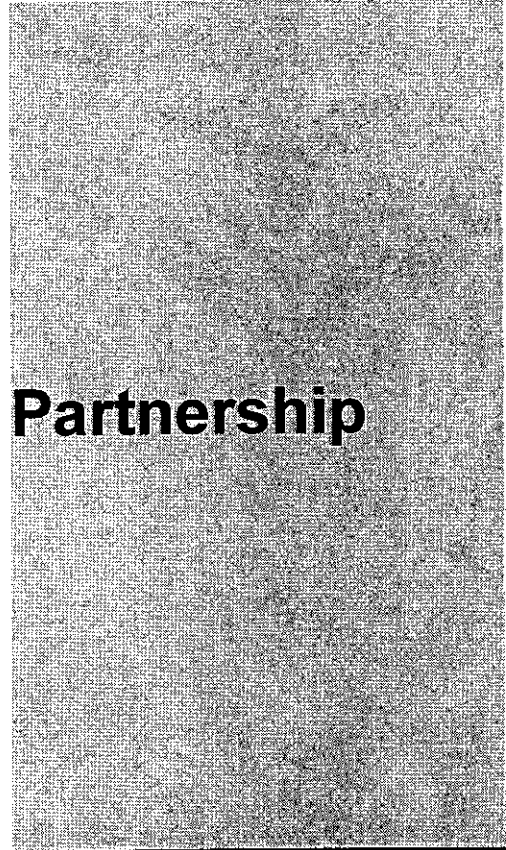


Interurban Transit Partnership



Single Audit Report
Years Ended September 30, 2006 and 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Interurban Transit Partnership	County Kent
Fiscal Year End 09/30/06	Opinion Date January 3, 2007	Date Audit Report Submitted to State January 11, 2007	

We affirm that:

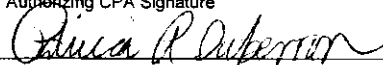
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe) Single Audit Reports	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) BDO Seidman, LLP		Telephone Number 616 774-7000		
Street Address 99 Monroe Avenue NW Suite 800		City Grand Rapids	State MI	Zip 49503
Authorizing CPA Signature 		Printed Name Patricia A. Duperron, CPA		License Number 1101019522

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	24-39
Combining Statements and Supplemental Schedules	
Pension Trust Funds:	
Combining Statement of Plan Net Assets	42
Combining Statement of Changes in Plan Net Assets	43
Schedule of Operating Expenses by Function	44-47
Nonoperating Revenues - Local	48
Nonoperating Revenues - State and Federal	49
Schedule of Expenses by Grant	50-53
Section 5311 Expenses	55
Calculation of State Operating Assistance	57
Schedule of Expenditures of Federal Awards	58-59
Schedule of Expenditures of State Awards	60-61
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>	67-69
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	73-75
Schedule of Findings and Questioned Costs	77-78



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, 2006 and 2005 (as of and for the years ended June 30, 2006 and 2005 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 opinions 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2006 and 2005 (June 30, 2006 and 2005 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 3, 2007 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.

Our audits were conducted for the purpose of forming opinions 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 Seidman, LLP

Grand Rapids, Michigan
January 3, 2007

Management's Discussion and Analysis

This section of the Interurban Transit Partnership's (ITP) annual financial report presents our discussion and analysis of ITP's financial performance during the fiscal year that ended September 30, 2006.

Financial Highlights

- The state operating assistance rate rose from 32.4% for FY05 to 33.1% for FY06.
- Property tax revenues increased by 5.9% in FY06.
- Passenger fares grew by nearly \$500,000 on the strength of increased ridership and ITP's new Airporter service.
- Services sold to such entities as Grand Valley State University, Davenport College and the City of Grand Rapids continued to expand.
- A retrospective adjustment from ITP's PL/PD provider, the Michigan Transit Pool saved ITP \$340,000 during FY06.
- These favorable results along with sound fiscal management resulted in ITP growing its unrestricted net assets (fund balance) by \$915,000 for the year.

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 the 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 the Authority 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.

Financial Analysis of ITP

Net Assets

ITP's Total net assets continued to grow during FY06. As of September 30, 2006 net assets had exceeded \$57 million, a growth of 4.9% from FY05 (see Table A-1) and 14% from FY04. Approximately a third of the net asset growth in FY06 was in the unrestricted net assets category.

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

<i>September 30,</i>	2006	2005	2004
Current assets	\$ 14,226	\$ 13,388	\$ 13,074
Capital assets, net	47,169	45,402	39,105
Total assets	61,395	58,790	52,179
Current liabilities	3,979	4,057	4,181
Net assets:			
Invested in capital assets	47,169	45,402	39,105
Restricted for STC project	440	440	440
Unrestricted	9,807	8,891	8,453
Total Net Assets	\$ 57,416	\$ 54,733	\$ 47,998

For the first time in several years, ITP was not in the midst of any major construction projects nor were there any land acquisitions. Its major capital expansions included several upgrades and renovations to the Wealthy Street maintenance facility. ITP also upgraded its bus fleet in 2006 with the purchase of 14 brand new Gillig buses with a cost of nearly \$300,000 per vehicle.

