



Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2012 and 2011

Interurban Transit Partnership

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Interurban Transit Partnership

Contents

Independent Auditor's Report	5-7
Management's Discussion and Analysis	9-13
Basic Financial Statements	
Enterprise Fund:	
Statements of Net Assets	16-17
Statements of Revenues, Expenses and Changes in Net Assets	19
Statements of Cash Flows	20-21
Fiduciary Funds:	
Statements of Fiduciary Net Assets	22
Statements of Changes in Fiduciary Net Assets	23
Notes to Financial Statements	24-34
Required Supplementary Information	
Schedules of Funding Progress	36-37
Combining Statements and Supplemental Schedules	
Pension Trust Funds:	
Combining Statement of Plan Net Assets	40
Combining Statement of Changes in Plan Net Assets	41
Schedule of Non-operating Revenues - Local	42
Schedule of Non-operating Revenues - State and Federal	43
Schedule of Operating Expenses by Function	44-47
Schedule of Expenses by Grant	48-51
Schedule of Regular Service Expenses by Function - Urban	52
Schedule of Regular Service Revenues - Urban	53
Schedule of Hours and Miles - Urban	55
Schedule of Operating Assistance Calculation	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>	65-67
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	71-73
Schedule of Findings and Questioned Costs	75

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Independent Auditor's 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, 2012 and 2011 (as of and for the years ended June 30, 2012 and 2011 for the Pension Trust Funds), which collectively comprise ITP's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ITP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Partnership at September 30, 2012 and 2011 (June 30, 2012 and 2011 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, 2013 on our consideration of ITP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress on pages 9 - 13 and 36 - 37 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

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information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ITP's financial statements. The accompanying combining statements and supplemental schedules and schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

BDO USA, LLP

January 11, 2013

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Management's Discussion and Analysis

This section of Interurban Transit Partnership's (ITP) annual financial report presents our discussion and analysis of ITP's financial performance during the fiscal years ended September 30, 2012 and 2011.

Financial Highlights

- The state operating assistance rate declined slightly in FY12 to 30.65% from 31.40% in FY11.
- The citizens of the six cities served by The Rapid approved a property tax increase from 1.12 mills to 1.47 mills to fund service enhancements. The first of those enhancements came online during FY12. ITP levied 1.41 of the 1.47 mills to cover the cost of FY12 services, including these first enhancements.
- ITP completed the \$30 million renovation and expansion of its maintenance and bus storage facility during FY12. Expansion of this facility was essential to allow for expansion of Rapid services. This expansion project was funded using federal and state capital grants. A second project, a hub center in the City of Kentwood, was also completed early in FY12 at a cost of \$1.1 million. This project was funded by ITP restricted net assets, as well as federal and state capital grants.
- Taxable property values decreased in The Rapid's service area by approximately 4%, which resulted in property tax revenue falling short of budgeted expectations by nearly \$1,000,000. This decline will also create a similar shortfall from the originally adopted FY13 budget.
- ITP grew its unrestricted net assets (fund balance) by approximately \$470,000 for the year ended September 30, 2012.

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 increased to \$109.8 million during FY12, an increase of 16.8% from FY11 (see Table A-1) and 38.7% since the end of FY10.

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

<i>September 30,</i>	2012	2011	2010
Current assets	\$ 20,967	\$ 21,457	\$ 22,258
Capital assets, net	93,237	77,906	68,363
Total assets	114,204	99,363	90,621
Current liabilities	4,418	5,377	8,287
Net assets			
Invested in capital assets	93,237	77,906	68,363
Unrestricted	16,549	16,080	13,971
Total Net Assets	\$ 109,786	\$ 93,986	\$ 82,334

ITP added \$13,037,490 in new buses during FY12 including 35 new linehaul buses and 12 new paratransit buses using a variety of state and federal grants.

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Changes in Net Assets

Net assets increased by \$15.8 million from September 30, 2011 to September 30, 2012 (see Table A-2).

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

<i>Year ended September 30,</i>	2012	2011	2010
Operating revenues			
Passenger fares	\$ 6,302	\$ 5,953	\$ 5,242
Advertising	108	155	102
Total operating revenues	6,410	6,108	5,344
Operating expenses			
Salaries and benefits	20,876	19,289	18,700
Other operating expenses	20,745	18,553	17,402
Depreciation	7,623	7,975	8,523
Total operating expenses	49,244	45,817	44,625
Operating loss	(42,834)	(39,709)	(39,281)
Non-operating revenues			
State and federal	16,029	14,840	13,522
Property taxes	13,630	13,054	11,710
Other local	6,025	5,960	6,165
Total non-operating revenues	35,684	33,854	31,397
Loss before capital contributions	(7,150)	(5,855)	(7,884)
Capital contributions	22,950	17,507	15,350
Change in net assets	15,800	11,652	7,466
Net Assets, beginning of year	93,986	82,334	74,868
Net Assets, end of year	\$ 109,786	\$ 93,986	\$ 82,334

Service expansion and ridership gains are the story here, driving both passenger fares and operating expenses upward.

Capital contributions rose as a result of 35 new buses being purchased and received during the year.

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

<i>Year ended September 30,</i>	2012	2011	Percentage Change
Labor	\$ 13,556	\$ 12,580	7.8%
Fringe benefits	7,320	6,709	9.1
Services	3,371	2,556	31.9
Materials and supplies	5,848	5,039	16.1
Utilities	670	542	23.6
Casualty and liability	1,032	667	54.7
Purchased transportation	9,211	9,164	0.5
Miscellaneous	567	586	(3.4)

Service expansion drove labor, fringes and services higher. A combination of service expansion and a significant project upgrading The Rapids' numerous bus stops throughout its service drove materials and supplies up by more than 30%. Utilities rose dramatically with the expansion of the bus garage maintenance facility. Casualty and liability costs rose by more than 50% due to the handful of significant claims paid by The Rapid during the year.

