

# Interurban Transit Partnership

## Single Audit Report

Years Ended September 30, 2008 and 2007



**BDO Seidman, LLP**  
Accountants and Consultants

# Interurban Transit Partnership

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# Interurban Transit Partnership

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## **Independent Auditors' Report**

Members of the Board  
Interurban Transit Partnership  
Grand Rapids, Michigan

We have audited the accompanying financial statements of Interurban Transit Partnership (ITP) as of and for the years ended September 30, 2008 and 2007 (as of and for the years ended June 30, 2008 and 2007 for the Pension Trust Funds), which collectively comprise ITP's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ITP's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Partnership at September 30, 2008 and 2007 (June 30, 2008 and 2007 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 5, 2009 on our consideration of ITP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*BDO Seidman, LLP*

Grand Rapids, Michigan  
January 5, 2009

## Management's Discussion and Analysis

This section of the Interurban Transit Partnership's (ITP) annual financial report presents our discussion and analysis of ITP's financial performance during the fiscal years that ended September 30, 2008 and 2007.

### Financial Highlights

- The state operating assistance rate continued to fall from 33.1% in FY06 to 32.52% in FY07 and 30.63% in FY08.
- Property tax revenues increased by 5.0% in FY07 and in FY08 by 18.3% due to a .17 mill increase in the levy.
- Total passengers surpassed the 9 million mark in FY08 boosting fare revenue up by 13.6%.
- Services provided to our community partners such as Grand Valley State University and Davenport College continue to grow, increasing our local revenues by 5.9% in FY07 and 13.9% in FY08.
- ITP grew its unrestricted net assets (fund balance) by approximately \$1.6 million for the year ended September 30, 2008.

### Overview of the Financial Statements

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements and other supplementary information.

The financial statements provide both long-term and short-term information about ITP's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to public transit authorities on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and depreciation of assets is recognized in the Statements of Revenues, Expenses and Changes in Net Assets. All assets and liabilities associated with the operation of ITP are included in the Statements of Net Assets.

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

## Financial Analysis of ITP

### *Net Assets*

ITP's total net assets expanded to nearly \$65 million during FY08, an increase of 2.2% from FY07 (see Table A-1) and 13.2% since the end of FY06.

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

<i>September 30,</i>	2008	2007	2006
Current assets	\$ 16,629	\$ 14,883	\$ 14,226
Capital assets, net	52,252	52,473	47,169
<b>Total assets</b>	<b>68,881</b>	<b>67,356</b>	<b>61,395</b>
Current liabilities	3,887	3,750	3,978
Net assets			
Invested in capital assets	52,252	52,473	47,169
Restricted for STC project	440	440	440
Unrestricted	12,302	10,693	9,808
<b>Total Net Assets</b>	<b>\$ 64,994</b>	<b>\$ 63,606</b>	<b>\$ 57,417</b>

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

In FY07, ITP acquired land valued at \$1.4 million adjacent to current facilities for future expansion needs. Also 14 new Gillig Buses, including five hybrid electric buses, were purchased for a total of \$5.3 million. ITP is in the midst of a system-wide technology improvement project known as Intelligent Transportation Systems (ITS). This process has added \$1.5 million in assets to our fleet and facilities including a new radio system, Automated Vehicle Location (AVL) equipment, Computer Aided Dispatch (CAD), Route Schedule Adherence (RSA), automatic passenger counters and automated voice annunciation systems.

### *Changes in Net Assets*

Net assets grew by \$1.4 million from September 30, 2007 to September 30, 2008 (see Table A-2).

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

<i>Year ended September 30,</i>	2008	2007	2006
Operating revenues			
Passenger fares	\$ 4,879	\$ 4,294	\$ 4,042
Advertising	90	131	88
<b>Total operating revenues</b>	<b>4,969</b>	<b>4,425</b>	<b>4,130</b>
Operating expenses			
Salaries and benefits	17,121	15,820	15,181
Other operating expenses	17,342	15,459	14,072
Depreciation	7,095	6,084	5,353
<b>Total operating expenses</b>	<b>41,558</b>	<b>37,363</b>	<b>34,606</b>
<b>Operating loss</b>	<b>(36,589)</b>	<b>(32,938)</b>	<b>(30,476)</b>
Nonoperating revenues			
Property taxes	12,238	10,344	9,848
Other local	5,409	4,752	4,487
State and federal	13,455	12,644	11,707
<b>Total nonoperating revenues</b>	<b>31,102</b>	<b>27,740</b>	<b>26,042</b>
<b>Loss before capital contributions</b>	<b>(5,487)</b>	<b>(5,198)</b>	<b>(4,434)</b>
<b>Capital contributions</b>	<b>6,875</b>	<b>11,387</b>	<b>7,117</b>
<b>Change in net assets</b>	<b>1,388</b>	<b>6,189</b>	<b>2,683</b>
<b>Net Assets, beginning of year</b>	<b>63,606</b>	<b>57,417</b>	<b>54,734</b>
<b>Net Assets, end of year</b>	<b>\$ 64,994</b>	<b>\$ 63,606</b>	<b>\$ 57,417</b>

Ridership growth continues to push passenger fare revenues upward while expansion of services sold continues to drive local revenues higher.

Service and program expansion and the soaring price of fuel during FY08 drove the 12.0% increase in other operating expenses.



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

<i>Year ended September 30,</i>	2008	2007	Percentage Change
Labor	\$ 11,019	\$ 10,044	9.7
Fringe benefits	6,102	5,776	5.6
Services	2,295	2,145	7.0
Materials and supplies	4,996	3,750	33.2
Utilities	578	497	16.3
Casualty and liability	729	772	(5.6)
Purchased transportation	8,166	7,567	7.9
Miscellaneous	577	727	(20.6)
Preventive maintenance	(1,000)	-	100.0

In FY08, the 33.2% increase in materials and supplies can be attributed almost entirely to the runaway fuel prices ITP experienced during FY08. Likewise, the 16.3% increase in utilities can be attributed to rising heating costs and a particularly harsh winter.

### Capital Assets

As of September 30, 2008, ITP had invested approximately \$92.2 million in capital assets, including land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2008 totaled approximately \$52.3 million (see Table A-4). This amount represents a net decrease (including additions and disposals, net of depreciation) of approximately \$0.2 million or 0.4% over September 30, 2007.

