



Interurban Transit Partnership

Single Audit Report Years Ended September 30, 2011 and 2010

Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2011 and 2010

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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, 2011 and 2010 (as of and for the years ended June 30, 2011 and 2010 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, 2011 and 2010 (June 30, 2011 and 2010 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 12, 2012 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 audits.

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

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Our audits were conducted for the purpose of forming an opinion on the basic financial statements of ITP taken as a whole. The accompanying combining statements and supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of ITP. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO USA, LLP

Certified Public Accountants
January 12, 2012

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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, 2011 and 2010.

Financial Highlights

- The state operating assistance rate rebounded in FY11 to 31.4% after falling from 30.16% in FY09 to 29.74% in FY10.
- 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 will come online during FY12. ITP levied 1.29 of the 1.47 mills to cover the cost of FY12 services, including these first enhancements.
- ITP's \$30 million renovation and expansion of its maintenance and bus storage facility was nearing completion at the end of FY11. 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 was also nearing completion as FY11 ended. That project is a substation/transfer center located in the City of Kentwood. The approximate \$1.1 million cost of this project was funded by ITP restricted net assets, as well as federal and state capital grants.
- ITP grew its unrestricted net assets (fund balance) by approximately \$2.1 million for the year ended September 30, 2011. Of that number, \$1.7 million was the result of the previously mentioned property tax increase.

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 \$94 million during FY11, an increase of 14.2% from FY10 (see Table A-1) and 25.5% since the end of FY09.

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

<i>September 30,</i>	2011	2010	2009
Current assets	\$ 21,457	\$ 22,258	\$ 18,454
Capital assets, net	77,906	68,363	61,034
Total assets	99,363	90,621	79,488
Current liabilities	5,377	8,287	4,620
Net assets			
Invested in capital assets	77,906	68,363	61,034
Restricted for STC project	-	-	440
Unrestricted	16,080	13,971	13,394
Total Net Assets	\$ 93,986	\$ 82,334	\$ 74,868

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 \$14.7 million in FY11 and \$9.2 million in FY10. During FY10, ITP purchased a parcel of land for use in this project for nearly \$1 million.

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Changes in Net Assets

Net assets grew by \$11.7 million from September 30, 2010 to September 30, 2011 (see Table A-2).

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

<i>Year ended September 30,</i>	2011	2010	2009
Operating revenues			
Passenger fares	\$ 5,953	\$ 5,242	\$ 5,227
Advertising	155	102	80
Total operating revenues	6,108	5,344	5,307
Operating expenses			
Salaries and benefits	19,289	18,700	19,079
Other operating expenses	18,553	17,402	16,632
Depreciation	7,975	8,523	7,428
Total operating expenses	45,817	44,625	43,139
Operating loss	(39,709)	(39,281)	(37,832)
Non-operating revenues			
State and federal	14,840	13,522	13,228
Property taxes	13,054	11,710	12,262
Other local	5,960	6,165	6,007
Total non-operating revenues	33,854	31,397	31,497
Loss before capital contributions	(5,855)	(7,884)	(6,335)
Capital contributions	17,507	15,350	16,209
Change in net assets	11,652	7,466	9,874
Net Assets, beginning of year	82,334	74,868	64,994
Net Assets, end of year	\$ 93,986	\$ 82,334	\$ 74,868

Significant ridership growth drove fare revenues higher during the year. A millage increase to fund service enhancements passed during FY11, which accounts for the 11.5% increase in property tax revenues.

Rising fuel prices were the primary cause of increased operating expenses.

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

<i>Year ended September 30,</i>	2011	2010	Percentage Change
Labor	\$ 12,580	\$ 12,073	4.2
Fringe benefits	6,709	6,628	1.2
Services	2,556	3,162	(19.2)
Materials and supplies	5,039	3,895	29.4
Utilities	542	537	1.0
Casualty and liability	667	692	(3.6)
Purchased transportation	9,164	8,542	7.3
Miscellaneous	586	517	13.3

Service expenditures dipped significantly as ITP had completed one major grant funded project, the Transit Master Plan and saw a significant reduction in preliminary work necessary for The Rapid's planned Bus Rapid Transit line. Materials and supplies climbed as a result of increasing fuel prices during the year. The gains in purchased transportation costs were primarily due to increased ridership and contractual rate increases.

Capital Assets

As of September 30, 2010, ITP had invested nearly \$117.9 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, 2011 totaled approximately \$77.9 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$9.5 million or 14.0% over September 30, 2010.