Capital Assets

As of September 30, 2012, ITP had invested nearly \$136.4 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, 2012 totaled approximately \$93.2 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$15.3 million or 19.7% over September 30, 2011.

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

<i>September 30,</i>	2012	2011	Percentage Change
Construction in progress	\$ 1,257	\$ 475	164.6%
Land	8,075	8,068	0.1
Artwork	368	368	-
Easements	55	55	-
Land improvements	614	158	288.6
Facilities	45,175	41,969	7.6
Revenue vehicles	34,306	23,539	45.7
Support equipment	2,530	2,066	22.5
Information systems and technology	701	1,004	(30.2)
Software	156	204	(23.5)
Total Net Capital Assets	\$ 93,237	\$ 77,906	19.7

While the maintenance facility expansion and Woodland hub centers were completed during the year, the BRT and Amtrak projects began and created a 164.6% increase in construction in

progress. Revenue vehicles rose by 45.7% as The Rapid acquired 35 new linehaul buses and 12 new paratransit vehicles.

See Note 3 for additional information on capital assets.

Economic Factors and Next Year's Budget

A significant part of ITP's operating revenues is provided by the State of Michigan. At the time of this writing, there were significant unknowns regarding the current year's funding. The initial funding level fell to approximately 25% of eligible expenses. If this reimbursement percentage is not inflated, it will be a significant hardship not only to ITP but numerous systems throughout the State of Michigan.

Another factor placing significant pressure on ITP's operating environment is the 4% decrease in taxable values throughout the service area, which diminishes the expected tax revenue by approximately \$1 million for FY13.

During FY13, ITP will break ground on its long-awaited, exciting new bus rapid transit line. This approximately \$40 million project will feature express boarding and express service on the system's most vital corridor.

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Basic Financial Statements

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2012	2011
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 11,087,817	\$ 12,371,449
Property taxes receivable, net	1,560,232	1,744,401
Due from federal government	3,092,541	3,650,545
Due from State of Michigan	3,241,993	1,809,554
Billed receivables	1,170,124	1,126,045
Materials and supplies inventories	593,680	533,150
Prepaid expenses and deposits	220,228	221,531
Total Current Assets	20,966,615	21,456,675
Capital Assets (Note 3)		
Facilities	52,656,841	47,993,251
Revenue vehicles	53,562,374	41,833,952
Support equipment	9,750,551	8,998,694
Land and improvements	9,432,688	8,920,350
Information systems, technology and software	9,312,696	9,281,775
Other nondepreciable assets	423,470	423,470
Construction in progress	1,256,507	475,038
	136,395,127	117,926,530
Less accumulated depreciation	(43,158,232)	(40,020,259)
Net Capital Assets	93,236,895	77,906,271
Total Assets	114,203,510	99,362,946

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2012	2011
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,221,881	\$ 2,813,706
Employee compensation and related withholdings	1,869,489	1,685,448
Unredeemed fares	82,369	77,902
Deferred revenues	28,394	26,080
Reserve for future PL/PD claims	-	85,780
Due to State of Michigan	214,963	688,422
Total Current Liabilities	4,417,096	5,377,338
Net Assets		
Invested in capital assets	93,236,895	77,906,271
Unrestricted	16,549,519	16,079,337
Total Net Assets	\$ 109,786,414	\$ 93,985,608

See accompanying notes to financial statements.

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

<i>Year ended September 30,</i>	2012	2011
Operating Revenues		
Passenger fares	\$ 6,302,164	\$ 5,952,930
Advertising (Note 1)	108,296	154,992
Total operating revenues	6,410,460	6,107,922
Operating Expenses		
Salaries and fringe benefits	20,876,199	19,289,059
Supplies and other operating expenses	20,744,741	18,553,214
Depreciation	7,622,687	7,974,347
Total operating expenses	49,243,627	45,816,620
Operating loss	(42,833,167)	(39,708,698)
Non-operating Revenues		
State and federal	16,028,847	14,840,230
Property taxes	13,629,853	13,053,949
Other local	6,024,849	5,959,692
Total non-operating revenues	35,683,549	33,853,871
Loss before capital contributions	(7,149,618)	(5,854,827)
Capital Contributions	22,950,424	17,506,357
Change in net assets	15,800,806	11,651,530
Net Assets, beginning of year	93,985,608	82,334,078
Net Assets, end of year	\$ 109,786,414	\$ 93,985,608

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2012	2011
Cash From (for) Operating Activities		
Receipts from customers	\$ 6,366,381	\$ 6,094,854
Payments to suppliers	(27,895,043)	(25,419,842)
Payments to employees	(14,481,978)	(14,031,462)
<hr/>		
Net cash for operating activities	(36,010,640)	(33,356,450)
<hr/>		
Cash From Noncapital Financing Activities		
Federal grants received	4,329,865	2,677,174
State grants received	13,048,452	11,200,638
Local government assistance received	5,881,755	4,877,836
Property taxes	13,979,574	13,011,991
Other income	132,983	137,488
<hr/>		
Net cash from noncapital financing activities	37,372,629	31,905,127
<hr/>		
Cash From (for) Capital and Related Financing Activities		
Federal contributed capital	18,651,844	16,528,798
State contributed capital	1,526,414	1,113,355
Purchase of capital assets	(22,953,309)	(17,517,355)
Proceeds from sale of capital assets	58,736	69,896
<hr/>		
Net cash from (for) capital and related financing activities	(2,716,315)	194,694
<hr/>		
Cash From Investing Activity		
Interest received on investments	70,694	82,593
<hr/>		
Net Decrease in Cash and Investments	(1,283,632)	(1,174,036)
<hr/>		
Cash and Investments, beginning of year	12,371,449	13,545,485
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Cash and Investments, end of year	\$ 11,087,817	\$ 12,371,449