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

<i>Year ended September 30,</i>	2008	2007	Percentage Change
Land	\$ 6,597	\$ 6,592	-
Artwork	210	189	11.1
Land improvements	157	169	(7.1)
Buildings and improvements	21,297	21,146	0.7
Revenue vehicles	18,089	18,573	(2.6)
Machinery and equipment	5,902	5,804	1.7
<b>Total Net Capital Assets</b>	<b>\$ 52,252</b>	<b>\$ 52,473</b>	<b>(0.4)</b>

ITP completed in excess of a \$1 million in rehabilitation/repair work to its various facilities during FY08. In FY07, land acquisitions for future expansion requirements resulted in 21.9% increase in land. In FY07, revenue equipment grew by 12.2% as a result of the purchase of 14 new buses including five hybrid electrics.

## **Economic Factors and Next Year's Budget**

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

As the State of Michigan continues to face difficult budgetary issues, there is annual uncertainty about the funding for public transit. In addition, current economic woes nationwide are beginning to affect ITP relative to its property tax revenues. During FY08 area-wide taxable values were flat, meaning that property tax revenues did not grow as expected. For the next year and perhaps beyond ITP expects to see a decline in taxable values throughout its service areas and accordingly expects to see a decline in the related revenues.

Perhaps as early as spring of 2009, ITP will be seeking an as yet to be determined tax increase to fund a new service along a major corridor of its service area. Known as Bus Rapid Transit (BRT) this new type of service brings high frequency, express-like service to ITP's customers. BRT will require a capital investment in excess of \$30 million. If a millage request is successful it is hoped that this new service will begin operating the latter half of FY12.

# **Basic Financial Statements**



# Interurban Transit Partnership

## Statements of Net Assets Enterprise Fund

<i>September 30,</i>	<b>2008</b>	2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 12,111,521	\$ 8,954,180
Property taxes receivable, net	1,077,688	863,388
Due from federal government	1,241,981	1,363,120
Due from State of Michigan	314,963	737,365
Billed receivables	1,354,001	2,518,379
Materials and supplies inventories	415,496	342,330
Prepaid expenses and deposits	113,457	104,981
<b>Total Current Assets</b>	<b>16,629,107</b>	14,883,743
<b>Capital Assets (Note 3)</b>		
Land and improvements	7,375,385	7,369,935
Artwork	209,921	188,921
Buildings	29,182,019	27,988,233
Revenue vehicles	38,841,957	36,764,397
Machinery and equipment	16,553,150	14,027,598
	92,162,432	86,339,084
Less accumulated depreciation	39,910,434	33,866,394
<b>Net Capital Assets</b>	<b>52,251,998</b>	52,472,690
<b>Total Assets</b>	<b>68,881,105</b>	67,356,433

# Interurban Transit Partnership

## Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2008	2007
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,450,290	\$ 1,232,502
Employee compensation and related withholdings	1,870,826	1,677,188
Unredeemed fares	74,551	54,076
Deferred revenues	123,375	337,384
Due to State of Michigan	368,158	449,713
<b>Total Current Liabilities</b>	<b>3,887,200</b>	<b>3,750,863</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	52,251,998	52,472,690
Restricted	440,492	440,492
Unrestricted	12,301,415	10,692,388
<b>Total Net Assets</b>	<b>\$ 64,993,905</b>	<b>\$ 63,605,570</b>

*See accompanying notes to financial statements.*

# Interurban Transit Partnership

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

<i>Year ended September 30,</i>	<b>2008</b>	2007
<b>Operating Revenues</b>		
Passenger fares	\$ 4,879,227	\$ 4,294,049
Advertising (Note 1)	89,924	131,270
<b>Total operating revenues</b>	<b>4,969,151</b>	4,425,319
<b>Operating Expenses</b>		
Salaries and fringe benefits	17,120,524	15,820,528
Supplies and other operating expenses	17,342,035	15,459,221
Depreciation	7,095,427	6,083,821
<b>Total operating expenses</b>	<b>41,557,986</b>	37,363,570
<b>Operating loss</b>	<b>(36,588,835)</b>	(32,938,251)
<b>Nonoperating Revenues</b>		
State and federal	13,455,404	12,644,231
Property taxes	12,237,560	10,343,660
Other local	5,409,471	4,752,081
<b>Total nonoperating revenues</b>	<b>31,102,435</b>	27,739,972
<b>Loss before capital contributions</b>	<b>(5,486,400)</b>	(5,198,279)
<b>Capital Contributions</b>	<b>6,874,735</b>	11,387,393
<b>Change in net assets</b>	<b>1,388,335</b>	6,189,114
<b>Net Assets, beginning of year</b>	<b>63,605,570</b>	57,416,456
<b>Net Assets, end of year</b>	<b>\$ 64,993,905</b>	\$ 63,605,570

*See accompanying notes to financial statements.*

# Interurban Transit Partnership

## Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	<b>2008</b>	2007
<b>Cash for Operating Activities</b>		
Receipts from customers	\$ 4,989,626	\$ 4,432,184
Payments to suppliers	(22,190,354)	(22,001,700)
Payments to employees	(11,820,894)	(10,866,519)
<b>Net cash for operating activities</b>	<b>(29,021,622)</b>	<b>(28,436,035)</b>
<b>Cash From Noncapital Financing Activities</b>		
Federal grants received	3,123,020	2,523,287
State grants received	11,943,544	10,009,413
Local government assistance received	5,199,852	6,773,478
Property taxes	12,162,138	10,263,914
Other Income	116,601	31,781
<b>Net cash from noncapital financing activities</b>	<b>32,545,155</b>	<b>29,601,873</b>
<b>Cash for Capital and Related Financing Activities</b>		
Federal contributed capital	5,843,982	9,350,327
State contributed capital	657,176	793,480
Local contributed capital	-	170,420
Purchase of capital assets	(6,874,735)	(11,387,394)
Proceeds from sale of capital assets	75,394	32,880
<b>Net cash for capital and related financing activities</b>	<b>(298,183)</b>	<b>(1,040,287)</b>
<b>Cash From Investing Activity</b>		
Interest received on investments	231,991	299,512
<b>Net Increase in Cash</b>	<b>3,157,341</b>	<b>425,063</b>
<b>Cash, beginning of year</b>	<b>8,954,180</b>	<b>8,529,117</b>
<b>Cash, end of year</b>	<b>\$ 12,111,521</b>	<b>\$ 8,954,180</b>

