

Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2009 and 2008

Interurban Transit Partnership

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Interurban Transit Partnership

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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, 2009 and 2008 (as of and for the years ended June 30, 2009 and 2008 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, 2009 and 2008 (June 30, 2009 and 2008 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 11, 2010 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 11, 2010

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, 2009 and 2008.

Financial Highlights

- The state operating assistance rate continued to fall from 32.52% in FY07 to 30.63% in FY08 and 30.16% in FY09.
- Property tax revenues increased by 18.3% in FY08 due to a .17 mill increase in the tax levy but were flat for FY09 growing by 0.2%.
- Total passengers surpassed the 9.3 million mark in FY09 and, along with a fare increase implemented in October 2008, fare revenue grew by 7.1%.
- Services provided to our community partners such as Grand Valley State University and Davenport College continue to grow, increasing our local revenues by 13.9% in FY08 and 11.1% in FY09.
- ITP grew its unrestricted net assets (fund balance) by approximately \$1.09 million for the year ended September 30, 2009.

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.

Financial Analysis of ITP

Net Assets

ITP's total net assets expanded to nearly \$74.9 million during FY09, an increase of 15.2% from FY08 (see Table A-1) and 17.7% since the end of FY07.

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

<i>September 30,</i>	2009	2008	2007
Current assets	\$ 18,454	\$ 16,629	\$ 14,883
Capital assets, net	61,034	52,252	52,473
Total assets	79,488	68,881	67,356
Current liabilities	4,620	3,887	3,750
Net assets			
Invested in capital assets	61,034	52,252	52,473
Restricted for STC project	440	440	440
Unrestricted	13,394	12,302	10,693
Total Net Assets	\$ 74,868	\$ 64,994	\$ 63,606

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 \$1.9 million for FY09. During the year, ITP also purchased 40 new Gillig buses for \$12.8 million.

During FY08, ITP purchased seven new Gillig Buses for \$2.2 million, completed in excess of \$1 million in rehabilitation to its maintenance facilities and has continued toward completion of its multi-million dollar Intelligent Transportation Systems project, which is bringing state of the art technologies to ITP so that it may more efficiently and effectively operate its bus service and better serve the needs of its growing client base.

Changes in Net Assets

Net assets grew by \$9.8 million from September 30, 2008 to September 30, 2009 (see Table A-2).

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

<i>Year ended September 30,</i>	2009	2008	2007
Operating revenues			
Passenger fares	\$ 5,227	\$ 4,879	\$ 4,294
Advertising	80	90	131
Total operating revenues	5,307	4,969	4,425
Operating expenses			
Salaries and benefits	19,079	17,121	15,820
Other operating expenses	16,632	17,342	15,459
Depreciation	7,428	7,095	6,084
Total operating expenses	43,139	41,558	37,363
Operating loss	(37,832)	(36,589)	(32,938)
Nonoperating revenues			
Property taxes	12,262	12,238	10,344
Other local	6,007	5,409	4,752
State and federal	13,228	13,455	12,644
Total nonoperating revenues	31,497	31,102	27,740
Loss before capital contributions	(6,335)	(5,487)	(5,198)
Capital contributions	16,209	6,875	11,387
Change in net assets	9,874	1,388	6,189
Net Assets, beginning of year	64,994	63,606	57,417
Net Assets, end of year	\$ 74,868	\$ 64,994	\$ 63,606

Ridership growth and a fare increase implemented at the beginning of FY09 continue to push passenger fare revenues upward, while expansion of services sold continues to drive local revenues higher.

Service expansion implemented in October 2008 as a result of a successful millage increase in May 2007 pushed operating expenses upward. However, growth in expenses were not as significant as expected as fuel prices, after soaring in FY08 fell back significantly in FY09.

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

<i>Year ended September 30,</i>	2009	2008	Percentage Change
Labor	\$ 12,180	\$ 11,019	10.5
Fringe benefits	6,898	6,102	13.0
Services	2,427	2,295	5.8
Materials and supplies	3,709	4,996	(25.8)
Utilities	510	578	(11.8)
Casualty and liability	924	729	26.7
Purchased transportation	8,476	8,166	3.8
Miscellaneous	541	577	6.2
Preventive maintenance	-	(1,000)	-

ITP expanded services, which pushed labor and fringes upward 10.5% and 13.0% respectively. The 25.8% decrease in materials and supplies and the 11.8% decrease in utilities in FY09 can be attributed almost entirely to falling prices. A poor year for the Michigan Transit Pool, a self-insurance pool that ITP participated in, drove that expense upward by 26.7%.