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2012	2011
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (42,833,167)	\$ (39,708,698)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	7,622,687	7,974,347
Changes in assets and liabilities:		
Increase in billed receivables	(44,079)	(13,068)
Increase in inventories	(60,530)	(39,484)
Decrease (increase) in prepaid expenses and deposits	1,303	(44,458)
Decrease in accounts payable	(582,335)	(274,612)
Increase (decrease) in accrued payroll	188,934	(478,565)
Increase in unredeemed fares	4,467	13,832
Decrease in other liabilities	(307,920)	(785,744)
Net Cash for Operating Activities	\$ (36,010,640)	\$ (33,356,450)

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2012	2011
Assets		
Cash and short-term investments (Note 2)	\$ 189,924	\$ 284,543
Receivables		
Employer contributions	37,457	34,805
Interest and dividends receivable	50	125
Total receivables	37,507	34,930
Investments, at fair value (Note 2)		
Bond mutual funds	2,999,876	2,107,377
Equity mutual funds	5,268,974	5,948,930
Total investments	8,268,850	8,056,307
Net Assets Held in Trust for Pension Benefits	\$ 8,496,281	\$ 8,375,780

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	
	2012	2011
Additions		
Employer contributions	\$ 921,317	\$ 860,055
Investment income:		
Net appreciation (depreciation)	(256,109)	1,213,995
Interest	90,519	59,090
Dividends	149,810	165,335
Investment expense	(43,598)	(39,706)
Total investment income	(59,378)	1,398,714
Total additions	861,939	2,258,769
Deductions		
Benefits	711,842	479,033
Administrative expense	29,596	28,043
Total deductions	741,438	507,076
Change in net assets	120,501	1,751,693
Net Assets Held in Trust for Pension Benefits, beginning of year	8,375,780	6,624,087
Net Assets Held in Trust for Pension Benefits, end of year	\$ 8,496,281	\$ 8,375,780

See accompanying notes to financial statements.

Interurban Transit Partnership

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Interurban Transit Partnership (ITP) was created in 2000 pursuant to the provisions of the Public Transit Authority Act of 1986, as amended. The six-member municipalities of East Grand Rapids, Grand Rapids, Grandville, Kentwood, Walker and Wyoming each levy 0.95 mills to fund operations. ITP replaced the Grand Rapids Area Transit Authority.

ITP provides public passenger transportation to the general public in the greater Grand Rapids area. These financial statements include the Enterprise Fund and the Pension Trust Funds of ITP.

Measurement Focus and Basis of Accounting

The Enterprise Fund's and Pension Trust Funds' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Grants are recognized as revenue as soon as all eligibility requirements have been met.

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

Cash and Cash Equivalents

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

Materials and Supplies Inventories

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

Investments

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

Capital Assets

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

Interurban Transit Partnership

Notes to Financial Statements

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

	Years
Land improvements	10 - 30
Facilities	20 - 40
Revenue vehicles	3 - 12
Support equipment	3 - 10
Information systems, technology and software	3 - 10

Deferred Revenues

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

Net Assets

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

Compensated Absences

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

Property Taxes

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

Property taxes are recognized as revenue when levied, with proper allowances made for estimated uncollectible amounts. The current millage rate was approved in May 2012 at 1.47 mills for collections beginning in 2012. However, The Rapid only levied 1.41 mills during FY12.

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.

Interurban Transit Partnership

Notes to Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, ITP's deposits might not be recovered. ITP minimizes custodial credit risk by pre-qualifying financial institutions. At September 30, 2012, the bank balances were \$9,448,690 of which \$3,810,775 was uninsured and uncollateralized.

As a result of the provisions of the Dodd-Frank Act, coverage of government accounts through December 31, 2012 is as follows:

In-state accounts: An official custodian will receive coverage up to \$250,000 for the combined amount of all time and savings accounts; coverage up to \$250,000 for the combined amount of all interest-bearing demand deposit accounts; and unlimited coverage for noninterest-bearing demand deposit accounts.

Beginning on January 1, 2013, accounts held by government depositors will be insured as follows:

In-state accounts: All time and savings deposits owned by a public unit in an insured depository institution are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit in an insured depository institution are added together and insured up to \$250,000.

Investments

State statutes authorize ITP to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act, and mutual funds composed entirely of the above investments.

Interurban Transit Partnership

Notes to Financial Statements

At September 30, 2012, 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	\$ 2,568,714
Municipal Investment Funds	Less than 1 year	56,760
Total		\$ 2,625,474

At June 30, 2012, ITP's Pension Trust Funds had investments in mutual funds with a value of \$8,268,850 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, 2012.

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, 2012, ITP's investments had the following credit ratings and exposure:

<i>Investment Type</i>	<i>Rating</i>	<i>Credit Exposure as a Percent of Total Investments</i>
Enterprise Fund		
Kent County Investment Pool	Not rated	97.84%
Municipal Investment Funds	Moody's Aaa	2.16
Pension Trust Funds		
Money market funds	Not rated	2.25
Bond mutual funds	Not rated	35.46

Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2012 is as follows:

	Balance October 1, 2011	Additions	Transfers/ Deletions	Balance September 30, 2012
Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 475,038	\$ 1,256,506	\$ 475,037	\$ 1,256,507
Land	8,067,897	7,424	-	8,075,321
Artwork	368,470	-	-	368,470
Easements	55,000	-	-	55,000
Capital assets being depreciated:				
Land improvements	852,453	504,914	-	1,357,367
Facilities	47,993,251	4,680,470	16,880	52,656,841
Revenue vehicles	41,833,952	15,167,719	3,439,297	53,562,374
Support equipment	8,998,694	1,488,458	736,601	9,750,551
Information systems and technology	8,527,594	241,914	287,735	8,481,773
Software	754,181	80,942	4,200	830,923
Total assets	117,926,530	23,428,347	4,959,750	136,395,127
Accumulated depreciation:				
Land improvements	693,978	49,556	-	743,534
Facilities	6,023,813	1,474,473	16,880	7,481,406
Revenue vehicles	18,294,675	4,401,462	3,439,297	19,256,840
Support equipment	6,933,962	1,040,964	754,084	7,220,842
Information systems and technology	7,523,353	527,637	270,253	7,780,737
Software	550,478	128,595	4,200	674,873
Total accumulated depreciation	40,020,259	7,622,687	4,484,714	43,158,232
Net Capital Assets	\$ 77,906,271	\$ 15,805,660	\$ 475,036	\$ 93,236,895

Cost to complete the construction in progress is \$37.5 million for the BRT and \$5.3 million for the Amtrak relocation project.