# Interurban Transit Partnership

## Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	<b>2008</b>	<b>2007</b>
<b>Reconciliation of Operating Loss to Net Cash for Operating Activities</b>		
Operating loss	\$ (36,588,835)	\$ (32,938,251)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	7,095,427	6,083,821
Changes in assets and liabilities:		
Decrease (increase) in billed receivables	417,092	(1,238,819)
Increase in inventories	(73,166)	(38,880)
Increase in prepaid expenses and deposits	(8,477)	(76,331)
Increase (decrease) in accounts payable	217,788	(260,317)
Increase in accrued payroll	193,638	149,039
Increase in unredeemed fares	20,475	6,865
Decrease in other liabilities	(295,564)	(123,162)
<b>Net Cash for Operating Activities</b>	<b>\$ (29,021,622)</b>	<b>\$ (28,436,035)</b>

*See accompanying notes to financial statements.*



# Interurban Transit Partnership

## Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2008	2007
<b>Assets</b>		
Cash and short-term investments (Note 2)	\$ 1,411,896	\$ 1,509,657
Receivables		
Employer contribution	65,634	35,067
Interest and dividends receivable	4,453	5,468
Due from administrative plan	620,187	166,426
Total receivables	690,274	206,961
Investments, at fair value (Note 2)		
Bond mutual funds	831,775	885,471
Equity mutual funds	4,902,696	4,969,201
Total investments	5,734,471	5,854,672
<b>Total Assets</b>	<b>7,836,641</b>	<b>7,571,290</b>
<b>Liabilities</b>		
Due to non-administrative plan	620,187	166,426
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 7,216,454</b>	<b>\$ 7,404,864</b>

*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	
	2008	2007
<b>Additions</b>		
Employer contributions	\$ 685,656	\$ 895,491
Investment income:		
Net appreciation (depreciation)	(768,768)	593,044
Interest	105,628	90,836
Dividends	370,740	334,903
Other	1,135	611
Investment expense	(40,141)	(38,127)
Fee rebates	8,614	8,394
Total investment income	(322,792)	989,661
Total additions	362,864	1,885,152
<b>Deductions</b>		
Benefits	528,248	724,446
Administrative expense	23,026	21,837
Total deductions	551,274	746,283
Change in net assets	(188,410)	1,138,869
<b>Net Assets Held in Trust for Pension Benefits, beginning of year</b>	7,404,864	6,265,995
<b>Net Assets Held in Trust for Pension Benefits, end of year</b>	\$ 7,216,454	\$ 7,404,864

*See accompanying notes to financial statements.*

# Interurban Transit Partnership

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### *Reporting Entity*

The Interurban Transit Partnership (ITP) was created in 2000 pursuant to the provisions of the Public Transit Authority Act of 1986, as amended. The six member municipalities of East Grand Rapids, Grand Rapids, Grandville, Kentwood, Walker and Wyoming each levy .95 mills to fund operations. ITP replaced the Grand Rapids Area Transit Authority.

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

#### *Measurement Focus and Basis of Accounting*

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

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

#### *Cash and Cash Equivalents*

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

#### *Materials and Supplies Inventories*

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

# Interurban Transit Partnership

## Notes to Financial Statements

### *Investments*

Investments are recorded at fair value 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.

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

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

### *Deferred Revenues*

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

### *Net Assets*

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

# Interurban Transit Partnership

## Notes to Financial Statements

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

### *Compensated Absences*

Bus operators, maintenance and facility employees are credited forty-eight (48) hours of personal paid leave each year on their seniority date. An employee who has worked less than 1,680 hours in the prior 12 months shall be credited with a proportionate share of paid personal leave. Paid personal leave may be accrued with no maximum limit. Upon termination, employees are paid for unused personal leave at their current rates.

### *Property Taxes*

Property taxes are levied as an enforceable lien on property as of December 1. ITP's taxes are billed on July 1 and are due without penalty on July 31 for the City of Grand Rapids and September 14 for all 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.

### *Advertising*

ITP advertising is outsourced. The contracting agency is responsible for any related expenses. ITP records no advertising expenses and none are included in total eligible operating expenses.

### *Estimates*

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

# Interurban Transit Partnership

## Notes to Financial Statements

### 2. Cash and Investments

#### *Deposits*

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

#### *Custodial Credit Risk Related to Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, ITP's deposits might not be recovered. ITP minimizes custodial credit risk by pre-qualifying financial institutions. At September 30, 2008, the bank balances were \$7,925,238, of which \$7,101,605 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, 2008, 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	\$1,633,049
Municipal Investment Funds	Less than 1 year	2,553,684
<b>Total</b>		<b>\$4,186,733</b>

At June 30, 2008, ITP's Pension Trust Funds had investments in mutual funds with a value of \$7,146,367 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, 2008.

### *Credit Risk*

Credit Risk is the risk that an issuer or other counter-party 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, 2008, 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>
<b>Enterprise Fund</b>		
Kent County Investment Pool	Not rated	39.0%
Municipal Investment Funds	Moody's Aaa	61.0
<b>Pension Trust Funds</b>		
Money market funds	Moody's Aaa	19.8
Bond mutual funds	Not rated	11.6
Equity funds	Not rated	68.6

# Interurban Transit Partnership

## Notes to Financial Statements

### 3. Capital Assets

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

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



# Interurban Transit Partnership

## Notes to Financial Statements

Capital asset activity for the year ended September 30, 2007 is as follows:

	Balance October 1, 2006	Additions	Transfers/ Deletions	Balance September 30, 2007
<b>Assets</b>				
Capital assets not being depreciated:				
Land	\$ 5,148,522	\$ 1,443,898	-	\$ 6,592,420
Artwork	88,900	100,021	-	188,921
Capital assets being depreciated:				
Land improvements	777,515	-	-	777,515
Buildings and improvements	27,523,337	464,896	-	27,988,233
Revenue vehicles	32,773,113	6,141,602	2,150,318	36,764,397
Machinery and equipment	11,219,152	3,236,977	428,531	14,027,598
<b>Total assets</b>	<b>77,530,539</b>	<b>11,387,394</b>	<b>2,578,849</b>	<b>86,339,084</b>
Accumulated depreciation				
Land improvements	596,739	11,954	-	608,693
Buildings and improvements	5,878,352	964,314	-	6,842,666
Revenue vehicles	17,135,372	3,206,241	2,150,318	18,191,295
Machinery and equipment	6,750,957	1,901,314	428,531	8,223,740
<b>Total accumulated depreciation</b>	<b>30,361,420</b>	<b>6,083,823</b>	<b>2,578,849</b>	<b>33,866,394</b>
<b>Net Capital Assets</b>	<b>\$ 47,169,119</b>	<b>\$ 5,303,571</b>	<b>-</b>	<b>\$ 52,472,690</b>

#### 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

# Interurban Transit Partnership

## Notes to Financial Statements

for life to the retired employee, equals 50% of the employee's average monthly compensation, adjusted for the employee's years of credited service. Full benefits are received if the employee retires at age 65 and is fully vested. This plan is now closed to new participants.

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

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

	2008	2007
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	32	31
Current active members	17	19
<b>Total</b>	<b>49</b>	<b>50</b>

### 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.

# Interurban Transit Partnership

## Notes to Financial Statements

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

The plan has no legally required reserves.

### Concentrations

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

### Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$226,300 and \$256,046, and the contribution totaled \$350,720 and \$589,929 for the years ended September 30, 2008 and 2007, respectively.

#### Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$211,575	236.8	-
2007	256,046	230.4	-
2008	226,300	155.0	-

### Funding Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was 64.54% funded. The actuarial accrued liability for benefits was \$4,510,260, and the actuarial value of assets was \$2,911,069, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,599,191.

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.

# Interurban Transit Partnership

## Notes to Financial Statements

### Actuarial Methods and Assumptions

In the July 1, 2008 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, 2008 was 30 years. The covered payroll (annual payroll of active employees covered by the plan) was \$1,080,205.

### Defined Benefit - Non-Administrative Plan

#### Plan Description

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

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

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

	2008	2007
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	112	105
Transferred to non-union	16	15
Active plan members	214	196
<b>Total</b>	<b>342</b>	<b>316</b>

# Interurban Transit Partnership

## Notes to Financial Statements

### **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 January 1, 2007 to December 31, 2007 this rate was \$.70 for each hour of service completed and for January 1, 2008 to June 30, 2008, this rate is \$.75 for each hour of service completed. ITP is required by the terms of the plan to contribute based on the negotiated rate.

The plan has no legally required reserves.

### **Concentrations**

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

### **Annual Pension Cost and Net Pension Obligation**

ITP's annual pension cost was \$300,837 and \$277,203, and the contribution totaled \$334,936 and \$305,562 for the years ended September 30, 2008 and 2007, 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
2006	\$236,481	127.3	-
2007	277,203	110.2	-
2008	300,837	111.3	-

### **Funding Status and Funding Progress**

As of July 1, 2008, the most recent actuarial valuation date, the plan was 78.4% funded. The actuarial accrued liability for benefits was \$5,908,196, and the actuarial value of assets was \$4,634,693, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,273,503.

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, 2008 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, 2008 was 30 years.

# Interurban Transit Partnership

## Notes to Financial Statements

### Defined Contribution - Administrative Plan

ITP has a non-contributory defined contribution benefit plan for its administrative employees. The plan was established July 1, 2000. Administrative employees are eligible to participate on the first day of the month following completion of six months of service, provided that the employee has at least 500 hours of service. The plan provides 100% vesting after five years of service. The contribution is made monthly at 7.5% of compensation paid during the month. ITP made contributions of \$131,877 and \$130,893 for the plan years ended June 30, 2008 and 2007, respectively.

## 5. Risk Management

ITP is exposed to various risks of loss related to torts, theft of and damage to assets, errors and omissions, injuries to employees and natural disasters. ITP carries commercial insurance for most risks of loss, including employee life, health and accident insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

ITP participates in a public entity risk pool for property and liability coverage. ITP pays an annual premium to the pool, which is adjusted retroactively to reflect the actual cost. Each member is responsible for all losses falling within its selected retention level, plus its share of pool losses and administrative expenses, less its share of investment income. The agreement for formation of the Michigan Transit Pool (Pool) provides that the pool will be self-sustaining through member premiums and will provide property and liability coverage to its members for the first \$2,000,000 per occurrence. The Pool has purchased excess insurance for an additional \$3,000,000 per occurrence.

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

ITP carries catastrophic insurance to cover direct damage to property.

# Interurban Transit Partnership

## Notes to Financial Statements

### 6. Description of Grant Funding

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

#### Operations:

ITP's general operations are funded as follows:

The Michigan Department of Transportation (MDOT) authorized funding for fiscal 2008 and 2007 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$15,056,820 and \$13,827,574 in 2008 and 2007, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 30.63% and 32.52% totaled \$9,221,756 and \$8,992,973 in 2008 and 2007, 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.

### 7. Commitments

ITP has entered into various agreements in which they are committed to make various purchases related to buses, technology, communications, and art projects. Commitments under these agreements total approximately \$385,000.



**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, 2003	\$ 1,754,115	\$ 3,323,381	\$ 1,569,266	52.78%
July 1, 2004	1,689,566	3,136,794	1,447,228	53.86
July 1, 2005	1,949,924	3,251,433	1,301,509	59.97
July 1, 2006 *	2,496,589	4,069,182	1,572,593	61.35
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

\* 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, 2008
Actuarial cost method	Entry age normal
Amortization method	Level percentage of compensation
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Retirement age	Age 65
Investment rate of return	8% - pre-retirement 6% - post-retirement
Mortality table:	
Pre-retirement	None
Post-retirement	1994 GAR
Turnover rates	None
Salary scale	3%
Cost of living adjustments	None

# Interurban Transit Partnership

## Schedules of Funding Progress

### *Non-Administrative Plan*

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2003	\$ 3,015,488	\$ 3,831,281	\$ 815,793	78.71%
July 1, 2004	3,250,217	4,092,555	842,338	79.42
July 1, 2005	3,536,535	4,439,438	902,903	79.66
July 1, 2006	3,887,464	4,894,318	1,006,854	79.43
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	78.40