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

<i>September 30,</i>	2011	2010	Percentage Change
Construction in progress	\$ 475	\$ 11,151	(95.7)
Land	8,068	8,011	0.7
Artwork	368	368	-
Easements	55	55	-
Land improvements	158	195	(19.0)
Facilities	41,969	18,318	129.1
Revenue vehicles	23,539	26,343	(10.6)
Support equipment	2,066	2,466	(16.2)
Information systems and technology	1,004	1,280	(21.6)
Software	204	176	15.9
Total Net Capital Assets	\$ 77,906	\$ 68,363	14.0

The growth in facilities and related decline in construction in progress is due to the near completion of the maintenance facility expansion.

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.

With the passage of a seven-year service enhancement millage increase, The Rapid's future local revenue assistance is assured for the near future. With those additional funds, The Rapid will roll out exciting and unique service enhancements in stages over the next several years.

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Basic Financial Statements

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2011	2010
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 12,371,449	\$ 13,545,485
Property taxes receivable, net	1,744,401	1,569,598
Due from federal government	3,650,545	5,011,957
Due from State of Michigan	1,809,554	347,657
Billed receivables	1,126,045	1,112,977
Materials and supplies inventories	533,150	493,666
Prepaid expenses and deposits	221,531	177,073
Total Current Assets	21,456,675	22,258,413
Capital Assets (Note 3)		
Facilities	47,993,251	28,997,559
Revenue vehicles	41,833,952	42,270,139
Support equipment	8,998,694	9,098,869
Land and improvements	8,920,350	8,863,891
Information systems technology	9,281,775	9,051,891
Other nondepreciable assets	423,470	423,470
Construction in progress	475,038	11,151,083
	117,926,530	109,856,902
Less accumulated depreciation	(40,020,259)	(41,493,639)
Net Capital Assets	77,906,271	68,363,263
Total Assets	99,362,946	90,621,676

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2011	2010
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,813,706	\$ 3,088,280
Employee compensation and related withholdings	1,685,448	2,164,013
Unredeemed fares	77,902	64,070
Deferred revenues	26,080	54,180
Reserve for future PL/PD claims	85,780	181,049
Due to State of Michigan	688,422	2,736,006
Total Current Liabilities	5,377,338	8,287,598
Net Assets		
Invested in capital assets	77,906,271	68,363,263
Unrestricted	16,079,337	13,970,815
Total Net Assets	\$ 93,985,608	\$ 82,334,078

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>	2011	2010
Operating Revenues		
Passenger fares	\$ 5,952,930	\$ 5,242,304
Advertising (Note 1)	154,992	102,186
Total operating revenues	6,107,922	5,344,490
Operating Expenses		
Salaries and fringe benefits	19,289,061	18,700,429
Supplies and other operating expenses	18,553,212	17,402,160
Depreciation	7,974,347	8,523,216
Total operating expenses	45,816,620	44,625,805
Operating loss	(39,708,698)	(39,281,315)
Non-Operating Revenues		
State and federal	14,840,230	13,522,107
Property taxes	13,053,949	11,709,833
Other local	5,959,692	6,165,330
Total non-operating revenues	33,853,871	31,397,270
Loss before capital contributions	(5,854,827)	(7,884,045)
Capital Contributions	17,506,357	15,349,744
Change in net assets	11,651,530	7,465,699
Net Assets, beginning of year	82,334,078	74,868,379
Net Assets, end of year	\$ 93,985,608	\$ 82,334,078

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2011	2010
Cash From (for) Operating Activities		
Receipts from customers	\$ 6,094,854	\$ 5,265,440
Payments to suppliers	(25,419,842)	(21,271,081)
Payments to employees	(14,031,462)	(13,049,575)
Net cash for operating activities	(33,356,450)	(29,055,216)
Cash From Noncapital Financing Activities		
Federal grants received	2,677,174	1,905,137
State grants received	11,200,638	12,006,403
Local government assistance received	4,877,836	5,104,886
Property taxes	13,011,991	11,226,492
Other income	137,488	148,685
Net cash from noncapital financing activities	31,905,127	30,391,603
Cash From (for) Capital and Related Financing Activities		
Federal contributed capital	16,528,798	10,438,994
State contributed capital	1,113,355	5,153,148
Purchase of capital assets	(17,517,355)	(15,852,571)
Proceeds from sale of capital assets	69,896	216,586
Net cash from (for) capital and related financing activities	194,694	(43,843)
Cash From Investing Activity		
Interest received on investments	82,593	86,970
Net Increase (Decrease) in Cash and Investments	(1,174,036)	1,379,514
Cash and Investments, beginning of year	13,545,485	12,165,971
Cash and Investments, end of year	\$ 12,371,449	\$ 13,545,485

