | | |
| Travel and meetings | 22,125 | 2,697 |
| Advertising/promotion media | - | - |
| Other miscellaneous | 1,685 | 31,105 |
| Total miscellaneous | 23,810 | 33,802 |
| Leases and Rentals | 12,316 | - |
| Depreciation | - | - |
| Total Expenses | \$ 24,016,993 | \$ 4,132,174 |

Interurban Transit Partnership

Schedule of Operating Expenses by Function

| Operations | | | Total |
|----------------|---------------|--------------|---------------|
| Administration | Total | Grants | System |
| \$ - | \$ 6,629,647 | \$ 1,912,482 | \$ 8,542,129 |
| 27,635 | 52,457 | 46,920 | 99,377 |
| 244,116 | 244,116 | 33,900 | 278,016 |
| 106,376 | 139,166 | 375 | 139,541 |
| 378,127 | 435,739 | 81,195 | 516,934 |
| - | 12,316 | 43,900 | 56,216 |
| 8,523,216 | 8,523,216 | - | 8,523,216 |
| \$ 12,376,992 | \$ 40,526,159 | \$ 4,099,646 | \$ 44,625,805 |

Interurban Transit Partnership

Schedule of Expenses by Grant

| <i>Year ended September 30, 2010</i> | Total | General Operations | 340 MI-90-X-399 001 02-0049-Z10 FY03 Section 5307 |
|--------------------------------------|----------------------|-----------------------|---|
| Expenses | | | |
| Labor | \$ 12,072,675 | \$ 11,979,096 | \$ - |
| Fringe benefits | 6,627,754 | 6,575,645 | - |
| Services | 3,162,407 | 1,555,875 | - |
| Materials and supplies consumed | 3,895,207 | 3,585,358 | 29,296 |
| Utilities | 537,051 | 537,051 | - |
| Casualty and liability costs | 692,216 | 692,216 | - |
| Purchased transportation | 8,542,129 | 6,629,647 | - |
| Miscellaneous | 516,934 | 435,739 | - |
| Leases and rentals | 56,216 | 12,316 | - |
| Depreciation | 8,523,216 | 8,523,216 | - |
| Total Expenses | \$ 44,625,805 | \$ 40,526,159 | \$ 29,296 |

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 JARC (job access reverse commute) there was no review of the methodology for capturing nonfinancial information for such programs.

Interurban Transit Partnership

Schedule of Expenses by Grant

| 380 | 400 | 411 | 420 | 425 | 440 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| MI-90-X-454 | MI-90-X-487 | MI-95-X-044 | MI-90-X-529 | MI-95-X-025 | MI-90-X-548 |
| 02-0049-Z27 | 02-0049-Z30 | 07-0230-Z3 | 07-0230-Z5 | 07-0230-Z9 | 07-0230-Z8 |
| FY05 | FY06 | FY07 | FY07 | FY08 | FY08 |
| Section 5307 | Section 5307 | Section 5307 | Section 5307 | Section 5307 | Section 5307 |
| \$ - | \$ - | \$ 2,076 | \$ - | \$ 16,476 | \$ - |
| - | - | 1,031 | - | 10,371 | - |
| 4,074 | 8,174 | - | 53,321 | - | 150,365 |
| 2,264 | 6,707 | - | 14,697 | - | 40,588 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 73,291 | 19,375 | - | - | - |
| - | 1,506 | 1,963 | 3,023 | 25,761 | 25,947 |
| 25,900 | 18,000 | - | - | - | - |
| - | - | - | - | - | - |
| \$ 32,238 | \$ 107,678 | \$ 24,445 | \$ 71,041 | \$ 52,608 | \$ 216,900 |