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Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2011 is as follows:

	Balance October 1, 2010	Additions	Transfers/ Deletions	Balance September 30, 2011
Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 11,151,083	\$ 475,038	\$ 11,151,083	\$ 475,038
Land	8,011,438	56,459	-	8,067,897
Artwork	368,470	-	-	368,470
Easements	55,000	-	-	55,000
Capital assets being depreciated:				
Land improvements	852,453	-	-	852,453
Facilities	28,997,559	25,848,501	6,852,809	47,993,251
Revenue vehicles	42,270,139	1,137,479	1,573,666	41,833,952
Support equipment	9,098,869	651,926	752,101	8,998,694
Information systems and technology	8,427,864	364,666	264,936	8,527,594
Software	624,027	134,368	4,214	754,181
Total assets	109,856,902	28,668,437	20,598,809	117,926,530
Accumulated depreciation:				
Land improvements	657,045	36,933	-	693,978
Facilities	10,680,317	2,196,305	6,852,809	6,023,813
Revenue vehicles	15,927,517	3,940,825	1,573,667	18,294,675
Support equipment	6,632,528	1,053,535	752,101	6,933,962
Information systems and technology	7,147,816	640,473	264,936	7,523,353
Software	448,416	106,276	4,214	550,478
Total accumulated depreciation	41,493,639	7,974,347	9,447,727	40,020,259
Net Capital Assets	\$ 68,363,263	\$ 20,694,090	\$ 11,151,082	\$ 77,906,271

4. Pension and Retirement Plans

Defined Benefit - Administrative Plan

Plan Description

ITP has a non-contributory defined benefit pension plan for its administrative employees. Administrative employees are eligible to participate when they have attained 21 years of age and completed one full year of service. One full year of service is defined as at least 1,000 hours of service in the 12-consecutive-month period beginning on the employee's hire date. The plan provides for vesting based on years of credited service, ranging from 20% at three years to 100% at five or more years. The pension benefit, payable monthly for life to the retired employee, equals 50% of the employee's average monthly compensation, adjusted for the employee's years of credited service. Full benefits are received if the employee retires at age 65 and is fully vested. This plan is now closed to new participants.

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

Interurban Transit Partnership

Notes to Financial Statements

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

	2012	2011
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	33	31
Current active members	11	13
Total	44	44

Significant Accounting Policies

Basis of Accounting

The financial statements of the Administrative Plan have been prepared on the accrual basis. The employer contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable, according to the terms of the plan.

Method Used to Value Investments

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

Funding Policy

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

The plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

The plan has no legally required reserves.

Concentrations

No single investment constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$248,970 and \$287,560, and the contribution totaled \$415,960 and \$415,960 for the years ended September 30, 2012 and 2011, respectively.

Interurban Transit Partnership

Notes to Financial Statements

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 309,630	110.3%	-
2011	287,560	144.6	-
2012	248,970	167.1	-

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 59.5% funded. The actuarial accrued liability for benefits was \$4,699,325, and the actuarial value of assets was \$2,798,356, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,900,969.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

In the July 1, 2012 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, 2012 was 30 years. The covered payroll (annual payroll of active employees covered by the plan) was \$828,618.

Defined Benefit - Non-Administrative Plan

Plan Description

ITP has a non-contributory defined benefit pension plan, Amalgamated Transit Union Pension Plan, for its non-administrative employees (drivers and mechanics). Non-administrative employees are eligible to participate upon completion of 60 days continuous service. Accumulated benefits attributable to ITP contributions are fully vested after five years of service. Termination of employment prior to completion of five years of service results in the forfeiture of the accumulated benefits attributable to ITP contributions. The pension benefit, payable monthly for life to the retired employee, equals a minimum of \$230.45, increased by a function of the employee's years of credited service or \$34 per month per year of service, whichever is greater.

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

Interurban Transit Partnership

Notes to Financial Statements

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

	2012	2011
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	141	128
Transferred to non-union	16	16
Active plan members	231	225
Total	388	369

Significant Accounting Policies

Basis of Accounting

The financial statements of the Non-Administrative Plan have been prepared on the accrual basis. The employer contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable, according to the terms of the plan.

Method Used to Value Investments

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

Funding Policy

ITP's Amalgamated Transit Union Pension Plan was established and is being funded under the authority of ITP and under agreements with the union representing employees covered by the plan.

The plan's funding policy is that the employer will contribute to the plan based on the current negotiated rate; for July 1, 2011 to June 30, 2012, this rate is \$.90 for each hour of service completed. ITP is required by the terms of the plan to contribute based on the negotiated rate. Effective July 1, 2012, the rate increased to \$.95 per hour.

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 \$446,879 and \$449,569, and the contribution totaled \$505,357 and \$444,095 for the years ended September 30, 2012 and 2011, respectively.

Interurban Transit Partnership

Notes to Financial Statements

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 448,915	91.4%	-
2011	449,569	98.8	-
2012	446,879	113.1	-

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 73.6% funded. The actuarial accrued liability for benefits was \$8,258,189, and the actuarial value of assets was \$6,081,674, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,176,515.