Changes in Net Assets

Net assets grew by \$2.7 million from September 30, 2005 to September 30, 2006 (see Table A-2).

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

<i>Year ended September 30,</i>	2006	2005	2004
Operating revenues:			
Passenger fares	\$ 4,042	\$ 3,567	\$ 3,589
Advertising	88	36	43
Total operating revenues	4,130	3,603	3,632
Operating expenses:			
Salaries and benefits	15,181	14,026	12,306
Other operating expenses	14,075	13,065	11,581
Depreciation	5,350	4,625	3,893
Total operating expenses	34,606	31,716	27,780
Operating loss	(30,476)	(28,113)	(24,148)
Nonoperating revenues:			
Property taxes	9,848	9,296	9,003
Other local	4,487	3,770	3,111
State and federal	11,707	10,860	10,154
Total nonoperating revenues	26,042	23,926	22,268
Loss before capital contributions	(4,434)	(4,187)	(1,880)
Capital contributions	7,117	10,922	17,271
Change in net assets	2,683	6,735	15,391
Net Assets, beginning of year	54,733	47,998	32,607
Net Assets, end of year	\$ 57,416	\$ 54,733	\$ 47,998

Continued ridership growth and the new Airporter service resulted in a 13% increase in passenger fares in FY06. Nonoperating revenues also continue to grow with other Local revenues leading the way with a 19% increase due largely to continued expansion in services sold.

With increased services come increased operating expenses. Service expansion drives the 7.7% increase in other operating expenses and to a lesser degree salaries and benefits which rose by 8.2% in FY06.

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

<i>Year ended September 30,</i>	2006	2005	Percentage Change
Labor	\$ 9,612	\$ 8,912	7.8
Fringe benefits	5,569	5,114	8.8
Services	2,322	2,202	5.4
Materials and supplies	3,186	2,718	17.2
Utilities	459	428	7.1
Casualty and liability	315	807	(61.0)
Purchased transportation	7,198	6,354	13.2
Miscellaneous	595	467	27.4
Leases and rental	-	87	(100.0)

Continued service expansion impacts virtually all expense categories, but most significantly with materials and supplies consumed and purchased transportation.

New and expanding services such as County Connection and Airporter have helped drive purchased transportation costs up 13%.

Another contributing factor to materials' and supplies' 17% growth is the price of fuel which continued to fluctuate, mostly upward, during FY06.

PL/PD coverage, included in Casualty and Liability, is provided by the Michigan Transit Pool (Pool), which is an association of transit systems throughout the State of Michigan. Annually the Pool revalues its open claims from past years and either issues refunds or billings to its members. During 2006 the Pool issued ITP a retrospective refund for \$340,000 which was responsible for the 61.0% decrease in this expense item.

Capital Assets

As of September 30, 2006, ITP had invested approximately \$77.5 million in capital assets, including land, land improvements, buildings, revenue equipment, machinery and equipment, radio equipment and construction in progress. Net of accumulated depreciation, capital assets at September 30, 2006 totaled approximately \$47.1 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$1.7 million or 3.9% over September 30, 2005.

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

<i>Year ended September 30,</i>	2006	2005	Percentage Change
Land	\$ 5,149	\$ 5,149	-
Land improvements	180	190	(5.3)
Buildings	21,645	21,725	(0.3)
Revenue equipment	15,638	13,617	14.8
Machinery and equipment	4,557	4,721	(3.5)
Total Net Capital Assets	\$ 47,169	\$ 45,402	3.9

Revenue equipment grew by 14.8% as a result of the purchase of 14 new buses.

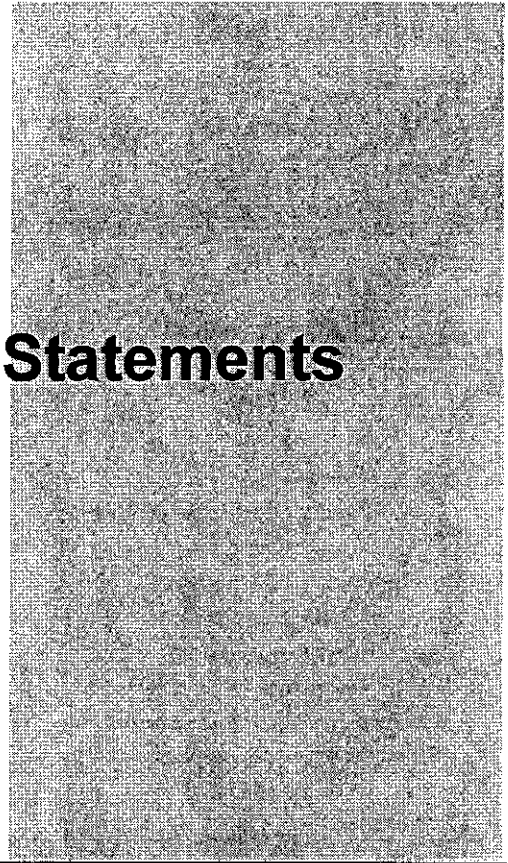
Economic Factors and Next Year's Budget

A significant source of ITP's operating revenues are 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. This combined with inflation in key expense categories such as fuel and health care costs have presented many challenges to ITP's budget development. Despite these challenges, ITP has managed to grow its unrestricted net assets by more than \$1.3 million over the past two fiscal years. This has been the result of sound fiscal conservatism and some good fortune.