Interurban Transit Partnership

Schedule of Expenses by Grant

| | 450 MI-90-X580 07-0230-Z16 FY09 Section 5307 | 480 MI-90-X608 07-0230-Z23 FY10 Section 5307 |
|--------------------------------------|--|--|
| <i>Year ended September 30, 2010</i> | | |
| <hr/> | | |
| Expenses | | |
| Labor | \$ 49,992 | \$ - |
| Fringe benefits | 28,590 | - |
| Services | 213,149 | 642,671 |
| Materials and supplies consumed | 28,113 | 163,848 |
| Utilities | - | - |
| Casualty and liability costs | - | - |
| Purchased transportation | 204,776 | 161,933 |
| Miscellaneous | - | 11,746 |
| Leases and rentals | - | - |
| Depreciation | - | - |
| <hr/> | | |
| Total Expenses | \$ 524,620 | \$ 980,198 |
| <hr/> | | |

Interurban Transit Partnership

Schedule of Expenses by Grant

| | 768 | | 860 | | 865 |
|-------------|--------------|-------------|--------------|--------------|--------------|
| 741 | MI-95-X039 | 786 | MI-03-0234 | 863 | MI-03-X239 |
| MI-37-X016 | 07-0230-Z15 | 07-0230-Z20 | 02-0049-Z33 | MI-39-0001 | 07-0230-Z18 |
| 02-0049-Z20 | FY09 | Specialized | FY04 & FY05 | 07-0230-Z11 | FY09 |
| JARC | Section 5307 | Services | Section 5309 | Section 5339 | Section 5309 |
| \$ - | \$ 25,035 | \$ - | \$ - | \$ - | \$ - |
| - | 12,117 | - | - | - | - |
| - | - | - | - | 364,026 | 170,752 |
| - | - | - | 24,336 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 989,818 | - | 463,289 | - | - | - |
| - | 6,392 | - | - | 4,814 | 43 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| \$ 989,818 | \$ 43,544 | \$ 463,289 | \$ 24,336 | \$ 368,840 | \$ 170,795 |

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

| <i>Year ended September 30, 2010</i> | Operations | Maintenance | Administration | Total |
|---|------------------|------------------|------------------|-------------------|
| Labor | | | | |
| Operators' salaries and wages | \$ 7,899,849 | \$ - | \$ - | \$ 7,899,849 |
| Other salaries and wages | 993,516 | 1,563,092 | 1,401,245 | 3,957,853 |
| Dispatchers' salaries and wages | 121,394 | - | - | 121,394 |
| Total labor | 9,014,759 | 1,563,092 | 1,401,245 | 11,979,096 |
| Fringe Benefits | | | | |
| Pension | 555,680 | 120,288 | 253,345 | 929,313 |
| Other fringe benefits | 4,244,565 | 750,558 | 651,209 | 5,646,332 |
| Total fringe benefits | 4,800,245 | 870,846 | 904,554 | 6,575,645 |
| Services | | | | |
| Audit fees | - | - | 38,500 | 38,500 |
| Other services | 370,127 | 759,698 | 387,550 | 1,517,375 |
| Total services | 370,127 | 759,698 | 426,050 | 1,555,875 |
| Materials and Supplies Consumed | | | | |
| Fuel and lubricants | 2,596,155 | - | - | 2,596,155 |
| Tires and tubes | - | 12,013 | - | 12,013 |
| Other materials and supplies | 10,098 | 892,723 | 74,369 | 977,190 |
| Total materials and supplies consumed | 2,606,253 | 904,736 | 74,369 | 3,585,358 |
| Utilities | | | | |
| Other | - | - | 537,051 | 537,051 |
| Casualty and Liability Costs | | | | |
| Premiums for public liability and property damage insurance | 559,836 | - | - | 559,836 |
| Other insurance | - | - | 132,380 | 132,380 |
| Total casualty and liability costs | 559,836 | - | 132,380 | 692,216 |

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

| <i>Year ended September 30, 2010</i> | Operations | Maintenance | Administration | Total |
|--------------------------------------|---------------|--------------|----------------|---------------|
| Purchased Transportation | \$ 6,629,647 | \$ - | \$ - | \$ 6,629,647 |
| Miscellaneous | | | | |
| Travel and meetings | 22,125 | 2,697 | 27,635 | 52,457 |
| Advertising/promotion media | - | - | 244,116 | 244,116 |
| Other miscellaneous | 1,685 | 31,105 | 106,376 | 139,166 |
| Total miscellaneous | 23,810 | 33,802 | 378,127 | 435,739 |
| Leases and Rentals | 12,316 | - | - | 12,316 |
| Depreciation | - | - | 8,523,216 | 8,523,216 |
| Total Expenses | \$ 24,016,993 | \$ 4,132,174 | \$ 12,376,992 | \$ 40,526,159 |

This page intentionally left blank.