Capital Assets

As of September 30, 2009, ITP had invested approximately \$105.3 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, 2009 totaled approximately \$61.0 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$8.8 million or 16.8% over September 30, 2008.

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

<i>September 30,</i>	2009	2008	Percentage Change
Construction in progress	\$ 1,924	\$ -	100
Land	6,605	6,597	.1
Artwork	368	210	75.2
Land improvements	145	157	(8.3)
Buildings and improvements	20,410	21,297	(4.2)
Revenue vehicles	27,316	18,089	51.0
Machinery and equipment	4,266	5,902	27.7
Total Net Capital Assets	\$ 61,034	\$ 52,252	16.8

The beginning phases of the fleet maintenance facility expansion account for the \$1.9 million balance in construction in progress. Forty new Gillig Buses account for most of the 51.0% growth in revenue vehicles.

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 flat the past two fiscal years, causing property tax revenues to fall short of expectations. 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.

In May 2009, ITP failed in its millage campaign to fund its proposed Bus Rapid Transit (BRT) service. Although environmental studies and other work necessary to obtain the more than \$30 million in federal and state capital funds needed for this expansion continues, it is not known when or if ITP will again ask taxpayers to provide the needed operating revenues.

Basic Financial Statements

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2009	2008
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 12,165,971	\$ 12,111,521
Property taxes receivable, net	1,037,864	1,077,688
Due from federal government	1,254,725	1,241,981
Due from State of Michigan	1,483,044	314,963
Billed receivables	1,869,132	1,354,001
Materials and supplies inventories	495,154	415,496
Prepaid expenses and deposits	148,498	113,457
Total Current Assets	18,454,388	16,629,107
Capital Assets (Note 3)		
Land and improvements	7,382,830	7,375,385
Buildings	29,394,963	29,182,019
Revenue vehicles	48,982,122	38,841,957
Machinery and equipment	17,202,726	16,553,150
Artwork	368,470	209,921
Construction in progress	1,923,979	-
	105,255,090	92,162,432
Less accumulated depreciation	44,221,188	39,910,434
Net Capital Assets	61,033,902	52,251,998
Total Assets	79,488,290	68,881,105

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2009	2008
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,947,957	\$ 1,450,290
Employee compensation and related withholdings	2,064,488	1,870,826
Unredeemed fares	116,536	74,551
Deferred revenues	42,578	123,375
Due to State of Michigan	448,352	368,158
Total Current Liabilities	4,619,911	3,887,200
Net Assets		
Invested in capital assets	61,033,902	52,251,998
Restricted	440,492	440,492
Unrestricted	13,393,985	12,301,415
Total Net Assets	\$ 74,868,379	\$ 64,993,905

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>	2009	2008
Operating Revenues		
Passenger fares	\$ 5,227,018	\$ 4,879,227
Advertising (Note 1)	79,617	89,924
Total operating revenues	5,306,635	4,969,151
Operating Expenses		
Salaries and fringe benefits	19,079,004	17,120,524
Supplies and other operating expenses	16,632,280	17,342,035
Depreciation	7,427,759	7,095,427
Total operating expenses	43,139,043	41,557,986
Operating loss	(37,832,408)	(36,588,835)
Nonoperating Revenues		
State and federal	13,227,569	13,455,404
Property taxes	12,261,811	12,237,560
Other local	6,007,839	5,409,471
Total nonoperating revenues	31,497,219	31,102,435
Loss before capital contributions	(6,335,189)	(5,486,400)
Capital Contributions	16,209,663	6,874,735
Change in net assets	9,874,474	1,388,335
Net Assets, beginning of year	64,993,905	63,605,570
Net Assets, end of year	\$ 74,868,379	\$ 64,993,905