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, 2012 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, 2012 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 \$203,348 and \$177,141 for the plan years ended June 30, 2012 and 2011, respectively.

5. Risk Management

ITP is exposed to various risks of loss related to torts, theft of and damage to assets, errors and omissions, injuries to employees and natural disasters. ITP carries commercial insurance for most risks of loss, including employee life, health and accident insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. ITP participated in a public entity risk pool for property and liability coverage through November 30, 2009. ITP paid an annual premium to the pool, which is adjusted retroactively to reflect the actual cost. Each member is responsible for all losses falling within its selected retention level, plus its share of pool losses and administrative expenses, less its share of investment income. The agreement for

Interurban Transit Partnership

Notes to Financial Statements

formation of the Michigan Transit Pool (Pool) provides that the Pool will be self-sustaining through member premiums and will provide property and liability coverage to its members for the first \$2,000,000 per occurrence. The Pool has purchased excess insurance for an additional \$3,000,000 per occurrence. In addition, ITP carried excess insurance for an additional \$5,000,000 per occurrence. The Pool publishes its own financial report which can be obtained from the Pool. ITP's participation in the Pool ended as of December 1, 2009 except with regard to known and unknown covered events occurring prior to December 1, 2009. ITP currently purchases commercial insurance for property and liability with coverage of \$5,000,000 per occurrence with a \$75,000 deductible. ITP carries catastrophic insurance to cover direct damage to property.

6. Description of Grant Funding

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

Operations

ITP's general operations are funded as follows:

The Michigan Department of Transportation (MDOT) authorized funding for fiscal years 2012 and 2011 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$18,323,657 and \$17,119,332 in 2012 and 2011, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 30.65% and 31.40% totaled \$11,232,402 and \$10,750,940 in 2012 and 2011, 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 Supplementary Information

Interurban Transit Partnership

Schedules of Funding Progress

Administrative Plan

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2007	\$ 2,979,136	\$ 4,236,844	\$ 1,257,708	70.31%
July 1, 2008	2,911,069	4,510,260	1,599,191	64.54
July 1, 2009	1,899,000	4,264,247	2,365,247	44.53
July 1, 2010	2,092,892	4,307,750	2,214,858	48.58
July 1, 2011	2,785,626	4,573,244	1,787,618	60.91
July 1, 2012	2,798,356	4,699,325	1,900,969	59.55

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, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percentage of compensation
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Retirement age	Age 65
Investment rate of return	8% - pre-retirement 6% - post-retirement
Mortality table:	
Pre-retirement	None
Post-retirement	IRC Sec.417(e)(3) Applicable 2010 Mortality Table (Rev. Rul.2007-67)
Turnover rates	None
Salary scale	3%
Cost of living adjustments	None

Interurban Transit Partnership

Schedules of Funding Progress

Non-Administrative Plan

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2007	\$ 4,317,746	\$ 5,442,916	\$ 1,125,170	79.33%
July 1, 2008	4,634,693	5,908,196	1,273,503	78.45
July 1, 2009	4,778,864	6,679,489	1,900,625	71.55
July 1, 2010	5,121,284	7,119,898	1,998,614	71.93
July 1, 2011	5,621,032	7,645,248	2,024,216	73.52
July 1, 2012	6,081,674	8,258,189	2,176,515	73.64

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, 2012
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	2012 430(h) Mortality (non-annuitant and annuitant tables); ages set forward three years
Turnover rates	Crocker-Sarason-Straight T-5
Cost of living adjustments	None

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Combining Statements and Supplemental Schedules

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

<i>June 30, 2012</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 115,098	\$ 74,826	\$ 189,924
Receivables			
Employer contributions	-	37,457	37,457
Interest and dividends receivable	34	16	50
Total receivables	34	37,473	37,507
Investments, at fair value			
Bond mutual funds	974,140	2,025,736	2,999,876
Equity mutual funds	1,709,334	3,559,640	5,268,974
Total investments	2,683,474	5,585,376	8,268,850
Total Assets	2,798,606	5,697,675	8,496,281
Liabilities			
Due from (to) other plan	(250)	250	-
Net Assets Held in Trust for Pension Benefits	\$ 2,798,356	\$ 5,697,925	\$ 8,496,281

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

<i>Year ended June 30, 2012</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 415,960	\$ 505,357	\$ 921,317
Investment income:			
Net depreciation	(91,763)	(164,346)	(256,109)
Interest	28,779	61,740	90,519
Dividends	47,942	101,868	149,810
Investment expense	(15,513)	(28,085)	(43,598)
Total investment income	(30,555)	(28,823)	(59,378)
Total additions	385,405	476,534	861,939
Deductions			
Benefits	362,254	349,588	711,842
Administrative expense	10,421	19,175	29,596
Total deductions	372,675	368,763	741,438
Change in net assets	12,730	107,771	120,501
Net Assets Held in Trust for Pension Benefits, beginning of year	2,785,626	5,590,154	8,375,780
Net Assets Held in Trust for Pension Benefits, end of year	\$ 2,798,356	\$ 5,697,925	\$ 8,496,281

Interurban Transit Partnership
Schedule of Non-operating Revenues - Local

Year ended September 30, 2012

Local Revenue	
Property taxes	\$ 13,629,853
Grand Valley State University	2,507,991
Network 180	1,819,270
DASH - City of Grand Rapids	791,734
Grand Rapids Community College	153,262
Van pool	138,823
Alpine Township	97,067
Byron Township	64,340
Cascade Township	26,752
Gaines Township	46,933
Ferris State University	12,799
Other local services	103,853
<hr/>	
Total local revenue	19,392,677
<hr/>	
Other Income	
Gain on sale of property	58,736
Retail lease	45,403
Interest income	70,694
Miscellaneous	87,192
<hr/>	
Total other income	262,025
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Total Non-operating Revenues - Local	\$ 19,654,702