Interurban Transit Partnership

Schedule of Regular Service Revenues - Urban

Year ended September 30, 2010

| | |
|-------------------------------|---------------|
| Operating Revenues | |
| Passenger fares | \$ 5,242,304 |
| Advertising | 102,186 |
| <hr/> | |
| Total operating revenues | 5,344,490 |
| <hr/> | |
| Non-operating Revenues | |
| State and federal assistance | 13,522,107 |
| <hr/> | |
| Local Revenue | |
| Property taxes | 11,709,833 |
| Grand Valley State University | 2,573,255 |
| Network 180 | 1,726,340 |
| DASH - City of Grand Rapids | 812,260 |
| Davenport College | 80,038 |
| Van pool | 83,986 |
| Ada Township | 24,111 |
| Alpine Township | 80,817 |
| Byron Township | 78,861 |
| Cascade Township | 109,081 |
| Gaines Township | 65,672 |
| Other local services | 78,668 |
| <hr/> | |
| Total local revenue | 17,422,922 |
| <hr/> | |
| Other Income | |
| Gain on sale of property | 216,586 |
| Retail lease | 50,230 |
| Interest income | 86,970 |
| Miscellaneous | 98,455 |
| <hr/> | |
| Total other income | 452,241 |
| <hr/> | |
| Total Revenues | \$ 36,741,760 |

This page intentionally left blank.

Interurban Transit Partnership

Schedule of Hours and Miles - Urban

| <i>Year ended September 30, 2010</i> | Weekday | Saturday | Sunday | Total |
|---------------------------------------|-----------|----------|---------|-----------|
| Total vehicle hours - linehaul | 332,916 | 28,303 | 13,294 | 374,513 |
| Revenue hours - linehaul | 319,252 | 27,400 | 12,767 | 359,419 |
| Total vehicle hours - demand response | 205,753 | 12,405 | 10,592 | 228,750 |
| Revenue hours - demand response | 171,313 | 10,884 | 9,225 | 191,422 |
| Total vehicle miles - linehaul | 4,136,605 | 370,222 | 159,941 | 4,666,768 |
| Revenue miles - linehaul | 3,910,070 | 354,367 | 150,203 | 4,414,640 |
| Total vehicle miles - demand response | 2,969,052 | 167,516 | 143,847 | 3,280,415 |
| Revenue miles - demand response | 2,450,723 | 143,756 | 122,394 | 2,716,873 |

As there are no indirect costs allocated to programs such as JARC (job access reverse commute) there was no review of the methodology for capturing nonfinancial information for such programs.

This page intentionally left blank.

Interurban Transit Partnership
Schedule of Operating Assistance Calculation

| <i>Year ended September 30, 2010</i> | State Operating Assistance Urban | State Operating Assistance Non-Urban | Total |
|--|--|---|---------------|
| General Operating Expenses | \$ 40,526,159 | \$ - | \$ 40,526,159 |
| Less Ineligible Expenses | | | |
| Depreciation expense | 8,523,216 | - | 8,523,216 |
| APTA and MPTA dues | 4,700 | - | 4,700 |
| Other (lobbying fees) | 61,260 | - | 61,260 |
| | 8,589,176 | - | 8,589,176 |
| Eligible Operating Expenses | \$ 31,936,983 | \$ - | \$ 31,936,983 |
| Maximum State Operating Assistance (50/60%) | \$ 15,968,492 | \$ - | \$ 15,968,492 |
| State Operating Assistance Accrual (29.74%) | \$ 9,498,059 | \$ - | \$ 9,498,059 |

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. 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 did not apply for non-urban assistance for FY2010.