The information presented in the three-year trend information and schedule of funding progress was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation date	July 1, 2008
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Average of expected assets and market value of assets, but not less than 80%, nor more than 120% of market value
Actuarial assumptions:	
Retirement age	50% are assumed to retire at age 62 if eligible and all remaining at age 65
Investment rate of return	8%
Mortality table	1983 GAM (sex distinct) set forward three years
Turnover rates	Crocker-Sarason-Straight T-5
Cost of living adjustments	None



# **Combining Statements and Supplemental Schedules**

# Interurban Transit Partnership

## Combining Statement of Plan Net Assets Pension Trust Funds

<i>June 30, 2008</i>	Administrative Plan	Non- Administrative Plan	Total
<b>Assets</b>			
Cash and short-term investments	\$ 653,735	\$ 758,161	\$ 1,411,896
Receivables			
Employer contributions	-	65,634	65,634
Interest and dividends receivable	1,917	2,536	4,453
Due from administrative plan	-	620,187	620,187
Total receivables	1,917	688,357	690,274
Investments, at fair value			
Bond mutual funds	478,066	353,709	831,775
Equity mutual funds	2,397,538	2,505,158	4,902,696
Total investments	2,875,604	2,858,867	5,734,471
<b>Total Assets</b>	<b>3,531,256</b>	<b>4,305,385</b>	<b>7,836,641</b>
<b>Liabilities</b>			
Due to non-administrative plan	620,187	-	620,187
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$2,911,069</b>	<b>\$ 4,305,385</b>	<b>\$ 7,216,454</b>

# Interurban Transit Partnership

## Combining Statement of Changes in Plan Net Assets Pension Trust Funds

<i>Year ended June 30, 2008</i>	Administrative Plan	Non- Administrative Plan	Total
<b>Additions</b>			
Employer contributions	\$ 350,720	\$ 334,936	\$ 685,656
Investment income:			
Net depreciation	(321,901)	(446,867)	(768,768)
Interest	48,345	57,283	105,628
Dividends	165,849	204,891	370,740
Other	1,135	-	1,135
Investment expense	(18,887)	(21,254)	(40,141)
Fee rebates	3,896	4,718	8,614
Total investment income	(121,563)	(201,229)	(322,792)
Total additions	229,157	133,707	362,864
<b>Deductions</b>			
Benefits	288,589	239,659	528,248
Administrative expense	8,635	14,391	23,026
Total deductions	297,224	254,050	551,274
Change in net assets	(68,067)	(120,343)	(188,410)
<b>Net Assets Held in Trust for Pension Benefits, beginning of year</b>	2,979,136	4,425,728	7,404,864
<b>Net Assets Held in Trust for Pension Benefits, end of year</b>	\$ 2,911,069	\$ 4,305,385	\$ 7,216,454

# Interurban Transit Partnership

## Schedule of Nonoperating Revenues - Local

<i>Year ended September 30,</i>	<i>2008</i>
<b>Local Revenue</b>	
Property taxes	\$ 12,237,560
Byron Township	69,207
Gaines Township	56,797
Alpine Township	88,535
Cascade Township	111,030
Davenport College	259,149
DASH	728,485
Grand Valley State University	1,859,990
Network 180	1,518,636
Ada Township	25,466
Van Pool	135,249
Other local services	132,940
<b>Total local revenue</b>	<b>17,223,044</b>
<b>Other Income</b>	
Gain on sale of property	75,394
Retail lease	66,178
Interest income	231,991
Miscellaneous	50,424
<b>Total other income</b>	<b>423,987</b>
<b>Total Nonoperating Revenues - Local</b>	<b>\$ 17,647,031</b>

# Interurban Transit Partnership

## Schedule of Nonoperating Revenues - State and Federal

<i>Year ended September 30,</i>	2008
<b>State of Michigan Grants</b>	
General operating assistance	\$ 9,475,133
Capital assistance	63,408
Planning and miscellaneous project assistance	2,917
Specialized services	463,289
Job Access and Reverse Commute	375,113
<b>Total State of Michigan grants</b>	<b>10,379,860</b>
<b>Federal Government Grants</b>	
General operating assistance	13,987
Capital assistance	1,977,335
Planning and miscellaneous project assistance	788,553
Job Access and Reverse Commute	295,669
<b>Total federal government grants</b>	<b>3,075,544</b>
<b>Total Nonoperating Revenues - State and Federal</b>	<b>\$ 13,455,404</b>



<i>Year ended September 30, 2008</i>	General	
	Operations	Maintenance
<b>Labor</b>		
Operators' salaries and wages	\$ 7,069,342	\$ -
Other salaries and wages	938,481	1,549,242
Dispatchers' salaries and wages	142,521	-
<b>Total labor</b>	<b>8,150,344</b>	<b>1,549,242</b>
<b>Fringe Benefits</b>		
Pension	491,955	121,856
Other fringe benefits	3,878,190	753,379
<b>Total fringe benefits</b>	<b>4,370,145</b>	<b>875,235</b>
<b>Services</b>		
Audit fees	-	-
Other services	290,622	776,698
<b>Total services</b>	<b>290,622</b>	<b>776,698</b>
<b>Materials and Supplies Consumed</b>		
Fuel and lubricants	3,565,990	-
Tires and tubes	-	11,889
Other materials and supplies	14,017	945,459
<b>Total materials and supplies consumed</b>	<b>3,580,007</b>	<b>957,348</b>
<b>Utilities</b>		
Other	-	-
<b>Casualty and Liability Costs</b>		
Premiums for public liability and property damage insurance	-	-
Other insurance	-	-
<b>Total casualty and liability costs</b>	<b>-</b>	<b>-</b>

# Interurban Transit Partnership

## Schedule of Operating Expenses by Function

Operations			Total
Administration	Total	Grants	System
\$ -	\$ 7,069,342	\$ -	\$ 7,069,342
1,225,349	3,713,072	93,895	3,806,967
-	142,521	-	142,521
1,225,349	10,924,935	93,895	11,018,830
220,698	834,509	4,167	838,676
583,532	5,215,101	47,917	5,263,018
804,230	6,049,610	52,084	6,101,694
35,000	35,000	-	35,000
379,908	1,447,228	813,249	2,260,477
414,908	1,482,228	813,249	2,295,477
-	3,565,990	-	3,565,990
-	11,889	103,194	115,083
129,157	1,088,633	226,350	1,314,983
129,157	4,666,512	329,544	4,996,056
578,727	578,727	-	578,727
591,533	591,533	-	591,533
137,743	137,743	-	137,743
729,276	729,276	-	729,276