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2009	2008
Cash for Operating Activities		
Receipts from customers	\$ 5,274,072	\$ 4,989,626
Payments to suppliers	(21,953,932)	(22,190,354)
Payments to employees	(13,139,341)	(11,820,894)
Net cash for operating activities	(29,819,201)	(29,021,622)
Cash From Noncapital Financing Activities		
Federal grants received	2,322,596	3,123,020
State grants received	11,136,831	11,643,544
Local government assistance received	5,687,188	5,199,852
Property taxes	12,365,083	12,162,138
Other income	119,894	116,601
Net cash from noncapital financing activities	31,631,592	32,245,155
Cash for Capital and Related Financing Activities		
Federal contributed capital	13,116,935	5,843,982
State contributed capital	1,135,954	657,176
Purchase of capital assets	(16,209,663)	(6,874,735)
Proceeds from sale of capital assets	40,796	75,394
Net cash for capital and related financing activities	(1,915,978)	(298,183)
Cash From Investing Activity		
Interest received on investments	158,037	231,991
Net Increase in Cash and Cash Equivalents	54,450	3,157,341
Cash and Cash Equivalents, beginning of year	12,111,521	8,954,180
Cash and Cash Equivalents, end of year	\$ 12,165,971	\$ 12,111,521

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2009	2008
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (37,832,408)	\$ (36,588,835)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	7,427,759	7,095,427
Changes in assets and liabilities:		
Decrease (increase) in billed receivables	(32,563)	417,092
Increase in inventories	(79,658)	(73,166)
Increase in prepaid expenses and deposits	(35,041)	(8,477)
Increase in accounts payable	497,667	217,788
Increase in accrued payroll	193,662	193,638
Increase in unredeemed fares	41,985	20,475
Decrease in other liabilities	(604)	(295,564)
Net Cash for Operating Activities	\$ (29,819,201)	\$ (29,021,622)

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2009	2008
Assets		
Cash and short-term investments (Note 2)	\$ 1,042,221	\$ 1,411,896
Receivables		
Employer contributions	28,302	65,634
Interest and dividends receivable	1,083	4,453
Due from administrative plan	9,157	620,187
Total receivables	38,542	690,274
Investments, at fair value (Note 2)		
Bond mutual funds	856,785	831,775
Equity mutual funds	3,952,996	4,902,696
Total investments	4,809,781	5,734,471
Total Assets	5,890,544	7,836,641
Liabilities		
Due to non-administrative plan	9,157	620,187
Net Assets Held in Trust for Pension Benefits	\$ 5,881,387	\$ 7,216,454

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	
	2009	2008
Additions		
Employer contributions	\$ 728,150	\$ 685,656
Investment income:		
Net depreciation	(1,294,795)	(768,768)
Interest	79,354	105,628
Dividends	146,425	370,740
Other	(20)	1,135
Investment expense	(35,745)	(40,141)
Fee rebates	6,033	8,614
Total investment income	(1,098,748)	(322,792)
Total additions	(370,598)	362,864
Deductions		
Benefits	929,102	528,248
Administrative expense	35,367	23,026
Total deductions	964,469	551,274
Change in net assets	(1,335,067)	(188,410)
Net Assets Held in Trust for Pension Benefits, beginning of year	7,216,454	7,404,864
Net Assets Held in Trust for Pension Benefits, end of year	\$ 5,881,387	\$ 7,216,454

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'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.

Interurban Transit Partnership

Notes to Financial Statements

Capital Assets

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

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

	Years
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.

Restricted net assets in the amount of \$440,492 have been set aside for the continued development of Rapid Central Station. These funds represent the net proceeds from the sale of land that was originally acquired as part of an agreement between the City of Grand Rapids, the State of Michigan and the Interurban Transit Partnership (formerly the Grand Rapids Area Transit Authority) to provide a temporary facility in the City of Grand Rapids.

Interurban Transit Partnership

Notes to Financial Statements

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.

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.

Interurban Transit Partnership

Notes to Financial Statements

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, 2009, the bank balances were \$9,025,310, of which \$4,848,313 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, 2009, 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	\$2,105,279
Municipal Investment Funds	Less than 1 year	1,006,521
Total		\$3,111,800

At June 30, 2009, ITP's Pension Trust Funds had investments in mutual funds with a value of \$5,852,002 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.

Interurban Transit Partnership

Notes to Financial Statements

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, 2009.