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2011	2010
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (39,708,698)	\$ (39,281,315)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	7,974,347	8,523,216
Changes in assets and liabilities:		
Increase in billed receivables	(13,068)	(79,050)
Decrease (increase) in inventories	(39,484)	1,488
Increase in prepaid expenses and deposits	(44,458)	(28,575)
Increase (decrease) in accounts payable	(274,612)	1,140,323
Increase (decrease) in accrued payroll	(478,565)	99,525
Increase (decrease) in unredeemed fares	13,832	(52,466)
Increase (decrease) in other liabilities	(785,744)	621,638
Net Cash for Operating Activities	\$ (33,356,450)	\$ (29,055,216)

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2011	2010
Assets		
Cash and short-term investments (Note 2)	\$ 284,543	\$ 107,529
Receivables		
Employer contributions	34,805	29,324
Interest and dividends receivable	125	792
Due from non-administrative plan	19,684	3,637
Total receivables	54,614	33,753
Investments, at fair value (Note 2)		
Bond mutual funds	2,107,377	1,753,741
Equity mutual funds	5,948,930	4,732,701
Total investments	8,056,307	6,486,442
Total Assets	8,395,464	6,627,724
Liabilities		
Due to administrative plan	19,684	3,637
Net Assets Held in Trust for Pension Benefits	\$ 8,375,780	\$ 6,624,087

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	
	2011	2010
Additions		
Employer contributions	\$ 860,055	\$ 751,483
Investment income:		
Net appreciation	1,213,995	583,632
Interest	59,090	57,663
Dividends	165,335	81,554
Investment expense	(40,373)	(37,487)
Fee rebates	667	6,942
Total investment income	1,398,714	692,304
Total additions	2,258,769	1,443,787
Deductions		
Benefits	479,033	669,882
Administrative expense	28,043	31,205
Total deductions	507,076	701,087
Change in net assets	1,751,693	742,700
Net Assets Held in Trust for Pension Benefits, beginning of year	6,624,087	5,881,387
Net Assets Held in Trust for Pension Benefits, end of year	\$ 8,375,780	\$ 6,624,087

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 1.29 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 (FASB) 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
Machinery and equipment	3 - 10

Deferred Revenues

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

Net Assets

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

Compensated Absences

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

Property Taxes

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

Property taxes are recognized as revenue when levied, with proper allowances made for estimated uncollectible amounts. The current millage rate was approved in May 2011 at 1.29 mills for collections beginning in 2011.

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.

Subsequent Events

Management has evaluated subsequent events through January 12, 2012, the date the financial statements were available to be issued.

2. Cash and Investments

Deposits

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

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, ITP's deposits might not be recovered. ITP minimizes custodial credit risk by pre-qualifying financial institutions. At September 30, 2011, the bank balances were \$9,121,374, of which \$6,866,767 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, 2011, 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	\$ 3,558,943
Municipal Investment Funds	Less than 1 year	56,738
Total		\$ 3,615,681

At June 30, 2011, ITP's Pension Trust Funds had investments in mutual funds with a value of \$8,340,850 and mature in less than one year.

Interurban Transit Partnership

Notes to Financial Statements

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, 2011.

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, 2011, 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	98.40%
Municipal Investment Funds	Moody's Aaa	1.56
Pension Trust Funds		
Money market funds	Not rated	3.40
Bond mutual funds	Not rated	25.30

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Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

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

Cost to complete the construction in progress is approximately \$3,700,000.

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Interurban Transit Partnership

Notes to Financial Statements

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

	Balance October 1, 2009	Additions	Transfers/ Deletions	Balance September 30, 2010
Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 1,923,979	\$ 9,227,104	\$ -	\$ 11,151,083
Land	6,605,315	1,406,123	-	8,011,438
Artwork	368,470	-	-	368,470
Easements	-	55,000	-	55,000
Capital assets being depreciated:				
Land improvements	777,515	74,938	-	852,453
Facilities	29,394,963	119,929	517,333	28,997,559
Revenue vehicles	48,982,122	2,786,441	9,498,424	42,270,139
Support equipment	9,160,614	1,030,131	1,091,876	9,098,869
Information systems and technology	7,610,221	960,775	143,132	8,427,864
Software	431,891	192,136	-	624,027
Total assets	105,255,090	15,852,577	11,250,765	109,856,902
Accumulated depreciation:				
Land improvements	632,601	24,443	-	657,045
Facilities	8,986,420	2,211,231	517,334	10,680,317
Revenue vehicles	21,665,875	3,760,067	9,498,425	15,927,517
Support equipment	6,660,578	1,063,826	1,091,876	6,632,528
Information systems and technology	5,867,840	1,423,107	143,131	7,147,816
Software	407,874	40,542	-	448,416
Total accumulated depreciation	44,221,188	8,523,216	11,250,765	41,493,639
Net Capital Assets	\$ 61,033,902	\$ 7,329,361	\$ -	\$ 68,363,263