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

| <i>Year ended September 30, 2010</i> | Federal CFDA Number | Federal Grantor Number | Grantee Number |
|---|---------------------------|------------------------------|-------------------|
| Federal Grantor/Program Title | | | |
| Federal Transit Authority | | | |
| FTA Capital and Planning | 20.507 | MI-90-X399 | 340 |
| FTA Capital and Planning | 20.507 | MI-90-X454 | 380 |
| FTA Capital and Planning | 20.507 | MI-90-X487 | 400 |
| FTA Capital Assistance | 20.507 | MI-95-X004 | 411 |
| FTA Capital Assistance | 20.507 | MI-90-X529 | 420 |
| FTA Capital Assistance | 20.507 | MI-95-X025 | 425 |
| FTA Capital Assistance | 20.507 | MI-90-X548 | 440 |
| FTA Capital Assistance | 20.507 | MI-90-X580 | 450 |
| FTA Capital Assistance | 20.507 | MI-90-X608 | 480 |
| FTA Capital Assistance | 20.507 | MI-95-X039 | 768 |
| FTA Capital Assistance - ARRA Funds | 20.507 | MI-96-0005 | 864 |
| Total Capital and Planning Assistance - Section 5307 | | | |
| FTA Capital Assistance | 20.500 | MI-04-0024 | 839 |
| FTA Capital Assistance | 20.500 | MI-04-0029 | 840 |
| FTA Capital Assistance | 20.500 | MI-04-0046 | 841 |
| FTA Capital Assistance | 20.500 | MI-03-0234 | 860 |
| FTA Capital Assistance | 20.500 | MI-03-0239 | 865 |
| Total Capital Assistance - Section 5309 | | | |
| FTA JARC - Section 5316 | 20.516 | MI-37-0016 | 741 |
| FTA Metropolitan Planning | 20.522 | MI-39-0001 | 863 |
| Total miscellaneous | | | |
| Total Federal Financial Assistance | | | |

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

| Accrued (Deferred) Revenue 10/1/09 | Receipts | Expenditures | Accrued (Deferred) Revenue 9/30/10 |
|---|---------------|---------------|---|
| \$ 329 | \$ 108,341 | \$ 113,041 | \$ 5,029 |
| (15,336) | 10,317 | 56,655 | 31,002 |
| 306,249 | 2,133,091 | 2,029,935 | 203,093 |
| 71,605 | 150,510 | 130,985 | 52,080 |
| 91,912 | 2,425,151 | 3,652,992 | 1,319,753 |
| 12,798 | 52,659 | 98,626 | 58,765 |
| 94,896 | 2,622,488 | 2,624,187 | 96,595 |
| 200,169 | 1,139,361 | 2,358,078 | 1,418,886 |
| - | 357,909 | 1,021,411 | 663,502 |
| - | - | 43,544 | 43,544 |
| 24,783 | 2,332,108 | 2,357,360 | 50,035 |
| 787,405 | 11,331,935 | 14,486,814 | 3,942,284 |
| 16,398 | 2,393 | - | 14,005 |
| 1 | - | - | 1 |
| 321,666 | 10,661 | - | 311,005 |
| 6,633 | 456,501 | 706,627 | 256,759 |
| 38 | 10,783 | 136,636 | 125,891 |
| 344,736 | 480,338 | 843,263 | 707,661 |
| 39,246 | 344,077 | 417,782 | 112,951 |
| 67,988 | 187,767 | 368,840 | 249,061 |
| 107,234 | 531,844 | 786,622 | 362,012 |
| \$ 1,414,597 | \$ 12,344,117 | \$ 16,116,699 | \$ 5,011,957 |