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, 2009, 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	67.65%
Municipal Investment Funds	Moody's Aaa	32.35
Pension Trust Funds		
Money market funds	Not rated	17.81
Bond mutual funds	Not rated	24.13

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Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

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

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Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2008 is as follows:

	Balance October 1, 2007	Additions	Transfers/ Deletions	Balance September 30, 2008
Assets				
Capital assets not being depreciated:				
Land	\$ 6,592,420	\$ 5,450	\$ -	\$ 6,597,870
Artwork	188,921	21,000	-	209,921
Capital assets being depreciated:				
Land improvements	777,515	-	-	777,515
Buildings and improvements	27,988,233	1,194,873	1,087	29,182,019
Revenue vehicles	36,764,397	2,759,556	681,996	38,841,957
Machinery and equipment	14,027,598	2,893,856	368,304	16,553,150
Total assets	86,339,084	6,874,735	1,051,387	92,162,432
Accumulated depreciation:				
Land improvements	608,693	11,954	-	620,647
Buildings and improvements	6,842,666	1,043,564	1,087	7,885,143
Revenue vehicles	18,191,295	3,243,707	681,996	20,753,006
Machinery and equipment	8,223,740	2,796,202	368,304	10,651,638
Total accumulated depreciation	33,866,394	7,095,427	1,051,387	39,910,434
Net Capital Assets	\$ 52,472,690	\$ (220,692)	\$ -	\$ 52,251,998

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.

Interurban Transit Partnership

Notes to Financial Statements

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

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

	2009	2008
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	30	32
Current active members	15	17
Total	45	49

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.

Interurban Transit Partnership

Notes to Financial Statements

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$245,092 and \$226,300, and the contribution totaled \$299,212 and \$350,720 for the years ended September 30, 2009 and 2008, respectively.

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$256,046	230.4	-
2008	226,300	155.0	-
2009	245,092	122.1	-

Funding Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 44.53% funded. The actuarial accrued liability for benefits was \$4,264,247, and the actuarial value of assets was \$1,899,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,365,247.

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, 2009 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, 2009 was 30 years. The covered payroll (annual payroll of active employees covered by the plan) was \$1,005,035.

Interurban Transit Partnership

Notes to Financial Statements

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.

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

	2009	2008
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	120	112
Transferred to non-union	16	16
Active plan members	229	214
Total	365	342

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.

Interurban Transit Partnership

Notes to Financial Statements

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, 2008 to June 30, 2009, this rate is \$.75 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 \$345,966 and \$300,837, and the contribution totaled \$428,938 and \$334,936 for the years ended September 30, 2009 and 2008, respectively.

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$277,203	110.2	-
2008	300,837	111.3	-
2009	345,966	124.0	-

Funding Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 71.5% funded. The actuarial accrued liability for benefits was \$6,679,489, and the actuarial value of assets was \$4,778,864, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,900,625.

Interurban Transit Partnership

Notes to Financial Statements

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, 2009 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, 2009 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 \$147,469 and \$131,877 for the plan years ended June 30, 2009 and 2008, 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 (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 carries excess insurance for an additional \$5,000,000 per occurrence.

Interurban Transit Partnership

Notes to Financial Statements

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

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 2009 and 2008 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$16,183,423 and \$15,056,820 in 2009 and 2008, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 30.16% and 30.63% totaled \$9,761,730 and \$9,221,756 in 2009 and 2008, 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, 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
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

* 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, 2009
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	1994 GAR
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, 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	79.43
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

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, 2009
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	1983 GAM (sex distinct) set forward three years
Turnover rates	Crocker-Sarason-Straight T-5
Cost of living adjustments	None

Combining Statements and Supplemental Schedules

Interurban Transit Partnership

Combining Statement of Plan Net Assets Pension Trust Funds

<i>June 30, 2009</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 359,279	\$ 682,942	\$ 1,042,221
Receivables			
Employer contributions	-	28,302	28,302
Interest and dividends receivable	404	679	1,083
Due from administrative plan	-	9,157	9,157
Total receivables	404	38,138	38,542
Investments, at fair value			
Bond mutual funds	250,136	606,649	856,785
Equity mutual funds	1,298,338	2,654,658	3,952,996
Total investments	1,548,474	3,261,307	4,809,781
Total Assets	1,908,157	3,982,387	5,890,544
Liabilities			
Due to non-administrative plan	9,157	-	9,157
Net Assets Held in Trust for Pension Benefits	\$ 1,899,000	\$ 3,982,387	\$ 5,881,387