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:

	2011	2010
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 \$287,560 and \$309,630, and the contribution totaled \$415,960 and \$341,366 for the years ended September 30, 2011 and 2010, 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
2009	\$ 245,092	122.1	-
2010	309,630	110.3	-
2011	287,560	144.6	-

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 60.9% funded. The actuarial accrued liability for benefits was \$4,573,244, and the actuarial value of assets was \$2,785,626, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,787,618.

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, 2011 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, 2011 was 30 years. The covered payroll (annual payroll of active employees covered by the plan) was \$865,267.

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 of continuous service. Accumulated benefits attributable to ITP contributions are fully vested after five years of service. Termination of employment prior to completion of five years of service results in the forfeiture of the accumulated benefits attributable to ITP contributions. The pension benefit, payable monthly for life to the retired employee, equals a minimum of \$230.45, increased by a function of the employee's years of credited service or \$34 per 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:

	2011	2010
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	129	124
Transferred to non-union	16	15
Active plan members	225	226
Total	370	365

Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy

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

The plan's funding policy is that the employer will contribute to the plan based on the current negotiated rate; for July 1, 2010 to June 30, 2011, 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.

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 \$449,569 and \$448,915, and the contribution totaled \$444,095 and \$410,117 for the years ended September 30, 2011 and 2010, 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
2009	\$ 345,966	124.0	-
2010	448,915	91.4	-
2011	444,095	98.8	-

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 73.5% funded. The actuarial accrued liability for benefits was \$7,645,248, and the actuarial value of assets was \$5,621,032, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,024,216.

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, 2011 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, 2011 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 \$177,141 and \$175,275 for the plan years ended June 30, 2011 and 2010, 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 regards to known and unknown covered events occurring prior to December 1, 2009. ITP currently purchases commercial insurance for property and liability with coverage of \$5,000,000 per occurrence with a \$75,000 deductible. ITP carries catastrophic insurance to cover direct damage to property.

6. Description of Grant Funding

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

Operations

ITP's general operations are funded as follows:

The Michigan Department of Transportation (MDOT) authorized funding for fiscal years 2011 and 2010 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$17,119,332 and \$15,968,492 in 2011 and 2010, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 31.40% and 29.74% totaled \$10,750,940 and \$9,498,059 in 2011 and 2010, respectively.

Capital Acquisitions

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

Required Supplemental Information

Interurban Transit Partnership

Schedules of Funding Progress

Administrative Plan

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2005	\$ 1,949,924	\$ 3,251,433	\$ 1,301,509	59.97%
July 1, 2006*	2,496,589	4,069,182	1,572,593	61.35
July 1, 2007	2,979,136	4,236,844	1,257,708	70.31
July 1, 2008	2,911,069	4,510,260	1,599,191	64.54
July 1, 2009	1,899,000	4,264,247	2,365,247	44.53
July 1, 2010	2,092,892	4,307,750	2,214,858	48.58
July 1, 2011	2,785,626	4,573,244	1,787,618	60.91

* 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, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percentage of compensation
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Retirement age	Age 65
Investment rate of return	8% - pre-retirement 6% - post-retirement
Mortality table:	
Pre-retirement	None
Post-retirement	IRC Sec.417(e)(3) Applicable 2010 Mortality Table (Rev. Rul.2007-67)
Turnover rates	None
Salary scale	3%
Cost of living adjustments	None

Interurban Transit Partnership

Schedules of Funding Progress

Non-Administrative Plan

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2005	\$ 3,536,535	\$ 4,439,438	\$ 902,903	79.66%
July 1, 2006	3,887,464	4,894,318	1,006,854	79.43
July 1, 2007	4,317,746	5,442,916	1,125,170	79.33
July 1, 2008	4,634,693	5,908,196	1,273,503	78.45
July 1, 2009	4,778,864	6,679,489	1,900,625	71.55
July 1, 2010	5,121,284	7,119,898	1,998,614	71.93
July 1, 2011	5,621,032	7,645,248	2,024,216	73.52

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, 2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Average of expected assets and market value of assets, but not less than 80%, nor more than 120% of market value
Actuarial assumptions:	
Retirement age	50% are assumed to retire at age 62 if eligible and all remaining at age 65
Investment rate of return	8%
Mortality table	2010 430(h) Mortality (non-annuitant and annuitant tables); ages set forward three years
Turnover rates	Crocker-Sarason-Straight T-5
Cost of living adjustments	None