Even with local and state economies that appear stagnant, flat state funding and the other previously mentioned obstacles, ITP sees opportunities as well. More and more people continue to utilize our bus services and improvements to that service will roll out in FY07. There may be opportunities for expansion as well and ITP is currently contemplating asking voters for an enhancement millage increase. Our transportation services sold continue to expand, our vanpool service is experiencing fast growth and we are hopeful that the Airporter will prove successful.

Basic Financial Statements



Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2006	2005
Assets		
Current Assets		
Cash, including temporary investments of \$7,906,465 and \$7,779,746 (Note 2)	\$ 8,529,117	\$ 8,681,663
Property taxes receivable, net	739,247	664,600
Due from federal government	1,910,285	1,562,026
Due from State of Michigan	1,462,440	1,086,421
Billed receivables	1,252,586	955,525
Materials and supplies inventories	303,450	331,352
Prepaid expenses and deposits	28,650	106,560
Total Current Assets	14,225,775	13,388,147
Capital Assets (Note 3)		
Land improvements	5,926,037	5,926,037
Buildings and improvements	27,523,337	26,671,284
Revenue vehicles	32,773,113	29,728,805
Machinery and equipment	11,116,542	9,767,329
Radio equipment	191,510	198,038
	77,530,539	72,291,493
Less accumulated depreciation	30,361,420	26,889,461
Net Capital Assets	47,169,119	45,402,032
Total Assets	61,394,894	58,790,179

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2006	2005
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,492,819	\$ 2,059,454
Employee compensation and related withholdings	1,528,149	1,327,770
Unredeemed fares	47,211	33,479
Deferred revenues	521,576	123,284
Due to State of Michigan	388,683	512,666
Total Current Liabilities	3,978,438	4,056,653
Net Assets		
Invested in capital assets	47,169,119	45,402,032
Restricted	440,492	440,492
Unrestricted	9,806,845	8,891,002
Total Net Assets	\$ 57,416,456	\$ 54,733,526

See accompanying notes to financial statements.

Interurban Transit Partnership

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

<i>Year ended September 30,</i>	2006	2005
Operating Revenues		
Passenger fares	\$ 4,041,805	\$ 3,566,574
Advertising	88,084	36,418
Total operating revenues	4,129,889	3,602,992
Operating Expenses		
Salaries and fringe benefits	15,180,777	14,025,677
Supplies and other operating expenses	14,072,439	13,065,067
Depreciation	5,352,989	4,624,768
Total operating expenses	34,606,205	31,715,512
Operating loss	(30,476,316)	(28,112,520)
Nonoperating Revenues		
State and federal	11,706,762	10,859,875
Property taxes	9,848,409	9,296,399
Other local	4,486,718	3,769,556
Total nonoperating revenues	26,041,889	23,925,830
Loss before capital contributions	(4,434,427)	(4,186,690)
Capital contributions	7,117,357	10,922,112
Increase in net assets	2,682,930	6,735,422
Net Assets, beginning of year	54,733,526	47,998,104
Net Assets, end of year	\$ 57,416,456	\$ 54,733,526

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2006	2005
Cash for Operating Activities		
Receipts from customers	\$ 4,143,622	\$ 3,581,383
Payments to suppliers	(17,527,310)	(16,476,956)
Payments to employees	(11,417,702)	(10,289,118)
Net cash for operating activities	(24,801,390)	(23,184,691)
Cash From Noncapital Financing Activities		
Federal grants received	2,288,560	1,484,284
State grants received	9,590,442	8,559,324
Local government assistance received	3,200,875	3,283,782
Property taxes	9,872,767	10,036,092
Other income	15,364	-
Net cash from noncapital financing activities	24,968,008	23,363,482
Cash From (for) Capital and Related Financing Activities		
Federal contributed capital	5,602,948	9,306,759
State contributed capital	868,087	1,924,647
Local contributed capital	-	4,000
Purchase of capital assets	(7,120,076)	(10,922,112)
Proceeds from sale of fixed assets	30,405	133,175
Net cash from (for) capital and related financing activities	(618,636)	446,469
Cash From Investing Activity		
Interest received on investments	299,472	156,540
Net Increase (Decrease) in Cash	(152,546)	781,800
Cash, beginning of year	8,681,663	7,899,863
Cash, end of year	\$ 8,529,117	\$ 8,681,663

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2006	2005
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (30,476,316)	\$ (28,112,520)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	5,352,989	4,624,768
Other income (expense)	(2,719)	23,285
Changes in assets and liabilities:		
Decrease in billed receivables	297,061	369,229
Decrease in inventories	27,901	14,778
Decrease in prepaid expenses and deposits	77,910	20,392
Increase (decrease) in accounts payable	(566,636)	206,295
Increase in accrued payroll	200,379	214,189
Increase (decrease) in unredeemed fares	13,732	(21,609)
Increase (decrease) in other liabilities	274,309	(523,498)
Net Cash for Operating Activities	\$ (24,801,390)	\$ (23,184,691)