Interurban Transit Partnership

Combining Statement of Changes in Plan Net Assets Pension Trust Funds

<i>Year ended June 30, 2009</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 299,212	\$ 428,938	\$ 728,150
Investment income:			
Net depreciation	(724,689)	(570,106)	(1,294,795)
Interest	33,904	45,450	79,354
Dividends	66,704	79,721	146,425
Other	(20)	-	(20)
Investment expense	(16,105)	(19,640)	(35,745)
Fee rebates	2,605	3,428	6,033
Total investment income	(637,601)	(461,147)	(1,098,748)
Total additions	(338,389)	(32,209)	(370,598)
Deductions			
Benefits	656,959	272,143	929,102
Administrative expense	16,721	18,646	35,367
Total deductions	673,680	290,789	964,469
Change in net assets	(1,012,069)	(322,998)	(1,335,067)
Net Assets Held in Trust for Pension Benefits, beginning of year	2,911,069	4,305,385	7,216,454
Net Assets Held in Trust for Pension Benefits, end of year	\$ 1,899,000	\$ 3,982,387	\$ 5,881,387

Interurban Transit Partnership

Schedule of Nonoperating Revenues - Local

<i>Year ended September 30,</i>	2009
Local Revenue	
Property taxes	\$ 12,261,811
Grand Valley State University	2,326,169
Network 180	1,713,434
DASH - City of Grand Rapids	789,115
Davenport College	265,961
Van pool	121,820
Ada Township	23,951
Alpine Township	89,634
Byron Township	79,776
Cascade Township	119,098
Gaines Township	60,734
Other local services	99,420
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Total local revenue	17,950,923
Other Income	
Gain on sale of property	40,796
Retail lease	45,318
Interest income	158,037
Miscellaneous	74,576
<hr/>	
Total other income	318,727
<hr/>	
Total Nonoperating Revenues - Local	\$ 18,269,650

Interurban Transit Partnership

Schedule of Nonoperating Revenues - State and Federal

<i>Year ended September 30,</i>	2009
<hr/>	
State of Michigan Grants	
General operating assistance	\$ 10,155,555
Capital assistance	80,433
Specialized services	463,289
Job Access and Reverse Commute	342,604
<hr/>	
Total State of Michigan grants	11,041,881
<hr/>	
Federal Government Grants	
General operating assistance	28,061
Capital assistance	1,171,614
Planning and miscellaneous project assistance	563,966
Job Access and Reverse Commute	422,047
<hr/>	
Total federal government grants	2,185,688
<hr/>	
Total Nonoperating Revenues - State and Federal	\$ 13,227,569
<hr/>	

Interurban Transit Partnership

Schedule of Operating Expenses by Function

	General	
<i>Year ended September 30, 2009</i>	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 8,070,599	\$ -
Other salaries and wages	921,863	1,654,301
Dispatchers' salaries and wages	157,739	-
Total labor	9,150,201	1,654,301
Fringe Benefits		
Pension	556,286	127,844
Other fringe benefits	4,423,376	857,345
Total fringe benefits	4,979,662	985,189
Services		
Audit fees	-	-
Other services	395,561	790,091
Total services	395,561	790,091
Materials and Supplies Consumed		
Fuel and lubricants	2,189,671	-
Tires and tubes	-	7,456
Other materials and supplies	24,189	1,103,816
Total materials and supplies consumed	2,213,860	1,111,272
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	772,629	-
Other insurance	-	-
Total casualty and liability costs	772,629	-

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations			
Administration	Total	Grants	Total System
\$ -	\$ 8,070,599	\$ -	\$ 8,070,599
1,282,492	3,858,656	93,513	3,952,169
-	157,739	-	157,739
1,282,492	12,086,994	93,513	12,180,507
213,880	898,010	-	898,010
667,255	5,947,976	52,511	6,000,487
881,135	6,845,986	52,511	6,898,497
36,750	36,750	-	36,750
393,546	1,579,198	810,833	2,390,031
430,296	1,615,948	810,833	2,426,781
-	2,189,671	-	2,189,671
-	7,456	121,555	129,011
98,569	1,226,574	164,020	1,390,594
98,569	3,423,701	285,575	3,709,276
510,184	510,184	-	510,184
-	772,629	-	772,629
151,725	151,725	-	151,725
151,725	924,354	-	924,354