<i>Year ended September 30, 2008</i>	General	
	Operations	Maintenance
<b>Purchased Transportation</b>	\$ 6,206,375	\$ -
<b>Miscellaneous</b>		
Travel and meetings	36,094	24,457
Advertising/promotion media	-	-
Other miscellaneous	3,581	35,878
<b>Total miscellaneous</b>	<b>39,675</b>	<b>60,335</b>
<b>Leases and Rentals</b>	-	-
<b>Depreciation</b>	-	-
<b>Preventive Maintenance</b>	-	(1,000,000)
<b>Total Expenses</b>	<b>\$ 22,637,168</b>	<b>\$ 3,218,858</b>

# Interurban Transit Partnership

## Schedule of Operating Expenses by Function

<u>Operations</u>			Total
<u>Administration</u>	<u>Total</u>	<u>Grants</u>	<u>System</u>
\$ -	\$ 6,206,375	\$ 1,959,798	\$ 8,166,173
55,404	115,955	33,406	149,361
248,840	248,840	12,182	261,022
92,623	132,082	12,261	144,343
396,867	496,877	57,849	554,726
-	-	21,600	21,600
7,095,427	7,095,427	-	7,095,427
-	(1,000,000)	1,000,000	-
\$ 11,373,941	\$ 37,229,967	\$ 4,328,019	\$ 41,557,986

			340
			MI-90-X-399
		001	02-0049-Z10
		General	FY03
<i>Year ended September 30, 2008</i>	Total	Operations	Section 5307
<b>Expenses</b>			
Labor	\$ 11,018,830	\$ 10,924,935	\$ -
Fringe benefits	6,101,694	6,049,610	-
Services	2,295,477	1,482,228	-
Materials and supplies consumed	4,996,056	4,666,512	88,550
Utilities	578,727	578,727	-
Casualty and liability costs	729,276	729,276	-
Purchased transportation	8,166,173	6,206,375	-
Miscellaneous	554,726	496,877	-
Leases and rentals	21,600	-	-
Preventive maintenance	-	(1,000,000)	-
Depreciation	7,095,427	7,095,427	-
<b>Total Expenses</b>	<b>\$ 41,557,986</b>	<b>\$ 37,229,967</b>	<b>\$ 88,550</b>

# Interurban Transit Partnership

## Schedule of Expenses by Grant

360 MI-90-X-399 02-0049-Z10 FY04 Section 5307	380 MI-90-X-454 02-0049-Z27 FY05 Section 5307	400 MI-90-X-487 02-0049-Z30 FY06 Section 5307	411 MI-95-X-044 07-0230-Z3 FY07 Section 5307	420 MI-90-X-529 07-0230-Z5 FY07 Section 5307	440 MI-90-X-548 07-0230-Z8 FY08 Section 5307
\$ -	\$ -	\$ -	\$ 37,911	\$ 55,984	\$ -
-	-	-	21,348	30,736	-
4,424	454,144	186,766	-	116,692	48,754
293	49,518	30,801	-	76,715	55,636
-	-	-	-	-	-
-	-	-	-	-	-
-	-	7,504	36,286	300,353	119,385
(1,020)	15,352	12,543	12,557	11,031	1,234
-	21,600	-	-	-	-
-	-	1,000,000	-	-	-
-	-	-	-	-	-
<b>\$ 3,697</b>	<b>\$ 540,614</b>	<b>\$ 1,237,614</b>	<b>\$ 108,102</b>	<b>\$ 591,511</b>	<b>\$ 225,009</b>

	730 2006-0238 FY06 RTAP	741 MI-37-X016 02-0049-Z20 JARC	784 07-0230-Z6 Specialized Services
<i>Year ended September 30, 2008</i>			
<b>Expenses</b>			
Labor	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Services	-	-	-
Materials and supplies consumed	-	1,000	-
Utilities	-	-	-
Casualty and liability costs	-	-	-
Purchased transportation	-	1,032,981	463,289
Miscellaneous	6,152	-	-
Leases and rentals	-	-	-
Preventive maintenance	-	-	-
Depreciation	-	-	-
<b>Total Expenses</b>	\$ 6,152	\$ 1,033,981	\$ 463,289





# Interurban Transit Partnership

## Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2008</i>	Operations	Maintenance	Administration	Total
<b>Labor</b>				
Operators' salaries and wages	\$ 7,069,342	\$ -	\$ -	\$ 7,069,342
Other salaries and wages	938,481	1,549,242	1,214,324	3,702,047
Dispatchers' salaries and wages	142,521	-	-	142,521
<b>Total labor</b>	<b>8,150,344</b>	<b>1,549,242</b>	<b>1,214,324</b>	<b>10,913,910</b>
<b>Fringe Benefits</b>				
Pension	491,955	121,856	220,698	834,509
Other fringe benefits	3,878,190	753,379	577,424	5,208,993
<b>Total fringe benefits</b>	<b>4,370,145</b>	<b>875,235</b>	<b>798,122</b>	<b>6,043,502</b>
<b>Services</b>				
Audit fees	-	-	35,000	35,000
Other services	290,622	776,698	379,908	1,447,228
<b>Total services</b>	<b>290,622</b>	<b>776,698</b>	<b>414,908</b>	<b>1,482,228</b>
<b>Materials and Supplies Consumed</b>				
Fuel and lubricants	3,565,990	-	-	3,565,990
Tires and tubes	-	11,889	-	11,889
Other materials and supplies	14,017	945,459	129,064	1,088,540
<b>Total materials and supplies consumed</b>	<b>3,580,007</b>	<b>957,348</b>	<b>129,064</b>	<b>4,666,419</b>
<b>Utilities</b>				
Other	-	-	578,727	578,727
<b>Casualty and Liability Costs</b>				
Premiums for public liability and property damage insurance	-	-	591,533	591,533
Other insurance	-	-	137,743	137,743
<b>Total casualty and liability costs</b>	<b>-</b>	<b>-</b>	<b>729,276</b>	<b>729,276</b>