Interurban Transit Partnership

Schedule of Non-operating Revenues - State and Federal

Year ended September 30, 2012

State of Michigan Grants	
General operating assistance	\$ 11,214,546
Capital assistance	381,119
Planning and miscellaneous project assistance	78,305
Specialized services	463,092
Job Access and Reverse Commute	208,407
<hr/>	
Total State of Michigan grants	12,345,469
<hr/>	
Federal Government Grants	
Capital assistance	2,978,453
Planning and miscellaneous project assistance	496,518
Job Access and Reverse Commute	208,407
<hr/>	
Total federal government grants	3,683,378
<hr/>	
Total Non-operating Revenues - State and Federal	\$ 16,028,847

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<i>Year ended September 30, 2012</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 9,182,826	\$ -
Other salaries and wages	1,043,402	1,663,482
Dispatchers' salaries and wages	84,071	-
Total labor	10,310,299	1,663,482
Fringe Benefits		
Pension	663,856	137,870
Other fringe benefits	4,723,716	776,444
Total fringe benefits	5,387,572	914,314
Services		
Audit fees	-	-
Other services	408,833	715,567
Total services	408,833	715,567
Materials and Supplies Consumed		
Fuel and lubricants	4,150,763	-
Tires and tubes	-	25,039
Other materials and supplies	15,574	1,234,805
Total materials and supplies consumed	4,166,337	1,259,844
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	829,550	-
Other insurance	-	-
Total casualty and liability costs	829,550	-

Interurban Transit Partnership
Schedule of Operating Expenses by Function

Operations			
Administration	Total	Grants	Total System
\$ -	\$ 9,182,826	\$ -	\$ 9,182,826
1,481,670	4,188,554	101,043	4,289,597
-	84,071	-	84,071
1,481,670	13,455,451	101,043	13,556,494
307,702	1,109,428	-	1,109,428
653,312	6,153,472	56,805	6,210,277
961,014	7,262,900	56,805	7,319,705
37,000	37,000	-	37,000
762,867	1,887,267	1,446,922	3,334,189
799,867	1,924,267	1,446,922	3,371,189
-	4,150,763	-	4,150,763
-	25,039	195,227	220,266
139,299	1,389,678	87,650	1,477,328
139,299	5,565,480	282,877	5,848,357
669,822	669,822	-	669,822
-	829,550	-	829,550
202,804	202,804	-	202,804
202,804	1,032,354	-	1,032,354

Interurban Transit Partnership
Schedule of Operating Expenses by Function

	General	
<i>Year ended September 30, 2012</i>	Operations	Maintenance
Purchased Transportation	\$ 7,460,982	\$ -
Miscellaneous		
Travel and meetings	14,743	5,430
Advertising/promotion media	-	-
Other miscellaneous	1,184	33,641
Total miscellaneous	15,927	39,071
Leases and Rentals	-	-
Depreciation	-	-
Preventive Maintenance	-	(1,100,000)
Total Expenses	\$ 28,579,500	\$ 3,492,278

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<u>Operations</u>			
<u>Administration</u>	<u>Total</u>	<u>Grants</u>	<u>Total System</u>
\$ -	\$ 7,460,982	\$ 1,750,333	\$ 9,211,315
34,695	54,868	59,904	114,772
273,531	273,531	18,540	292,071
87,846	122,671	37,790	160,461
396,072	451,070	116,234	567,304
-	-	44,400	44,400
7,622,687	7,622,687	-	7,622,687
-	(1,100,000)	1,100,000	-
\$ 12,273,235	\$ 44,345,013	\$ 4,898,614	\$ 49,243,627

Interurban Transit Partnership

Schedule of Expenses by Grant

			868
			MI-39-0003
		001	07-0230-Z21
		General	FY 10
<i>Year ended September 30, 2012</i>	Total	Operations	Section 5339
Expenses			
Labor	\$ 13,556,494	\$ 13,455,451	\$ -
Fringe benefits	7,319,705	7,262,900	-
Services	3,371,189	1,924,267	19,712
Materials and supplies consumed	5,848,357	5,565,480	-
Utilities	669,822	669,822	-
Casualty and liability costs	1,032,354	1,032,354	-
Purchased transportation	9,211,315	7,460,982	-
Miscellaneous	567,304	451,070	-
Leases and rentals	44,400	-	-
Preventive maintenance	-	(1,100,000)	-
Depreciation	7,622,687	7,622,687	-
Total Expenses	\$ 49,243,627	\$ 44,345,013	\$ 19,712

Interurban Transit Partnership charges only direct costs to its grant projects. Therefore, ITP has no Bureau of Passenger Transportation approved cost allocation plan. As there are no indirect costs allocated to programs such as JARC (job access reverse commute) there was no review of the methodology for capturing nonfinancial information for such programs.

Interurban Transit Partnership

Schedule of Expenses by Grant

425 MI-95-X-025 07-0230-Z9 FY08 Section 5307	440 MI-90-X-548 07-0230-Z8 FY08 Section 5307	450 MI-90-X580 07-0230-Z16 FY09 Section 5307	480 MI-90-X608 07-0230-Z23 FY10 Section 5307	490 MI-90-X626 07-0230-Z28-01 FY11 Section 5307
\$ 704	\$ -	\$ 1,273	\$ 1,036	\$ 57,691
-	-	144	1,200	31,904
-	62,606	35,371	36,132	971,783
-	49,298	16,764	2,479	116,191
-	-	-	-	-
-	-	-	-	-
5,727	-	-	-	438,067
960	6,337	21,908	36,136	28,773
-	2,392	-	-	42,008
-	600,000	4,000	496,000	-
-	-	-	-	-
\$ 7,391	\$ 720,633	\$ 79,460	\$ 572,983	\$ 1,686,417