Interurban Transit Partnership

Schedule of Operating Expenses by Function

<i>Year ended September 30, 2009</i>	General	
	Operations	Maintenance
Purchased Transportation	\$ 6,512,504	\$ -
Miscellaneous		
Travel and meetings	30,696	11,058
Advertising/promotion media	-	-
Other miscellaneous	1,448	38,968
Total miscellaneous	32,144	50,026
Leases and Rentals	13,800	-
Depreciation	-	-
Preventive Maintenance	-	-
Total Expenses	\$ 24,070,361	\$ 4,590,879

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations			
Administration	Total	Grants	Total System
\$ -	\$ 6,512,504	\$ 1,963,608	\$ 8,476,112
35,261	77,015	49,118	126,133
232,480	232,480	26,882	259,362
113,832	154,248	2,121	156,369
381,573	463,743	78,121	541,864
-	13,800	29,909	43,709
7,427,759	7,427,759	-	7,427,759
-	-	-	-
\$ 11,163,733	\$ 39,824,973	\$ 3,314,070	\$ 43,139,043

Interurban Transit Partnership

Schedule of Expenses by Grant

<i>Year ended September 30, 2009</i>	Total	Operations	Section 5307
		General	02-0049-Z10 FY03
			MI-90-X-399 340
Expenses			
Labor	\$ 12,180,507	\$ 12,086,994	\$ -
Fringe benefits	6,898,497	6,845,986	-
Services	2,426,781	1,615,948	689
Materials and supplies consumed	3,709,276	3,423,701	15,743
Utilities	510,184	510,184	-
Casualty and liability costs	924,354	924,354	-
Purchased transportation	8,476,112	6,512,504	-
Miscellaneous	541,864	463,743	-
Leases and rentals	43,709	13,800	-
Depreciation	7,427,759	7,427,759	-
Total Expenses	\$ 43,139,043	\$ 39,824,973	\$ 16,432

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
\$ -	\$ -	\$ 3,114	\$ 300	\$ 38,992	\$ 51,107
-	-	1,857	197	21,564	28,893
46,782	232,319	-	15,896	-	323,409
15,972	36,780	-	25,341	-	78,316
-	-	-	-	-	-
-	-	-	-	-	-
-	-	15,188	-	-	268,065
2,088	23,652	10,348	4,816	17,147	17,757
29,909	-	-	-	-	-
-	-	-	-	-	-
\$ 94,751	\$ 292,751	\$ 30,507	\$ 46,550	\$ 77,703	\$ 767,547

Interurban Transit Partnership

Schedule of Expenses by Grant

	450 MI-90-X580 07-0230-Z16 FY09 Section 5307	741 MI-37-X016 02-0049-Z20 JARC	785 07-0230-Z13 Specialized Services
<i>Year ended September 30, 2009</i>			
Expenses			
Labor	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Services	39,531	500	-
Materials and supplies consumed	78,658	-	-
Utilities	-	-	-
Casualty and liability costs	-	-	-
Purchased transportation	195,223	1,021,843	463,289
Miscellaneous	-	-	-
Leases and rentals	-	-	-
Depreciation	-	-	-
Total Expenses	\$ 313,412	\$ 1,022,343	\$ 463,289

Interurban Transit Partnership

Schedule of Expenses by Grant

839 MI-04-0024 07-0230-Z4 FY07 Section 5309	841 MI-04-0046 07-0230-Z17 FY09 Section 5309	860 MI-03-0234 02-0049-Z33 FY04 & FY05 Section 5309	863 MI-39-0001 07-0230-Z11 Section 5339	865 MI-03-X239 07-0230-Z18 FY09 Section 5309
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
29,472	14,451	-	78,111	29,673
-	-	34,765	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	2,313	-
-	-	-	-	-
-	-	-	-	-
\$ 29,472	\$ 14,451	\$ 34,765	\$ 80,424	\$ 29,673