# Interurban Transit Partnership

## Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2008</i>	Operations	Maintenance	Administration	Total
<b>Purchased Transportation</b>	\$ 6,082,746	\$ -	\$ -	\$ 6,082,746
<b>Miscellaneous</b>				
Travel and meetings	36,094	24,457	55,220	115,771
Advertising/promotion media	-	-	248,840	248,840
Other miscellaneous	3,581	35,878	92,612	132,071
<b>Total miscellaneous</b>	<b>39,675</b>	<b>60,335</b>	<b>396,672</b>	<b>496,682</b>
<b>Preventive Maintenance</b>	-	(1,000,000)	-	(1,000,000)
<b>Depreciation</b>	-	-	7,095,427	7,095,427
<b>Total Expenses</b>	<b>\$ 22,513,539</b>	<b>\$ 3,218,858</b>	<b>\$ 11,356,520</b>	<b>\$ 37,088,917</b>

# Interurban Transit Partnership

## Schedule of Regular Service Revenues - Urban

<i>Year ended September 30,</i>	2008
<b>Operating Revenues</b>	
Passenger fares	\$ 4,858,592
Advertising	89,924
<b>Total operating revenues</b>	<b>4,948,516</b>
<b>Nonoperating Revenues</b>	
State and federal assistance	9,424,143
Local revenues:	
Property taxes	12,237,560
Byron Township	69,207
Gaines Township	56,797
Alpine Township	88,535
Cascade Township	111,030
Davenport College	259,149
DASH	728,485
Grand Valley State University	1,859,990
Network 180	1,518,636
Ada Township	25,466
Van Pool	135,249
Other local services	77,496
<b>Total local revenue</b>	<b>17,167,600</b>
Other income:	
Gain on sale of property	75,394
Retail lease	66,178
Interest income	231,991
Miscellaneous	50,426
<b>Total other income</b>	<b>423,989</b>
<b>Total nonoperating revenues</b>	<b>27,015,732</b>
<b>Total Revenues</b>	<b>\$ 31,964,248</b>

# Interurban Transit Partnership

## Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2008</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	299,209	26,616	13,448	339,273
Revenue hours - linehaul	284,760	25,705	12,906	323,371
Total vehicle hours - demand response	193,234	11,798	9,436	214,468
Revenue hours - demand response	149,387	9,775	7,759	166,921
Total vehicle miles - linehaul	3,811,018	367,761	166,556	4,345,335
Revenue miles - linehaul	3,572,825	351,456	156,351	4,080,632
Total vehicle miles - demand response	2,842,599	161,373	129,071	3,133,043
Revenue miles - demand response	2,183,193	130,258	102,204	2,415,655

# Interurban Transit Partnership

## Schedule of Regular Service Expense by Function - Nonurban

<i>Year ended September 30, 2008</i>	Operations	Maintenance	Administration	Total
<b>Labor</b>				
Other salaries and wages	\$ -	\$ -	\$ 11,025	\$ 11,025
<b>Fringe Benefits</b>				
Other fringe benefits	-	-	6,108	6,108
<b>Materials and Supplies Consumed</b>				
Other materials and supplies	-	-	93	93
<b>Purchased Transportation</b>	123,629	-	-	123,629
<b>Miscellaneous</b>				
Travel and meetings	-	-	184	184
Other miscellaneous	-	-	11	11
Total miscellaneous	-	-	195	195
<b>Total Expenses</b>	\$ 123,629	\$ -	\$ 17,421	\$ 141,050

# Interurban Transit Partnership

## Schedule of Regular Service Revenues - Nonurban

<i>Year ended September 30,</i>	2008
<b>Operating Revenues</b>	
Passenger fares	\$ 20,635
<b>Nonoperating Revenues</b>	
State and federal assistance:	
State assistance	50,990
Federal assistance (5311)	13,981
Total state and federal assistance	64,971
Local revenues:	
Other local services	55,444
Total nonoperating revenues	120,415
<b>Total Revenues</b>	\$ 141,050

# Interurban Transit Partnership

## Schedule of Vehicle Miles - Nonurban

<i>Year ended September 30, 2008</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - demand response	6,961	425	340	7,726
Revenue hours - demand response	5,381	352	279	6,012
Total vehicle miles - demand response	102,398	5,813	4,649	112,860
Revenue miles - demand response	78,644	4,692	3,682	87,018

# Interurban Transit Partnership

## Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2008</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
<b>General Operating Expenses</b>	\$ 37,088,917	\$ 141,050	\$ 37,229,967
<b>Less Ineligible Expenses</b>			
Depreciation expense	7,095,427	-	7,095,427
APTA and MPTA dues	5,040	-	5,040
Other (lobbying fees)	44,072	-	44,072
	7,144,539	-	7,144,539
<b>Eligible Operating Expenses</b>	\$ 29,944,378	\$ 141,050	\$ 30,085,428
<b>Maximum State Operating Assistance (50/60%)</b>	\$ 14,972,189	\$ 84,631	\$ 15,056,820
<b>State Operating Assistance Accrual (30.626/36.15%)</b>	\$ 9,170,765	\$ 50,991	\$ 9,221,756

*Note: There are no capital (grant-funded) expenditures included in eligible operating expenses. ITP has deducted all known ineligible expenses in completing this calculation of state operating assistance. Any refunds or rebates are deducted from the appropriate expense item when received. Advertising revenue comes to ITP on a contractual basis net of any related expenses. No expenses relative to advertising revenue are incurred or recorded by ITP. Expenses such as utilities related to leased space at ITP's Rapid Central Station are the obligation of the lessee and are not included in ITP's expenses.*



<i>Federal Grantor/Program Title</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
<b>Federal Transit Authority</b>			
FTA Capital and Planning	20.507	MI-90-X381	320
FTA Capital Assistance	20.507	MI-90-X399	340
FTA Capital and Planning	20.507	MI-90-X430	360
FTA Capital and Planning	20.507	MI-90-X454	380
FTA Capital Assistance	20.507	MI-90-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-X548	440
<b>Total Capital and Planning Assistance - Section 5307</b>			
FTA Capital Assistance	20.500	MI-03-0225	831
FTA Capital Assistance	20.500	MI-04-0001	832
FTA Capital Assistance	20.500	MI-04-0024	839
FTA Capital Assistance	20.500	MI-26-0008	850
FTA Capital Assistance	20.500	MI-03-0234	860
<b>Total Capital Assistance - Section 5309</b>			
FTA Miscellaneous JARC - Section 5316	20.516	MI-37-0012	740
FTA Miscellaneous JARC - Section 5316	20.516	MI-37-0016	741
<b>Total Miscellaneous</b>			
FTA Rural Transit Assistance Program	20.509	-	730
<b>Total Federal Financial Assistance</b>			

(1) To write off small differences in order to facilitate the closing of this grant.