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2006	2005
Assets		
Cash and short-term investments (Note 2)	\$ 1,343,696	\$ 452,741
Receivables		
Employer contribution	33,583	-
Interest and dividends receivable	4,755	11,409
Total receivables	38,338	11,409
Investments, at fair value (Note 2)		
U.S. treasury obligations	-	498,558
U.S. agency obligations	-	413,350
Mutual funds	4,883,961	3,935,339
Total investments	4,883,961	4,847,247
Net Assets Held in Trust for Pension Benefits	\$ 6,265,995	\$ 5,311,397

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	
	2006	2005
Additions		
Employer contributions	\$ 802,121	\$ 743,135
Investment income:		
Net appreciation	255,337	209,497
Interest	65,204	48,293
Dividends	215,984	114,503
Other	457	899
Fee rebates	5,417	-
Investment expense	(34,107)	-
Net investment income	508,292	373,192
Total additions	1,310,413	1,116,327
Deductions		
Benefits	335,392	498,596
Administrative expense	20,423	35,671
Total deductions	355,815	534,267
Increase in net assets	954,598	582,060
Net Assets Held in Trust for Pension Benefits, beginning of year	5,311,397	4,729,337
Net Assets Held in Trust for Pension Benefits, end of year	\$ 6,265,995	\$ 5,311,397

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 .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 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.

Interurban Transit Partnership

Notes to Financial Statements

Investments

Investments are recorded at fair value.

Capital Assets

Property, building 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 3 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
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.

Interurban Transit Partnership

Notes to Financial Statements

Compensated Absences

Bus Operators, Maintenance and Facility employees are credited forty-eight (48) 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 others. 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Interurban Transit Partnership

Notes to Financial Statements

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, 2006, the bank balances were \$6,527,933, of which \$6,227,933 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, 2006, 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	\$ 954,868
Municipal Investment Fund	Less than 1 year	1,827,995
Total		\$2,782,863

Interurban Transit Partnership

Notes to Financial Statements

At September 30, 2006, ITP's Pension Trust Funds had investments in mutual funds with a value of \$6,232,412 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, 2006.

Credit Risk

Credit Risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The Authority'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, 2006, the Authority's investments had the following credit ratings and exposure:

Interurban Transit Partnership

Notes to Financial Statements

<i>Investment Type</i>	Rating	Credit Exposure as a Percent of Total Investments
Enterprise Fund		
Kent County Investment Pool	Not rated	34.3%
Municipal Investment Fund	Standard & Poor's AAA	65.7
Pension Trust Funds		
Money market funds	Standard & Poor's AA+	23.0
Bond mutual funds	Moody's Aa2	7.0
Equity funds	Not rated	70.0

Remainder of this page intentionally left blank.

Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2006 is as follows:

	Balance October 1, 2005	Additions	Transfers/ Deletions	Balance September 30, 2006
Assets				
Capital assets not being depreciated:				
Land	\$ 5,148,522	\$ -	-	\$ 5,148,522
Capital assets being depreciated:				
Land improvements	777,515	-	-	777,515
Buildings and improvements	26,671,284	852,053	-	27,523,337
Revenue vehicles	29,728,805	4,788,377	1,744,069	32,773,113
Machinery and equipment	9,965,367	1,479,646	136,961	11,308,052
Total assets	72,291,493	7,120,076	1,881,030	77,530,539
Accumulated depreciation				
Land improvements	587,365	9,374	-	596,739
Buildings and improvements	4,945,832	932,520	-	5,878,352
Revenue vehicles	16,112,418	2,767,023	1,744,069	17,135,372
Machinery and equipment	5,243,846	1,644,072	136,961	6,750,957
Total accumulated depreciation	26,889,461	5,352,989	1,881,030	30,361,420
Net Capital Assets	\$ 45,402,032	\$ 1,767,087	\$ -	\$ 47,169,119

Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2005 is as follows:

	Balance October 1, 2004	Additions	Transfers/ Deletions	Balance September 30, 2005
Assets				
Capital assets not being depreciated:				
Land	\$ 2,592,975	\$ 2,555,547	-	\$ 5,148,522
Capital assets being depreciated:				
Land improvements	674,331	103,184	-	777,515
Buildings and improvements	26,360,778	312,265	1,759	26,671,284
Revenue vehicles	23,408,288	6,960,583	640,066	29,728,805
Machinery and equipment	9,638,153	990,534	663,320	9,965,367
Total assets	62,674,525	10,922,113	1,305,145	72,291,493
Accumulated depreciation				
Land improvements	563,888	23,477	-	587,365
Buildings and improvements	4,103,116	844,475	1,759	4,945,832
Revenue vehicles	14,229,066	2,523,418	640,066	16,112,418
Machinery and equipment	4,673,768	1,233,398	663,320	5,243,846
Total accumulated depreciation	23,569,838	4,624,768	1,305,145	26,889,461
Net Capital Assets	\$ 39,104,687	\$ 6,297,345	-	\$ 45,402,032

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

Interurban Transit Partnership

Notes to Financial Statements

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.

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

	2006	2005
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	33	32
Current active members	19	20
Total	52	52

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.