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2009</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 8,070,599	\$ -	\$ -	\$ 8,070,599
Other salaries and wages	921,863	1,654,301	1,281,097	3,857,261
Dispatchers' salaries and wages	157,739	-	-	157,739
Total labor	9,150,201	1,654,301	1,281,097	12,085,599
Fringe Benefits				
Pension	556,286	127,844	213,880	898,010
Other fringe benefits	4,423,376	857,345	666,465	5,947,186
Total fringe benefits	4,979,662	985,189	880,345	6,845,196
Services				
Audit fees	-	-	36,750	36,750
Other services	395,561	790,091	393,544	1,579,196
Total services	395,561	790,091	430,294	1,615,946
Materials and Supplies Consumed				
Fuel and lubricants	2,189,671	-	-	2,189,671
Tires and tubes	-	7,456	-	7,456
Other materials and supplies	24,189	1,103,816	98,562	1,226,567
Total materials and supplies consumed	2,213,860	1,111,272	98,562	3,423,694
Utilities				
Other	-	-	510,184	510,184
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	772,629	-	-	772,629
Other insurance	-	-	151,725	151,725
Total casualty and liability costs	772,629	-	151,725	924,354

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2009</i>	Operations	Maintenance	Administration	Total
Purchased Transportation	\$ 6,495,722	\$ -	\$ -	\$ 6,495,722
Miscellaneous				
Travel and meetings	30,696	11,058	35,246	77,000
Advertising/promotion media	-	-	232,480	232,480
Other miscellaneous	1,448	38,968	113,832	154,248
Total miscellaneous	32,144	50,026	381,558	463,728
Leases and Rentals	13,800	-	-	13,800
Depreciation	-	-	7,427,759	7,427,759
Total Expenses	\$24,053,579	\$ 4,590,879	\$ 11,161,524	\$ 39,805,982

Interurban Transit Partnership

Schedule of Regular Service Revenues - Urban

<i>Year ended September 30,</i>	2009
Operating Revenues	
Passenger fares	\$ 5,224,348
Advertising	79,617
Total operating revenues	5,303,965
Nonoperating Revenues	
State and federal assistance	13,192,292
Local Revenue	
Property taxes	12,261,811
Grand Valley State University	2,326,169
Network 180	1,713,434
DASH - City of Grand Rapids	789,115
Davenport College	265,961
Van pool	121,820
Ada Township	23,951
Alpine Township	89,634
Byron Township	79,776
Cascade Township	119,098
Gaines Township	60,734
Other local services	90,315
Total local revenue	17,941,818
Other Income	
Gain on sale of property	40,796
Retail lease	45,318
Interest income	158,037
Miscellaneous	74,576
Total other income	318,727
Total Nonoperating Revenues - Local	\$ 36,756,802

Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2009</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	340,359	27,895	13,679	381,933
Revenue hours - linehaul	325,975	26,999	13,135	366,109
Total vehicle hours - demand response	199,560	11,727	9,505	220,792
Revenue hours - demand response	154,076	9,651	7,729	171,456
Total vehicle miles - linehaul	4,175,578	364,172	164,697	4,704,447
Revenue miles - linehaul	3,936,420	348,596	154,912	4,439,928
Total vehicle miles - demand response	3,009,959	164,055	133,924	3,307,938
Revenue miles - demand response	2,317,102	131,556	107,367	2,556,025

Interurban Transit Partnership

Schedule of Regular Service Expense by Function - Non-urban

<i>Year ended September 30, 2009</i>	Operations	Maintenance	Administration	Total
Labor				
Other salaries and wages	\$ -	\$ -	\$ 1,395	\$ 1,395
Fringe Benefits				
Other fringe benefits	-	-	790	790
Services	-	-	2	2
Materials and Supplies Consumed				
Other materials and supplies	-	-	7	7
Purchased Transportation	16,782	-	-	16,782
Miscellaneous				
Travel and meetings	-	-	15	15
Total Expenses	\$ 16,782	\$ -	\$ 2,209	\$ 18,991

Interurban Transit Partnership

Schedule of Regular Service Revenues - Non-urban

<i>Year ended September 30,</i>	2009
Operating Revenues	
Passenger fares	\$ 2,670
Nonoperating Revenues	
State and federal assistance:	
State assistance	7,216
Federal assistance (5311)	28,061
Total state and federal assistance	35,277
Local revenues:	
Other local services	9,105
Total nonoperating revenues	44,382
Total Revenues	\$ 47,052