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Combining Statements and Supplemental Schedules

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

<i>June 30, 2011</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 174,452	\$ 110,091	\$ 284,543
Receivables			
Employer contributions	-	34,805	34,805
Interest and dividends receivable	67	58	125
Due from non-administrative plan	19,684	-	19,684
Total receivables	19,751	34,863	54,614
Investments, at fair value			
Bond mutual funds	675,181	1,432,196	2,107,377
Equity mutual funds	1,916,242	4,032,688	5,948,930
Total investments	2,591,423	5,464,884	8,056,307
Total Assets	2,785,626	5,609,838	8,395,464
Liabilities			
Due to administrative plan	-	19,684	19,684
Net Assets Held in Trust for Pension Benefits	\$ 2,785,626	\$ 5,590,154	\$ 8,375,780

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

<i>Year ended June 30, 2011</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 415,960	\$ 444,095	\$ 860,055
Investment income:			
Net appreciation	382,424	831,571	1,213,995
Interest	18,867	40,223	59,090
Dividends	52,113	113,222	165,335
Investment expense	(14,477)	(25,896)	(40,373)
Fee rebates	178	489	667
Total investment income	439,105	959,609	1,398,714
Total additions	855,065	1,403,704	2,258,769
Deductions			
Benefits	152,243	326,790	479,033
Administrative expense	10,088	17,955	28,043
Total deductions	162,331	344,745	507,076
Change in net assets	692,734	1,058,959	1,751,693
Net Assets Held in Trust for Pension Benefits, beginning of year	2,092,892	4,531,195	6,624,087
Net Assets Held in Trust for Pension Benefits, end of year	\$ 2,785,626	\$ 5,590,154	\$ 8,375,780

Interurban Transit Partnership
Schedule of Non-Operating Revenues - Local

Year ended September 30, 2011

Local Revenue	
Property taxes	\$ 13,053,949
Ferris State University	12,799
Grand Valley State University	2,430,804
Network 180	1,829,072
DASH - City of Grand Rapids	795,467
Grand Rapids Community College	100,421
Van pool	96,430
Ada Township	26,089
Alpine Township	92,188
Byron Township	76,527
Cascade Township	73,749
Gaines Township	53,828
Other local services	82,341
<hr/>	
Total local revenue	18,723,664
<hr/>	
Other Income	
Gain on sale of property	69,896
Retail lease	46,160
Interest income	82,593
Miscellaneous	91,328
<hr/>	
Total other income	289,977
<hr/>	
Total Non-Operating Revenues - Local	\$ 19,013,641
<hr/>	

Interurban Transit Partnership

Schedule of Non-Operating Revenues - State and Federal

Year ended September 30, 2011

State of Michigan Grants	
General operating assistance	\$ 11,481,193
Capital assistance	200,477
Planning and miscellaneous project assistance	21,539
Specialized services	463,289
Job Access and Reverse Commute	454,009
<hr/>	
Total State of Michigan grants	12,620,507
<hr/>	
Federal Government Grants	
Capital assistance	1,317,034
Planning and miscellaneous project assistance	448,680
Job Access and Reverse Commute	454,009
<hr/>	
Total federal government grants	2,219,723
<hr/>	
Total Non-Operating Revenues - State and Federal	\$ 14,840,230

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<i>Year ended September 30, 2011</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 8,430,940	\$ -
Other salaries and wages	1,026,164	1,548,635
Dispatchers' salaries and wages	77,494	-
Total labor	9,534,598	1,548,635
Fringe Benefits		
Pension	743,061	134,591
Other fringe benefits	4,264,360	706,468
Total fringe benefits	5,007,421	841,059
Services		
Audit fees	-	-
Other services	459,904	709,011
Total services	459,904	709,011
Materials and Supplies Consumed		
Fuel and lubricants	3,662,457	-
Tires and tubes	-	9,437
Other materials and supplies	11,162	921,269
Total materials and supplies consumed	3,673,619	930,706
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	515,291	-
Other insurance	-	-
Total casualty and liability costs	515,291	-