Contributions and Reserves

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

Interurban Transit Partnership

Notes to Financial Statements

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 investments constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$211,575 and \$226,908, and the contribution totaled \$501,076 and \$484,825 for the years ended September 30, 2006 and 2005, respectively.

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	250,514	138.6	-
2005	226,908	213.7	-
2006	211,575	236.8	-

Interurban Transit Partnership

Notes to Financial Statements

Schedule of Funding Progress

<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, 2001	\$ 1,758,786	\$ 2,661,034	\$ 902,248	66.09%
July 1, 2002	1,718,491	3,003,002	1,284,511	57.23
July 1, 2003	1,754,115	3,323,381	1,569,266	52.78
July 1, 2004	1,689,566	3,136,794	1,447,228	53.86
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

* 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, 2006
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	1983 Group Annuity Mortality Table
Turnover rates	None
Salary scale	3%
Cost of living adjustments	None

Interurban Transit Partnership

Notes to Financial Statements

Defined Benefit - Non-Administrative Plan

Plan Description

ITP has a non-contributory defined benefit 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 \$33 per month 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:

	2006	2005
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	92	86
Transferred to non-union	14	11
Active plan members	191	178
Total	297	275

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.

Interurban Transit Partnership

Notes to Financial Statements

Method Used to Value Investments

Investments are reported at fair value.

Contributions and Reserves

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, 2005 to December 31, 2005 this rate is \$.65 for each hour of service completed and for January 1, 2006 to June 30, 2006, this rate is \$.70 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 investments constituted 5% or more of plan assets.

Annual Pension Cost

ITP's annual pension cost was \$236,481 and \$232,809, and the contribution totaled \$301,045 and \$248,310 for the years ended September 30, 2006 and 2005, respectively.

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	221,978	109.1	4,851
2005	232,809	111.0	-
2006	236,481	127.3	-

Interurban Transit Partnership

Notes to Financial Statements

Schedule of Funding Progress

<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, 2001	\$ 2,596,351	\$ 3,052,022	\$ 455,671	85.07%
July 1, 2002	2,820,512	3,386,771	566,259	83.30
July 1, 2003	3,015,488	3,831,281	815,793	78.71
July 1, 2004	3,250,217	4,092,555	842,338	79.42
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	79.40

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, 2006
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	Age 65
Investment rate of return	8%
Mortality table	1983 GAM (sex distinct) set forward three years
Turnover rates	Crocker-Sarason-Straight T-5
Cost-of-living adjustments	None

Interurban Transit Partnership

Notes to Financial Statements

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 \$97,857 and \$102,906 for the plan years ending June 30, 2006 and 2005, 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 participates in a public entity risk pool for property and liability coverage. ITP pays 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 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 \$2,000,000 per occurrence.

The Michigan Transit Pool publishes its own financial report which can be obtained from the Michigan Transit Pool.

ITP carries catastrophic insurance to cover direct damage to property.

Interurban Transit Partnership

Notes to Financial Statements

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 2006 and 2005 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$13,091,809 and \$12,149,996 in 2006 and 2005, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 33.14% and 32.43% totaled \$8,676,541 and \$7,879,863 in 2006 and 2005, 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 the 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.

Commitments

ITP has entered into various agreements in which they are committed to make various purchases related to buses, technology, bus shelters, and art and sculpture projects. Commitments under these agreements total approximately \$4,950,000.



Combining Statements and Supplemental Schedules

Interurban Transit Partnership

Combining Statement of Plan Net Assets Pension Trust Funds

<i>June 30, 2006</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 502,007	\$ 841,689	\$ 1,343,696
Receivables			
Employer contributions	-	33,583	33,583
Interest and dividends receivable	1,777	2,978	4,755
Total receivables	1,777	36,561	38,338
Investments, at fair value			
Mutual funds	1,992,805	2,891,156	4,883,961
Net Assets Held in Trust for Pension Benefits	\$2,496,589	\$ 3,769,406	\$ 6,265,995

Interurban Transit Partnership

Combining Statement of Changes in Plan Net Assets Pension Trust Funds

<i>Year ended June 30, 2006</i>	Administrative Plan	Non- Administrative Plan	Total
Additions	\$ 501,076	\$ 301,045	\$ 802,121
Employer contributions			
Investment income:	111,321	144,016	255,337
Net appreciation	23,029	42,175	65,204
Interest	82,341	133,643	215,984
Dividends	457	-	457
Other	2,841	2,576	5,417
Fee rebates	(14,092)	(20,015)	(34,107)
Investment expense			
Total investment income	205,897	302,395	508,292
Total additions	706,973	603,440	1,310,413
Deductions	152,007	183,385	335,392
Benefits	8,301	12,122	20,423
Administrative expense			
Total deductions	160,308	195,507	355,815
Change in net assets	546,665	407,933	954,598
Net Assets Held in Trust for Pension Benefits, beginning of year	1,949,924	3,361,473	5,311,397
Net Assets Held in Trust for Pension Benefits, end of year	\$ 2,496,589	\$ 3,769,406	\$ 6,265,995