Interurban Transit Partnership

Schedule of Vehicle Miles - Non-urban

<i>Year ended September 30, 2009</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - demand response	862	51	41	954
Revenue hours - demand response	665	42	33	740
Total vehicle miles - demand response	12,999	708	578	14,285
Revenue miles - demand response	10,007	568	464	11,039

Interurban Transit Partnership

Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2009</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$ 39,805,982	\$ 18,991	\$ 39,824,973
Less Ineligible Expenses			
Depreciation expense	7,427,759	-	7,427,759
APTA and MPTA dues	4,720	-	4,720
Other (lobbying fees)	29,446	-	29,446
	7,461,925	-	7,461,925
Eligible Operating Expenses	\$ 32,344,057	\$ 18,991	\$ 32,363,048
Maximum State Operating Assistance (50/60%)	\$ 16,172,029	\$ 11,396	\$ 16,183,424
State Operating Assistance Accrual (30.16/35.61%)	\$ 9,754,967	\$ 6,763	\$ 9,761,730

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.

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

<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-X399	340
FTA Capital Assistance	20.507	MI-90-X430	360
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
	20.507	MI-90-X025	425
FTA Capital Assistance	20.507	MI-90-X548	440
FTA Capital Assistance	20.507	MI-90-X580	450
FTA Capital Assistance - ARRA Funds	20.500	MI-96-0005	864
Total Capital and Planning Assistance - Section 5307			
FTA Capital Assistance	20.500	MI-04-0001	832
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 10/1/08	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/09
\$ 33,651	\$ 52,919	\$ 19,597	\$ 329
18,554	18,554	-	-
96,355	315,985	204,294	(15,336)
526,805	989,372	768,816	306,249
39,407	280,975	313,173	71,605
51,879	833,983	874,016	91,912
-	49,365	62,163	12,798
275,382	1,447,868	1,267,382	94,896
-	322,145	522,314	200,169
-	1,001,108	1,025,891	24,783
1,042,033	5,312,274	5,057,646	787,405
140,160	140,160	-	-
-	7,180	23,578	16,398
-	5,615,943	5,615,944	1
-	3,818,328	4,139,994	321,666
59,785	139,146	85,994	6,633
-	23,700	23,738	38
199,945	9,744,457	9,889,248	344,736
-	382,801	422,047	39,246
-	-	67,988	67,988
-	382,801	490,035	107,234
\$ 1,241,978	\$ 15,439,532	\$ 15,436,929	\$ 1,239,375

Interurban Transit Partnership

Schedule of Expenditures of State Awards

<i>Program</i>	State Grantor Number	Grantee Number
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
Job Access and Reverse Commute	2002-0049-Z20	741
Specialized Services	2007-0230-Z6	784
Specialized Services		785
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 10/1/08	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/09
\$ 210,216	\$ 214,716	\$ 4,899	\$ 399
(2,270)	-	-	(2,270)
76,559	66,886	5,443	15,116
38,801	111,775	126,897	53,923
4,687	4,687	70,667	70,667
93,422	166,905	74,583	1,100
-	-	15,541	15,541
-	61,970	67,338	5,368
-	-	47,259	47,259
-	297,204	342,604	45,400
116,730	116,730	-	-
-	343,124	463,289	120,165
494	1,727	5,894	4,661
-	506,269	1,403,986	897,717
-	-	1,034,999	1,034,999
32,740	51,095	18,355	-
-	-	5,935	5,935
\$ 571,379	\$ 1,943,088	\$ 3,687,689	\$2,315,980

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 (ITP) as of and for the year ended September 30, 2009, and have issued our report thereon dated January 11, 2010. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects ITP's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by ITP's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by ITP's internal control.

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.

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 Seidman, LLP

Grand Rapids, Michigan
January 11, 2010

**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, 2009. 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, 2009.

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 control deficiency in Interurban Transit Partnership's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Interurban Transit Partnership's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Interurban Transit Partnership's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Interurban Transit Partnership's internal control.

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 Seidman, LLP

Grand Rapids, Michigan
January 11, 2010

Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2009

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>
20.516	Job Access Reverse Commute
20.500 and 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 463,000
Auditee qualified as low-risk auditee?	yes

Section II - Findings Related to the Financial Statements

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

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.

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, 2008.