Interurban Transit Partnership
Schedule of Operating Expenses by Function

Operations			
Administration	Total	Grants	Total System
\$ -	\$ 8,430,940	\$ -	\$ 8,430,940
1,401,792	3,976,591	95,296	4,071,887
-	77,494	-	77,494
1,401,792	12,485,025	95,296	12,580,321
207,554	1,085,206	-	1,085,206
600,109	5,570,937	52,597	5,623,534
807,663	6,656,143	52,597	6,708,740
40,400	40,400	-	40,400
546,751	1,715,666	799,874	2,515,540
587,151	1,756,066	799,874	2,555,940
-	3,662,457	-	3,662,457
-	9,437	187,438	196,875
105,354	1,037,785	141,629	1,179,414
105,354	4,709,679	329,067	5,038,746
542,108	542,108	-	542,108
-	515,291	-	515,291
151,645	151,645	-	151,645
151,645	666,936	-	666,936

Interurban Transit Partnership
Schedule of Operating Expenses by Function

	General	
<i>Year ended September 30, 2011</i>	Operations	Maintenance
Purchased Transportation	\$ 7,056,661	\$ -
Miscellaneous		
Travel and meetings	11,727	1,910
Advertising/promotion media	-	-
Other miscellaneous	1,486	31,777
Total miscellaneous	13,213	33,687
Leases and Rentals	-	-
Depreciation	-	-
Total Expenses	\$ 26,260,707	\$ 4,063,098

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>
\$ -	\$ 7,056,661	\$ 2,107,080	\$ 9,163,741
37,827	51,464	50,303	101,767
211,098	211,098	69,224	280,322
109,934	143,197	16,055	159,252
358,859	405,759	135,582	541,341
-	-	44,400	44,400
7,974,347	7,974,347	-	7,974,347
\$ 11,928,919	\$ 42,252,724	\$ 3,563,896	\$ 45,816,620

Interurban Transit Partnership

Schedule of Expenses by Grant

				411
				MI-95-X-044
			001	07-0230-Z3
		General		FY07
<i>Year ended September 30, 2011</i>	Total	Operations		Section 5307
Expenses				
Labor	\$ 12,580,321	\$ 12,485,025		\$ -
Fringe benefits	6,708,740	6,656,143		-
Services	2,555,940	1,756,066		-
Materials and supplies consumed	5,038,746	4,709,679		-
Utilities	542,108	542,108		-
Casualty and liability costs	666,936	666,936		-
Purchased transportation	9,163,741	7,056,661		9,151
Miscellaneous	541,341	405,759		-
Leases and rentals	44,400	-		-
Depreciation	7,974,347	7,974,347		-
Total Expenses	\$ 45,816,620	\$ 42,252,724		\$ 9,151

Interurban Transit Partnership

Schedule of Expenses by Grant

420	425	440	450	480	490
MI-90-X-529	MI-95-X-025	MI-90-X-548	MI-90-X580	MI-90-X608	MI-90-X626
07-0230-Z5	07-0230-Z9	07-0230-Z8	07-0230-Z16	07-0230-Z23	07-0230-Z28
FY07	FY08	FY08	FY09	FY10	FY11
Section 5307					
\$ -	\$ 1,850	\$ -	\$ -	\$ 50,000	\$ -
-	512	-	-	27,764	-
-	-	127,279	32,785	103,382	123,465
15,536	351	57,303	4,558	41,617	151,285
-	-	-	-	-	-
-	78,272	-	-	278,067	161,933
-	4,313	17,112	13,072	27,585	1,496
2,392	-	42,008	-	-	-
-	-	-	-	-	-
\$ 17,928	\$ 85,298	\$ 243,702	\$ 50,415	\$ 528,415	\$ 438,179

Interurban Transit Partnership

Schedule of Expenses by Grant

	742	743	768
	MI-37-X022	MI-37-X029	MI-95-X039
	02-0049-Z32	07-0230-Z19	07-0230-Z15
<i>Year ended September 30, 2011</i>	JARC	JARC	FY09 Section 5307
Expenses			
Labor	\$ -	\$ -	\$ 27,155
Fringe benefits	-	-	15,415
Services	917	-	-
Materials and supplies consumed	-	-	1,000
Utilities	-	-	-
Casualty and liability costs	-	-	-
Purchased transportation	472,903	643,465	-
Miscellaneous	-	-	50,659
Leases and rentals	-	-	-
Depreciation	-	-	-
Total Expenses	\$ 473,820	\$ 643,465	\$ 94,229

Interurban Transit Partnership

Schedule of Expenses by Grant

769			854			865
MI-95-X050	787	853	FR-LRI-09-011	860	863	MI-03-X239
07-230-Z24	07-230-Z26	DDA	2010-04-46	MI-03-X234	MI-39-0001	07-0230-Z18
FY10	Specialized	Amtrak	Amtrak	02-0049-Z33	07-0230-Z11	FY09
Section 5307	Services	Relocation	Relocation	Section 5309	Section 5339	Section 5309
\$ 16,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,906	-	-	-	-	-	-
-	-	14,790	87,497	-	35,748	274,011
-	-	-	-	57,417	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	463,289	-	-	-	-	-
15,582	-	-	-	-	5,419	344
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 40,779	\$ 463,289	\$ 14,790	\$ 87,497	\$ 57,417	\$ 41,167	\$ 274,355