Interurban Transit Partnership
Schedule of Expenditures of State Awards

| <i>Year ended September 30, 2010</i> | State Grantor Number | Grantee Number |
|--------------------------------------|----------------------------|-------------------|
| Program | | |
| Section 5307 | 2002-0049-Z10 | 340 |
| Section 5307 | 2002-0049-Z18 | 360 |
| Section 5307 | 2002-0049-Z27 | 380 |
| Section 5307 | 2002-049-Z30 | 400 |
| Section 5307 | 2007-0230-Z3 | 411 |
| Section 5307 | 2007-0230-Z5 | 420 |
| Section 5307 | 2007-0230-Z9 | 425 |
| Section 5307 | 2007-0230-Z8 | 440 |
| Section 5307 | 2007-0230-Z16 | 450 |
| Section 5307 | | 480 |
| Job Access and Reverse Commute | 2002-0049-Z20 | 741 |
| Specialized Services | | 785 |
| Specialized Services | | 786 |
| Section 5309 | 2007-0230-Z4 | 839 |
| Section 5309 | | 840 |
| Section 5309 | | 841 |
| Section 5309 | 2002-0049-Z33 | 860 |
| Section 5309 | | 865 |
| Total State Assistance | | |

Interurban Transit Partnership
Schedule of Expenditures of State Awards

| Accrued (Deferred) Revenue 10/1/09 | Receipts | Expenditures | Accrued (Deferred) Revenue 9/30/10 |
|---|---------------------|---------------------|---|
| \$ 399 | \$ 28,659 | \$ 28,260 | \$ - |
| (2,270) | - | 2,270 | - |
| 15,116 | 2,026 | (13,090) | - |
| 53,923 | 489,615 | 435,692 | - |
| 70,667 | 96,851 | 30,177 | 3,993 |
| 1,100 | 676,885 | 684,626 | 8,841 |
| 15,541 | 7,196 | (7,922) | 423 |
| 5,368 | 572,306 | 542,219 | (24,719) |
| 47,259 | 1,336,434 | 437,136 | (852,039) |
| - | 978,969 | 3,746 | (975,223) |
| 45,400 | 287,762 | 417,782 | 175,420 |
| 120,165 | 120,165 | - | - |
| - | 343,551 | 463,289 | 119,738 |
| 4,661 | 4,661 | - | - |
| 897,717 | 897,717 | - | - |
| 1,034,999 | 1,034,999 | - | - |
| - | 94,536 | 94,536 | - |
| 5,935 | 7,610 | 34,159 | 32,484 |
| \$ 2,315,980 | \$ 6,979,942 | \$ 3,152,880 | \$ (1,511,082) |

This page intentionally left blank.

Additional Information

This page intentionally left blank.

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

This page intentionally left blank.



Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited the financial statements of Interurban Transit Partnership (ITP) as of and for the year ended September 30, 2010, and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ITP's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ITP's internal control over financial reporting.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the ITP's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This page intentionally left blank.

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*.

This report is intended solely for the information and use of the Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO USA, LLP

Certified Public Accountants
January 13, 2011

This page intentionally left blank.

**Report on Compliance With Requirements That Could Have a
Direct and Material Effect on Each Major Program and Internal
Control Over Compliance in Accordance With
OMB Circular A-133**

This page intentionally left blank.



Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Compliance

We have audited the compliance of Interurban Transit Partnership with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2010. Interurban Transit Partnership's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Interurban Transit Partnership's management. Our responsibility is to express an opinion on Interurban Transit Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Interurban Transit Partnership'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. Our audit does not provide a legal determination on Interurban Transit Partnership's compliance with those requirements.

In our opinion, Interurban Transit Partnership complied, in all material respects, with the 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, 2010.

This page intentionally left blank.

Internal Control Over Compliance

The management of Interurban Transit Partnership is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Interurban Transit Partnership's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Interurban Transit Partnership's internal control over compliance.

A deficiency in internal control over compliance 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 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 compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO USA, LLP

Certified Public Accountants
January 13, 2011

This page intentionally left blank.

Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

| | |
|--|---------------|
| Type of auditors' report issued: | unqualified |
| 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 auditors' report issued on compliance for major programs: | unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of <i>OMB Circular A-133</i> ? | no |

Identification of major programs:

| <i>CFDA Number</i> | <i>Name of Federal Program or Cluster</i> |
|--------------------|---|
|--------------------|---|

| | |
|-------------------|-------------------------|
| 20.500 and 20.507 | Federal Transit Cluster |
|-------------------|-------------------------|

| | |
|--|------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ 483,500 |
| 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.

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, 2009.

This page intentionally left blank.