<i>Year ended September 30, 2006</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 6,126,052	\$ -
Other salaries and wages	724,756	1,372,567
Dispatchers' salaries and wages	158,956	-
Total labor	7,009,764	1,372,567
Fringe Benefits	4,062,447	795,459
Services	273,208	675,475
Materials and Supplies Consumed		
Fuel and lubricants	2,177,628	-
Tires and tubes	-	13,015
Other materials and supplies	20,328	705,315
Total materials and supplies consumed	2,197,956	718,330
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	-	-
Other insurance	-	-
Total casualty and liability costs	-	-

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations			Total
Administration	Total	Grants	System
\$ -	\$ 6,126,052	\$ -	\$ 6,126,052
1,038,252	3,135,575	191,064	3,326,639
-	158,956	-	158,956
1,038,252	9,420,583	191,064	9,611,647
601,709	5,459,615	109,515	5,569,130
320,273	1,268,956	1,053,218	2,322,174
-	2,177,628	-	2,177,628
-	13,015	89,583	102,598
83,447	809,090	97,086	906,176
83,447	2,999,733	186,669	3,186,402
458,847	458,847	-	458,847
185,375	185,375	-	185,375
129,197	129,197	-	129,197
314,572	314,572	-	314,572

<i>Year ended September 30, 2006</i>	General	
	Operations	Maintenance
Purchased Transportation	\$ 5,835,035	\$ -
Miscellaneous		
Travel and meetings	19,826	18,318
Advertising/promotion media	-	-
Other miscellaneous	898	28,485
Total miscellaneous	20,724	46,803
Depreciation	-	-
Total Expenses	\$19,399,134	\$ 3,608,634

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations			Total
Administration	Total	Grants	System
\$ -	\$ 5,835,035	\$ 1,363,054	\$ 7,198,089
44,746	82,890	118,691	201,581
222,357	222,357	-	222,357
102,539	131,922	36,495	168,417
369,642	437,169	155,186	592,355
5,352,989	5,352,989	-	5,352,989
\$ 8,539,731	\$ 31,547,499	\$ 3,058,706	\$34,606,205

Interurban Transit Partnership

Nonoperating Revenues - Local

<i>Year ended September 30,</i>	2006
Local Revenue	
Property taxes	\$ 9,848,409
Byron Township	70,361
Gaines Township	53,197
Alpine Township	84,283
Cascade Township	110,077
Davenport College	151,336
DASH	645,992
Grand Valley State University	1,445,046
Network 180	1,418,803
Other local grants	162,652
Total local revenue	13,990,156
Other Income	
Gain on sale of property	30,135
Interest income	299,472
Miscellaneous	15,364
Total other income	344,971
Total Nonoperating Revenues - Local	\$ 14,335,127

Interurban Transit Partnership

Nonoperating Revenues - State and Federal

<i>Year ended September 30,</i>	2006
State of Michigan Grants	
General operating assistance	\$ 8,649,572
Capital assistance	135,592
Planning and miscellaneous project assistance	63,897
Specialized services	406,790
Job Access and Reverse Commute	344,277
Total State of Michigan grants	9,600,128
Federal Government Grants	
Capital assistance	957,109
Planning and miscellaneous project assistance	805,248
Job Access and Reverse Commute	344,277
Total federal government grants	2,106,634
Total Nonoperating Revenues - State and Federal	\$ 11,706,762

			320
			MI-90-X-381
		001	02-0049-Z5
		General	FY 02
<i>Year ended September 30, 2006</i>	Total	Operations	Section 5307
Expenses			
Labor	\$ 9,611,647	\$ 9,420,583	\$ -
Fringe benefits	5,569,130	5,459,615	-
Services	2,322,174	1,268,956	958
Materials and supplies consumed	3,186,402	2,999,733	20,691
Utilities	458,847	458,847	-
Casualty and liability costs	314,572	314,572	-
Purchased transportation	7,198,089	5,835,035	-
Miscellaneous	592,355	437,169	1
Depreciation	5,352,989	5,352,989	-
Total Expenses	\$34,606,205	\$ 31,547,499	\$ 21,650

Interurban Transit Partnership

Schedule of Expenses by Grant

340	360	380	400	730	740	741
MI-90-X-399	MI-90-X-399	MI-90-X-454	MI-90-X-487	2006-0238	MI-37-X012	MI-37-X016
02-0049-Z10	02-0049-Z10	02-0049-Z27	02-0049-Z30	FY06	02-0049-Z16	02-0049-Z20
FY 03	FY 04	FY05	FY06	FY06	FY06	FY06
Section 5307	Section 5307	Section 5307	Section 5307	RTAP	JARC	JARC
\$ -	\$ 555	\$ 107,977	\$ 48,351	\$ 10,374	\$ -	\$ -
-	134	63,480	25,791	5,187	-	-
92,731	548,238	309,429	62,769	-	384	(384)
35,219	16,762	64,917	48,109	-	971	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,048	225,000	39,016	-	687,200	-
24,714	19,810	29,661	5,793	75,207	-	-
-	-	-	-	-	-	-
\$ 152,664	\$ 590,547	\$ 800,464	\$ 229,829	\$ 90,768	\$ 688,555	\$ (384)