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2011</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 8,430,940	\$ -	\$ -	\$ 8,430,940
Other salaries and wages	1,026,164	1,548,635	1,401,792	3,976,591
Dispatchers' salaries and wages	77,494	-	-	77,494
Total labor	9,534,598	1,548,635	1,401,792	12,485,025
Fringe Benefits				
Pension	743,061	134,591	207,554	1,085,206
Other fringe benefits	4,264,360	706,468	600,109	5,570,937
Total fringe benefits	5,007,421	841,059	807,663	6,656,143
Services				
Audit fees	-	-	40,400	40,400
Other services	459,904	709,011	546,751	1,715,666
Total services	459,904	709,011	587,151	1,756,066
Materials and Supplies Consumed				
Fuel and lubricants	3,662,457	-	-	3,662,457
Tires and tubes	-	9,437	-	9,437
Other materials and supplies	11,162	921,269	105,354	1,037,785
Total materials and supplies consumed	3,673,619	930,706	105,354	4,709,679
Utilities				
Other	-	-	542,108	542,108
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	515,291	-	-	515,291
Other insurance	-	-	151,645	151,645
Total casualty and liability costs	515,291	-	151,645	666,936
Purchased Transportation	7,056,661	-	-	7,056,661
Miscellaneous				
Travel and meetings	11,727	1,910	37,827	51,464
Advertising/promotion media	-	-	211,098	211,098
Other miscellaneous	1,486	31,777	109,934	143,197
Total miscellaneous	13,213	33,687	358,859	405,759
Depreciation	-	-	7,974,347	7,974,347
Total Expenses	\$ 26,260,707	\$ 4,063,098	\$ 11,928,919	\$ 42,252,724

Interurban Transit Partnership
Schedule of Regular Service Revenues - Urban

Year ended September 30, 2011

Operating Revenues	
Passenger fares	\$ 5,952,930
Advertising	154,992
<hr/>	
Total operating revenues	6,107,922
<hr/>	
Non-Operating Revenues	
State and federal assistance	14,840,230
<hr/>	
Local Revenue	
Property taxes	13,053,949
Ferris State University	12,799
Grand Valley State University	2,430,804
Network 180	1,829,072
DASH - City of Grand Rapids	795,467
Davenport College	100,421
Van pool	96,430
Ada Township	26,089
Alpine Township	92,188
Byron Township	76,527
Cascade Township	73,749
Gaines Township	53,828
Other local services	82,341
<hr/>	
Total local revenue	18,723,664
<hr/>	
Other Income	
Gain on sale of property	69,896
Retail lease	46,160
Interest income	82,593
Miscellaneous	91,328
<hr/>	
Total other income	289,977
<hr/>	
Total Revenues	\$ 39,961,793
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Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2011</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	331,645	27,387	13,017	372,049
Revenue hours - linehaul	317,860	26,505	12,500	356,865
Total vehicle hours - demand response	212,571	12,800	11,284	236,655
Revenue hours - demand response	176,907	11,200	9,828	197,935
Total vehicle miles - linehaul	4,197,926	353,168	142,679	4,693,773
Revenue miles - linehaul	3,971,023	337,588	133,119	4,441,730
Total vehicle miles - demand response	3,169,338	186,800	158,600	3,514,738
Revenue miles - demand response	2,645,761	164,550	137,696	2,948,007

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Interurban Transit Partnership
Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2011</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$42,252,724	\$ -	\$ 42,252,724
Less Ineligible Expenses			
Depreciation expense	7,974,347	-	7,974,347
APTA and MPTA dues	5,538	-	5,538
Other (lobbying fees)	34,176	-	34,176
	8,014,061	-	8,014,061
Eligible Operating Expenses	\$34,238,663	\$ -	\$ 34,238,663
Maximum State Operating Assistance (50/60%)	\$17,119,332	\$ -	\$ 17,119,332
State Operating Assistance Accrual (31.4%)	\$10,750,940	\$ -	\$ 10,750,940