Interurban Transit Partnership

Schedule of Expenses by Grant

	500 MI-90-X626 07-0230-Z28-01 FY12 Section 5307	743 MI-37-X029 07-0230-Z19 JARC	768 MI-95-X039 07-0230-Z15 FY09 Section 5307
<i>Year ended September 30, 2012</i>			
<hr/>			
Expenses			
Labor	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Services	134,782	-	-
Materials and supplies consumed	96,512	-	215
Utilities	-	-	-
Casualty and liability costs	-	-	-
Purchased transportation	161,933	482,488	88,000
Miscellaneous	675	-	2,386
Leases and rentals	-	-	-
Preventive maintenance	-	-	-
Depreciation	-	-	-
<hr/>			
Total Expenses	\$ 393,902	\$ 482,488	\$ 90,601
<hr/>			

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2012</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 9,182,826	\$ -	\$ -	\$ 9,182,826
Other salaries and wages	1,043,402	1,663,482	1,481,670	4,188,554
Dispatchers' salaries and wages	84,071	-	-	84,071
Total labor	10,310,299	1,663,482	1,481,670	13,455,451
Fringe Benefits				
Pension	663,856	137,870	307,702	1,109,428
Other fringe benefits	4,723,716	776,444	653,312	6,153,472
Total fringe benefits	5,387,572	914,314	961,014	7,262,900
Services				
Audit fees	-	-	37,000	37,000
Other services	408,833	715,567	762,867	1,887,267
Total services	408,833	715,567	799,867	1,924,267
Materials and Supplies Consumed				
Fuel and lubricants	4,150,763	-	-	4,150,763
Tires and tubes	-	25,039	-	25,039
Other materials and supplies	15,574	1,234,805	139,299	1,389,678
Total materials and supplies consumed	4,166,337	1,259,844	139,299	5,565,480
Utilities				
Other	-	-	669,822	669,822
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	829,550	-	-	829,550
Other insurance	-	-	202,804	202,804
Total casualty and liability costs	829,550	-	202,804	1,032,354
Purchased Transportation	7,460,982	-	-	7,460,982
Miscellaneous				
Travel and meetings	14,743	5,430	34,695	54,868
Advertising/promotion media	-	-	273,531	273,531
Other miscellaneous	1,184	33,641	87,846	122,671
Total miscellaneous	15,927	39,071	396,072	451,070
Depreciation	-	-	7,622,687	7,622,687
Preventive Maintenance	-	(1,100,000)	-	(1,100,000)
Total Expenses	\$ 28,579,500	\$ 3,492,278	\$ 12,273,235	\$ 44,345,013

Interurban Transit Partnership
Schedule of Regular Service Revenues - Urban

Year ended September 30, 2012

Operating Revenues	
Passenger fares	\$ 6,302,164
Advertising	108,296
<hr/>	
Total operating revenues	6,410,460
<hr/>	
Non-operating Revenues	
State and federal assistance	16,028,847
<hr/>	
Local Revenue	
Property taxes	13,629,853
Grand Valley State University	2,507,991
Network 180	1,819,270
DASH - City of Grand Rapids	791,734
Grand Rapids Community College	153,262
Van pool	138,823
Alpine Township	97,067
Byron Township	64,340
Cascade Township	26,752
Gaines Township	46,933
Ferris State University	12,799
Other local services	103,853
<hr/>	
Total local revenue	19,392,677
<hr/>	
Other Income	
Gain on sale of property	58,736
Retail lease	45,403
Interest income	70,694
Miscellaneous	87,192
<hr/>	
Total other income	262,025
<hr/>	
Total Revenues	\$ 42,094,009
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Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2012</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	345,309	30,510	13,329	389,148
Revenue hours - linehaul	331,877	29,589	12,812	374,278
Total vehicle hours - demand response	202,107	12,685	10,485	225,277
Revenue hours - demand response	167,224	11,048	9,022	187,294
Total vehicle miles - linehaul	4,367,953	393,316	157,844	4,919,113
Revenue miles - linehaul	4,147,311	377,046	148,283	4,672,640
Total vehicle miles - demand response	2,900,155	173,079	132,626	3,205,860
Revenue miles - demand response	2,418,476	153,254	114,948	2,686,678

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

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Interurban Transit Partnership
Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2012</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$ 44,345,013	\$ -	\$ 44,345,013
Less Ineligible Expenses			
Depreciation expense	7,622,687	-	7,622,687
APTA and MPTA dues	6,604	-	6,604
Other (lobbying fees)	68,409	-	68,409
	7,697,700	-	7,697,700
Eligible Operating Expenses	\$ 36,647,313	\$ -	\$ 36,647,313
Maximum State Operating Assistance (50/60%)	\$ 18,323,657	\$ -	\$ 18,323,657
State Operating Assistance Accrual (30.65%)	\$ 11,232,401	\$ -	\$ 11,232,401

Note: There are no capital (grant-funded) expenditures included in eligible operating expenses. ITP has deducted all known ineligible expenses in completing this calculation of state operating assistance. Any refunds or rebates are deducted from the appropriate expense item when received. Any expenses related to miscellaneous revenue were netted against said revenue. Advertising revenue comes to ITP on a contractual basis net of any related expenses. No expenses relative to advertising revenue are incurred or recorded by ITP. Expenses such as utilities related to leased space at ITP's Rapid Central Station are the obligation of the lessee and are not included in ITP's expenses. ITP had no "other" post employment benefits. No such expense was accrued or paid during FY12, and therefore, there are no applicable issues regarding calculation of eligible operating expenses or the related assistance from the State of Michigan. ITP did not apply for non-urban assistance for FY12.