	767	782	791
	2005-0092	02-0049-Z28	02-0049-Z29
<i>Year ended September 30, 2006</i>	Rideshare	Specialized Services	MPTA Conference
Expenses			
Labor	\$ 23,807	\$ -	\$ -
Fringe benefits	14,923	-	-
Services	-	-	33,814
Materials and supplies consumed	-	-	-
Utilities	-	-	-
Casualty and liability costs	-	-	-
Purchased transportation	-	406,790	-
Miscellaneous	-	-	-
Depreciation	-	-	-
Total Expenses	\$ 38,730	\$ 406,790	\$ 33,814

Interurban Transit Partnership

Section 5311 Expenses

<i>Year ended September 30, 2006</i>	Demand Response	Non- Urban
Administration	\$ 362,767	\$ 14,511
Supplies and printing	3,915	157
Purchased transportation	3,050,623	122,025
Other expenses	9,687	387
	<u>\$ 3,426,992</u>	<u>\$ 137,080</u>

Note: ITP's service into eligible non-urban areas is strictly demand response. ITP recognizes 5311 eligible expenses by allocating 4% of direct demand response expenses.

Interurban Transit Partnership

Calculation of State Operating Assistance

<i>Year ended September 30, 2006</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$ 31,410,419	\$ 137,080	\$ 31,547,499
Less Ineligible Expenses			
Depreciation expense	5,350,269	-	5,350,269
APTA and MPTA dues	4,992	-	4,992
Other	36,036	-	36,036
	5,391,297	-	5,391,297
Eligible Operating Expenses	\$ 26,019,122	\$ 137,080	\$ 26,156,202
Maximum State Operating Assistance (50/60%)	\$ 13,009,561	\$ 82,248	\$ 13,091,809
State Operating Assistance Accrual (33.14/39.25%)	\$ 8,622,737	\$ 53,804	\$ 8,676,541

<i>Federal Grantor/Program Title</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
Federal Transit Authority			
FTA Capital and Planning	20.507	MI-90-X381	320
FTA Capital Assistance	20.507	MI-90-X399	340
FTA Capital and Planning	20.507	MI-90-X430	360
FTA Capital and Planning	20.507	MI-90-X454	380
FTA Capital Assistance	20.507	MI-90-0487	400
FTA Capital and Planning	20.507	MI-90-X315	910
Total Capital and Planning Assistance - Section 5307			
FTA Capital Assistance	20.500	MI-03-0184	330
FTA Capital Assistance	20.500	MI-03-0163	825
FTA Capital Assistance	20.500	MI-03-0225	831
FTA Capital Assistance	20.500	MI-04-0001	832
Total Capital Assistance - Section 5309			
FTA Miscellaneous JARC - Section 3037	20.516	MI-37-0012	740
FTA Miscellaneous JARC - Section 3037	20.516	MI-37-0016	741
FTA Miscellaneous - Section 5313(b)	20.515	MI-80-0014	790
FTA Miscellaneous - Section 5313(b)	20.515	MI-80-0014	792
Total Miscellaneous			
FTA Rural Transit Assistance Program	20.509	-	730
FTA Non-Urbanized Formula Grants	20.509	-	767
Total Non-Urbanized Formula Grants			
Total Federal Transit Authority			
Total Federal Financial Assistance			

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/05	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/06
\$ (45,221)	\$ 98,836	\$ 177,637	\$ 33,580
79,292	817,493	643,289	(94,912)
820,911	2,157,648	1,551,690	214,953
389,943	962,641	1,552,943	980,245
-	63,637	255,647	192,010
29,878	29,878	-	-
<u>1,274,803</u>	<u>4,130,133</u>	<u>4,181,206</u>	<u>1,325,876</u>
17,301	17,301	-	-
120,000	120,000	-	-
2,100	2,100	1,248	1,248
-	2,781,187	3,247,694	466,507
<u>139,401</u>	<u>2,920,588</u>	<u>3,248,942</u>	<u>467,755</u>
200,880	787,179	344,277	(242,022)
192	9,381	(192)	(9,381)
28,178	28,178	-	-
-	-	33,814	33,814
<u>229,250</u>	<u>824,738</u>	<u>377,899</u>	<u>(217,589)</u>
-	-	90,768	90,768
21,527	45,927	24,400	-
<u>21,527</u>	<u>45,927</u>	<u>115,168</u>	<u>90,768</u>
<u>1,664,981</u>	<u>7,921,386</u>	<u>7,923,215</u>	<u>1,666,810</u>
<u>\$ 1,664,981</u>	<u>\$ 7,921,386</u>	<u>\$ 7,923,215</u>	<u>\$ 1,666,810</u>

<i>Program</i>	State Grantor Number	Grantee Number
Section 5307	2002-0049-Z5	320
Section 5307	2002-0049-Z10	340
Section 5307	2002-0049-Z18	360
Section 5307	2002-0049-Z27	380
Capital Project	95-1614	515
Technical Study	96-0782	640
Job Access and Reverse Commute	2002-0049-Z16	740
Job Access and Reverse Commute	2002-0049-Z20	741
Rideshare	2005-0092	767
Specialized Services	2002-049-Z21	781
Specialized Services	2002-049-Z24	782
Pull Out Lanes	1998-0788	825
Section 5309	-	831
Section 5309	2002-0049-Z31	832
Section 5307	99-0728	910
Total State Assistance		