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011	Federal CFDA Number	Federal Grantor Number	Grantee Number
Federal Grantor/Program Title			
Federal Transit Authority			
Direct Programs:			
FTA Capital Assistance	20.507	MI-90-X399	340
FTA Capital and Planning	20.507	MI-90-X454	380
FTA Capital Assistance	20.507	MI-90-X487	400
FTA Capital Assistance	20.507	MI-95-X004	411
FTA Capital Assistance	20.507	MI-90-X529	420
FTA Capital Assistance	20.507	MI-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-95-X039	768
FTA Capital Assistance	20.507	MI-95-X050	769
ARRA-FTA Capital Assistance	20.507	MI-96-X0005	864
Total Capital and Planning Assistance - Section 5307			
FTA Capital Assistance	20.500	MI-04-0024	839
FTA Capital Assistance	20.500	MI-04-0029	840
FTA Capital Assistance	20.500	MI-04-0046	841
FTA Capital Assistance	20.500	MI-03-0234	860
FTA Capital Assistance	20.500	MI-03-0239	865
FTA Capital Assistance	20.500	MI-04-0060	867
Total Capital Assistance - Section 5309			
FTA JARC - Section 3037	20.516	MI-37-0016	741-743
FTA JARC - Section 3037	20.516	MI-37-0022	742
FTA JARC - Section 3037	20.516	MI-37-0029	743
Total JARC			
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
Passed through Kent County, Michigan:			
Community Development Block Grant	14.218	N/A	001
Total Federal Financial Assistance			

** Beginning accrued revenue was not reported in 2010.

Interurban Transit Partnership
Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/10	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/11
\$ 5,029	\$ 5,029	\$ -	\$ -
31,002	31,002	-	-
203,092	203,092	-	-
52,080	75,401	23,321	-
1,319,753	1,423,812	104,059	-
58,766	9,000	238,162	287,928
96,595	902,607	1,006,416	200,404
1,418,886	4,885,127	3,818,949	352,708
663,502	2,264,626	3,076,181	1,475,057
-	-	796,521	796,521
43,544	130,630	129,870	42,784
-	128,679	157,237	28,558
50,035	7,185,413	7,176,236	40,858
3,942,284	17,244,418	16,526,952	3,224,818
14,005	14,005	-	-
1	1	-	-
311,005	311,005	-	-
256,759	478,181	221,422	-
125,891	232,879	219,484	112,496
-	306,211	376,495	70,284
707,661	1,342,282	817,401	182,780
112,951	112,951	-	-
-	207,260	207,260	-
-	50,000	246,749	196,749
112,951	370,211	454,009	196,749
249,061	249,061	41,163	41,163
-	-	87,497	87,497
36,674 **	67,865	43,463	12,272
\$ 5,048,631	\$ 19,273,837	\$ 17,970,485	\$ 3,745,279

Interurban Transit Partnership
Schedule of Expenditures of State Awards

<i>Year ended September 30, 2011</i>	State Grantor Number	Grantee Number
Program		
Section 5307	2007-0230-Z3	411
Section 5307	2007-0230-Z5	420
Section 5307	2007-0230-Z9	425
Section 5307	2007-0230-Z8	440
Section 5307	2007-0230-Z16	450
Section 5307	2007-0230-Z23	480
Section 5307	N/A	490
Job Access and Reverse Commute	2002-0049-Z20	741
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
Specialized Services	N/A	786
Specialized Services	2007-0230-Z26	787
Section 5309	2007-0230-Z18	865
Section 5309	2007-0230-Z25	867
Total State Assistance		

* *Reclassify accrual to federal receivable.*

Interurban Transit Partnership
Schedule of Expenditures of State Awards

Accrued (Deferred) Revenue 10/1/10	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/11
\$ 3,993	\$ 3,993	\$ -	\$ -
8,841	-	(8,841) *	-
423	38,640	38,217	-
(24,719)	7,494	39,086	6,873
(852,039)	-	876,275	24,236
(975,223)	116,516	619,691	(472,048)
-	-	199,130	199,130
175,420	175,420	-	-
-	-	207,260	207,260
-	-	246,749	246,749
-	8,910	8,910	-
-	16,173	29,114	12,941
119,738	119,738	-	-
-	340,416	463,289	122,873
32,484	58,541	54,871	28,814
-	17,123	94,124	77,001
\$ (1,511,082)	\$ 902,964	\$ 2,867,875	\$ 453,829

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Additional Information

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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 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, 2011, and have issued our report thereon dated January 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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 the Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO USA, LLP

Certified Public Accountants
January 12, 2012

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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 Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Compliance

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, 2011. 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 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, 2011.

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 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 Interurban Transit Partnership'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 the Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO USA, LLP

Certified Public Accountants
January 12, 2012

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2011

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 OMB Circular A-133?	no
Identification of major programs:	

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
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20.500 and 20.507	Federal Transit Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:	\$ 539,000
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.

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, 2010.

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