Interurban Transit Partnership
Schedule of Expenditures of Federal Awards

<i>Year ended September 30, 2012</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
Federal Grantor/Program Title			
Federal Transit Authority			
Direct Programs:			
FTA Capital Assistance	20.507	MI-90-X025	425
FTA Capital Assistance	20.507	MI-90-X548	440
FTA Capital Assistance	20.507	MI-90-X580	450
FTA Capital Assistance	20.507	MI-90-X608	480
FTA Capital Assistance	20.507	MI-90-X626	490
FTA Capital Assistance	20.507	MI-90-X626	500
FTA Capital Assistance	20.507	MI-90-X039	768
FTA Capital Assistance	20.507	MI-95-X050	769
FTA Capital Assistance	20.507	MI-95-X064	770
ARRA-FTA Capital Assistance	20.507	MI-96-X0005	864
Total Capital and Planning Assistance - Section 5307			
FTA Capital Assistance	20.500	MI-04-0029	840
FTA Capital Assistance	20.500	MI-04-0046	841
FTA Capital Assistance	20.500	MI-03-0239	865
FTA Capital Assistance	20.500	MI-04-0060	867
FTA Capital Assistance	20.500	MI-04-0081	868
Total Capital Assistance - Section 5309			
FTA JARC - Section 3037	20.516	MI-37-0029	743
FTA Metropolitan Planning	20.320	MI-39-0001	863
Passed through the State of Michigan:			
Rail Line Relocation and Improvement	20.532	N/A	854
U.S. Department of HUD			
Passed through Kent County, Michigan:			
Community Development Block Grant	14.218	N/A	1
Total Federal Financial Assistance			

Interurban Transit Partnership
Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/11	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/12
\$ 287,928	\$ 581,759	\$ 301,222	\$ 7,391
200,404	792,420	1,249,689	657,673
352,708	1,424,071	1,125,240	53,877
1,475,057	3,585,615	2,616,523	505,965
796,521	6,442,325	5,645,804	-
-	4,847,866	5,880,144	1,032,278
42,784	609,488	566,847	143
28,558	457,575	499,469	70,452
-	609,866	614,160	4,294
40,858	84,676	43,818	-
<u>3,224,818</u>	<u>19,435,661</u>	<u>18,542,916</u>	<u>2,332,073</u>
-	105,377	105,377	-
-	916,803	916,803	-
112,496	324,380	213,499	1,615
70,284	1,428,574	1,571,505	213,215
-	-	540,604	540,604
<u>182,780</u>	<u>2,775,134</u>	<u>3,347,788</u>	<u>755,434</u>
<u>196,749</u>	<u>405,156</u>	<u>208,407</u>	<u>-</u>
<u>41,163</u>	<u>53,158</u>	<u>11,995</u>	<u>-</u>
<u>87,497</u>	<u>312,301</u>	<u>276,485</u>	<u>51,681</u>
<u>12,272</u>	<u>31,864</u>	<u>21,020</u>	<u>1,428</u>
<u>\$ 3,745,279</u>	<u>\$ 23,013,274</u>	<u>\$ 22,408,611</u>	<u>\$ 3,140,616</u>

Interurban Transit Partnership
Schedule of Expenditures of State Awards

<i>Year ended September 30, 2012</i>	State Grantor Number	Grantee Number
Program		
Section 5307	2007-0230-Z9	425
Section 5307	2007-0230-Z8	440
Section 5307	2007-0230-Z16	450
Section 5307	2007-0230-Z23	480
Section 5307	2007-0230-Z28-01	490
Section 5307	2007-0230-Z28-01	500
Job Access and Reverse Commute	2002-0049-Z32	742
Job Access and Reverse Commute	2007-0230-Z19	743
Section 5307	2007-0230-Z15	768
Section 5307	2007-0230-Z24	769
Section 5307	2007-0230-Z27	770
Specialized Services	2007-0230-Z26	787
Specialized Services	2012-0104	788
Section 5309	2007-030-Z10	840
Section 5309	2007-0230-Z17	841
Section 5309	2007-0230-Z18	865
Section 5309	2007-0230-Z25	867
Section 5309	2012-0104	868
Total State Assistance		

Interurban Transit Partnership
Schedule of Expenditures of State Awards

Accrued (Deferred) Revenue 10/1/11	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/12
\$ -	\$ 73,458	\$ 73,458	\$ -
6,873	9,019	16,404	14,258
24,236	17,783	21,444	27,897
(472,048)	7,453	477,191	(2,310)
199,130	805,533	1,411,451	805,048
-	-	1,470,036	1,470,036
207,260	207,260	-	-
246,749	455,156	208,407	-
-	104,197	119,061	14,864
12,941	95,460	82,516	(3)
-	-	153,540	153,540
122,873	122,873	-	-
-	339,013	463,092	124,079
-	26,344	26,344	-
-	299,200	299,200	-
28,814	80,729	53,374	1,459
77,001	371,396	392,876	98,481
-	-	135,151	135,151
\$ 453,829	\$ 3,014,874	\$ 5,403,545	\$ 2,842,500

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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

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Independent Auditor's 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, 2012, and have issued our report thereon dated January 11, 2013. 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

Management of ITP is responsible for establishing and maintaining effective 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 opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ITP's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the ITP's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

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

BDO USA, LLP

January 11, 2013

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

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Independent Auditor's Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited the compliance of Interurban Transit Partnership (ITP) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ITP's major federal programs for the year ended September 30, 2012. ITP'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 ITP's management. Our responsibility is to express an opinion on ITP'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 ITP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Interurban Transit Partnership's compliance with those requirements.

In our opinion, Interurban Transit Partnership complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

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 ITP'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 ITP's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

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

BDO USA, LLP

January 11, 2013

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

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

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

20.500 and 20.507	Federal Transit Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ 672,200
Auditee qualified as low-risk auditee?	yes

Section II - Findings Related to the Financial Statements

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

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.

Section IV - Prior Year Findings

There were no findings related to the financial statements or federal programs reported in the Schedule of Findings and Questioned Costs for the year ended September 30, 2011.

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