(2) To properly reclassify prior year deferred revenue amounts from local/state to federal.

(3) ITP no longer manages this program.

# Interurban Transit Partnership

## Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/07	Adjustments	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/08
\$ 86,240	\$ 1,922 <sup>(1)</sup>	\$ 88,740	\$ 578	\$ -
27,406	-	1,487,607	1,493,852	33,651
17,557	-	59,755	60,752	18,554
71,054	-	1,514,927	1,540,228	96,355
630,713	-	2,556,227	2,452,319	526,805
23,920	5,980 <sup>(2)</sup>	229,825	239,332	39,407
230,021	-	1,245,936	1,067,794	51,879
-	-	-	275,382	275,382
<b>1,086,911</b>	<b>7,902</b>	<b>7,183,017</b>	<b>7,130,237</b>	<b>1,042,033</b>
1,248	-	81,964	80,716	-
143,144	-	2,984	-	140,160
(1,222)	-	1,042,594	1,043,816	-
60,880	-	121,759	60,879	-
-	-	91,762	151,547	59,785
<b>204,050</b>	<b>-</b>	<b>1,341,063</b>	<b>1,336,958</b>	<b>199,945</b>
31,626	-	31,626	-	-
(5,882)	-	289,787	295,669	-
<b>25,744</b>	<b>-</b>	<b>321,413</b>	<b>295,669</b>	<b>-</b>
<b>119,556</b>	<b>(4,199) <sup>(3)</sup></b>	<b>121,509</b>	<b>6,152</b>	<b>-</b>
<b>\$ 1,436,261</b>	<b>\$ 3,703</b>	<b>\$ 8,967,002</b>	<b>\$ 8,769,016</b>	<b>\$ 1,241,978</b>

<i>Program</i>	State Grantor Number	Grantee Number
Section 5307	2002-0049-Z5	320
Section 5307	2002-0049-Z10	340
Section 5307	2002-0049-Z18	360
Section 5307	2002-0049-Z27	380
Section 5307	2002-049-Z30	400
Section 5307	2007-0230-Z3	411
Section 5307	2007-0230-Z5	420
Job Access and Reverse Commute	2002-0049-Z16	740
Job Access and Reverse Commute	2002-0049-Z20	741
Specialized Services	2007-0230-Z1	783
Specialized Services	2007-0230-Z6	784
Section 5309	2002-0049-Z31	831
Section 5309	2007-0230-Z4	839
Section 5208	2002-0049-Z26	850
Section 5309	2002-0049-Z33	860

**Total State Assistance**

<sup>(1)</sup> Adjustment to facilitate closing of function.


# Interurban Transit Partnership

## Schedule of Expenditures of State Awards


Accrued (Deferred) Revenue				Accrued (Deferred) Revenue	
10/1/07	Adjustments	Receipts	Expenditures	9/30/08	
\$ 2,499	\$ (2,643) <sup>(1)</sup>	\$ -	\$ 144	\$ -	
35,853	-	199,100	373,463	210,216	
280,010	-	297,443	15,163	(2,270)	
80,033	-	239,498	236,024	76,559	
30,293	-	234,316	242,824	38,801	
2,990	-	28,121	29,818	4,687	
92,332	-	-	1,090	93,422	
196,896	-	196,896	-	-	
54,013	-	429,126	375,113	-	
116,766	-	116,766	-	-	
-	-	346,559	463,289	116,730	
-	-	20,179	20,179	-	
742,996	-	1,003,456	260,954	494	
192,766	-	207,986	15,220	-	
-	-	-	32,740	32,740	
<b>\$ 1,827,447</b>	<b>\$ (2,643)</b>	<b>\$ 3,319,446</b>	<b>\$ 2,066,021</b>	<b>\$ 571,379</b>	

# **Additional Information**





**Report on Internal Control Over  
Financial Reporting and on Compliance  
and Other Matters Based on an  
Audit of Financial Statements  
Performed in Accordance With  
*Government Auditing Standards***





## **Independent Auditors' Report**

Members of the Board  
Interurban Transit Partnership  
Grand Rapids, Michigan

We have audited the financial statements of Interurban Transit Partnership (ITP) as of and for the year ended September 30, 2008, and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects ITP's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by ITP's internal control.

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

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

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Interurban Transit Partnership's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "BDO Seidman, LLP". The signature is written in a cursive, flowing style.

Grand Rapids, Michigan  
January 5, 2009





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





## **Independent Auditors' Report**

Members of the Board  
Interurban Transit Partnership  
Grand Rapids, Michigan

### ***Compliance***

We have audited the compliance of Interurban Transit Partnership with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2008. Interurban Transit Partnership's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Interurban Transit Partnership's management. Our responsibility is to express an opinion on Interurban Transit Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Interurban Transit Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Interurban Transit Partnership's compliance with those requirements.

In our opinion, Interurban Transit Partnership complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

### *Internal Control Over Compliance*

The management of Interurban Transit Partnership is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Interurban Transit Partnership's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interurban Transit Partnership's internal control over compliance.

A control deficiency in Interurban Transit Partnership's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Interurban Transit Partnership's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Interurban Transit Partnership's internal control.

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

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

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

*BDO Seidman, LLP*

Grand Rapids, Michigan  
January 5, 2009

# Interurban Transit Partnership

## Schedule of Findings and Questioned Costs Year Ended September 30, 2008

### Section I - Summary of Auditors' Results

#### *Financial Statements*

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

#### *Federal Awards*

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of <i>OMB Circular A-133</i> ?	no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
20.500 and 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
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.