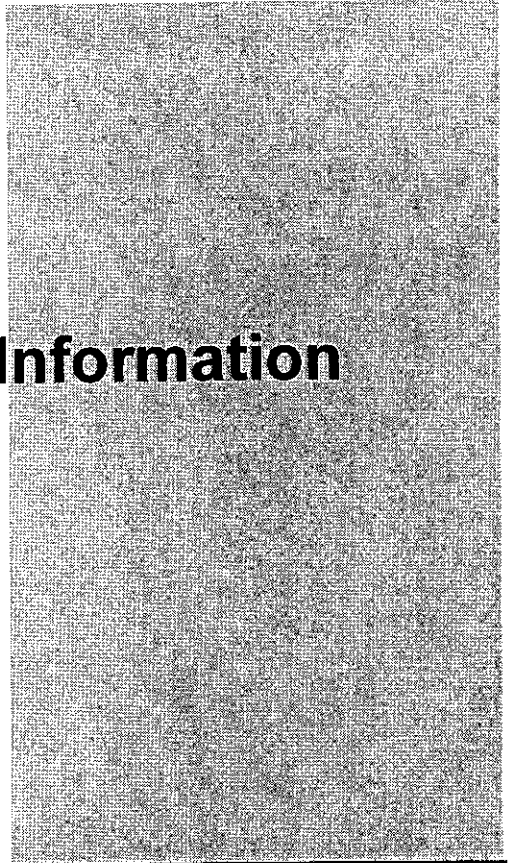
⁽¹⁾ Correction of previous period accounting error.

Interurban Transit Partnership

Schedule of Expenditures of State Awards

	Accrued (Deferred) Revenue 10/1/05	Adjustments ⁽¹⁾	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/06
\$	10,129	\$ -	\$ 15,619	\$ 44,409	\$ 38,919
	61,015	-	181,628	159,886	39,273
	65,626	-	271,895	372,914	166,645
	260,695	-	286,937	76,899	50,657
	(986)	986	-	-	-
	(4,937)	4,937	-	-	-
	85,839	-	250,267	344,277	179,849
	192	-	-	(192)	-
	12,643	-	26,973	14,330	-
	97,974	-	97,974	-	-
	-	-	305,094	406,790	101,696
	30,000	-	30,000	-	-
	283,001	-	283,313	312	-
	-	-	-	811,923	811,923
	(2,597)	2,597	-	-	-
\$	898,594	\$ 8,520	\$ 1,749,700	\$ 2,231,548	\$1,388,962

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
*Government Auditing Standards***



Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited the financial statements of Interurban Transit Partnership as of and for the year ended September 30, 2006, and have issued our report thereon dated January 3, 2007. 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 Interurban Transit Partnership'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interurban Transit Partnership'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 Seidman, LLP

Grand Rapids, Michigan
January 3, 2007

**Report on Compliance With
Requirements Applicable to Each
Major Program and Internal Control
Over Compliance in Accordance
With OMB Circular A-133**



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 are applicable to its major federal programs for the year ended September 30, 2006. 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 are applicable to each of its major federal programs for the year ended September 30, 2006. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 06-1.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 Seidman, LLP

Grand Rapids, Michigan
January 3, 2007

Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the financial statements of Interurban Transit Partnership.

The audit did not disclose any noncompliance which is material to the financial statements of Interurban Transit Partnership.

The auditors' report on compliance for major programs of Interurban Transit Partnership expresses an unqualified opinion.

The audit did not disclose any findings relative to major programs that are required to be reported herein in accordance with OMB Circular A-133.

The Authority had two major programs: Transit Capital Grants Cluster, which consists of CFDA Nos. 20.500 and 20.507 and the Job Access and Reverse Commute Grant (CFDA No. 20.516).

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Interurban Transit Partnership qualified as a low-risk auditee.

Findings Related to the Financial Statements

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

Findings and Questioned Costs for Federal Awards

Federal Transit Authority

Job Access and Reverse Commute Grant No. MI-37-0012
CFDA No. 20.516

#06-1 Condition

The Interurban Partnership (ITP) drew down excess funds for this Federal Transit Authority (FTA) grant which were not spent within a reasonable timeframe. At September 30, 2006, ITP had on hand excess grant funds of \$242,022.

Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2006

Criteria

Federal cash management rules contained in Office of Management and Budget (OM) Circular A-102, *Common Rule* and A-110, *Uniform Administrative Requirements Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, require grantees to minimize the time between receipt of funds from the U.S. Treasury and disbursement of those funds.

Cause and Effect

A spreadsheet is used to track expenditures but incorrect percentages were used to allocate the federal portion. This spreadsheet was used to request reimbursements resulting in the excess funds being received. The Finance Department subsequently realized the error and corrected the spreadsheet. The excess funds will be repaid on subsequent drawdown.

Recommendation

Consider having another person review new spreadsheets prior to using them to request funds.

Management's Response

ITP has corrected the spreadsheet error which created the miscalculation of federal funds earned and returned all unearned funds with its first drawdown of FY07. In addition, ITP has implemented a secondary review of future calculations prior to the request for funds.