



Interurban Transit Partnership

Single Audit Report

Years Ended September 30, 2010 and 2009

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, 2010 and 2009 (as of and for the years ended June 30, 2010 and 2009 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 audit provides 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, 2010 and 2009 (June 30, 2010 and 2009 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 13, 2011 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.

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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.

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, 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 USA, LLP

Certified Public Accountants
January 13, 2011

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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, 2010 and 2009.

Financial Highlights

- The state operating assistance rate continued to fall from 30.63% in FY08 to 30.16% in FY09 and 29.74% in FY10.
- Property tax revenues fell by 4.5% in FY10 as a result of the poor housing market.
- ITP made two significant real property purchases during FY10. The first of which was \$970,000 for a parcel adjacent to its maintenance and bus storage facility to be used for that facility's expansion. Federal and state capital grant funding was used for that purchase. The second purchase for \$440,000 was a parcel in Kentwood, Michigan to be developed into a substation/transfer center. ITP used its restricted net assets, which had been set aside for this purpose, to fund this purchase.
- ITP grew its unrestricted net assets (fund balance) by approximately \$577,000 for the year ended September 30, 2010 as a result of good fiscal performance.

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.

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Financial Analysis of ITP

Net Assets

ITP's total net assets expanded to \$82 million during FY10, an increase of 10.0% from FY09 (see Table A-1) and 26.7% since the end of FY08.

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

<i>September 30,</i>	2010	2009	2008
Current assets	\$ 22,258	\$ 18,454	\$ 16,629
Capital assets, net	68,363	61,034	52,252
Total assets	90,621	79,488	68,881
Current liabilities	8,287	4,620	3,887
Net assets			
Invested in capital assets	68,363	61,034	52,252
Restricted for STC project	-	440	440
Unrestricted	13,971	13,394	12,302
Total Net Assets	\$ 82,334	\$ 74,868	\$ 64,994

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 \$9.2 million in FY10 and \$1.9 million in FY09. During the year, ITP purchased a parcel of land for use in this project for nearly \$1 million. ITP also purchased a parcel of land to be used as a transfer station in Kentwood, Michigan using \$440,000 of funds that had been set aside for this purpose (restricted net assets).

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Changes in Net Assets

Net assets grew by \$7.5 million from September 30, 2009 to September 30, 2010 (see Table A-2).

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

<i>Year ended September 30,</i>	2010	2009	2008
Operating revenues			
Passenger fares	\$ 5,242	\$ 5,227	\$ 4,879
Advertising	102	80	90
Total operating revenues	5,344	5,307	4,969
Operating expenses			
Salaries and benefits	18,700	19,079	17,121
Other operating expenses	17,402	16,632	17,342
Depreciation	8,523	7,428	7,095
Total operating expenses	44,625	43,139	41,558
Operating loss	(39,281)	(37,832)	(36,589)
Non-operating revenues			
Property taxes	11,710	12,262	12,238
Other local	6,165	6,007	5,409
State and federal	13,522	13,228	13,455
Total non-operating revenues	31,397	31,497	31,102
Loss before capital contributions	(7,884)	(6,335)	(5,487)
Capital contributions	15,350	16,209	6,875
Change in net assets	7,466	9,874	1,388
Net Assets, beginning of year	74,868	64,994	63,606
Net Assets, end of year	\$ 82,334	\$ 74,868	\$ 64,994

The sluggish economy and poor housing markets impacted fare revenues, which were flat, and property tax revenues, which declined 4.5%. Other revenues tended to trend slightly upward.

ITP realized a reduction in wage and benefit expenditures as a result of fiscal policy decisions which had favorable results.

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

<i>Year ended September 30,</i>	2010	2009	Percentage Change
Labor	\$ 12,073	\$ 12,180	(0.9)
Fringe benefits	6,628	6,898	(3.9)
Services	3,162	2,427	30.3
Materials and supplies	3,895	3,709	5.0
Utilities	537	510	5.3
Casualty and liability	692	924	(25.1)
Purchased transportation	8,542	8,476	0.8
Miscellaneous	517	541	(4.4)

Service expenditures rose significantly as ITP pursued two major grant funded projects. The first of which was the Transit Master Plan, a project that is undertaken every ten years and provides direction for service expansion and enhancement priorities for the next two decades. The second project consisted of various required tasks furthering ITP's pursuit of a BRT (bus rapid transit) service. Both of these projects exceeded \$500,000 in expenditures. A change in providers for ITP's PL/PD insurance coverage, as well as a refund for a previous policy period, resulted in a 25% reduction in this line item for the year.

Capital Assets

As of September 30, 2010, ITP had invested nearly \$110 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, 2010 totaled approximately \$68.3 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$7.3 million or 12.0% over September 30, 2009.

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

<i>September 30,</i>	2010	2009	Percentage Change
Construction in progress	\$ 11,151	\$ 1,924	479.6
Land	8,011	6,605	21.3
Artwork	368	368	-
Easements	55	-	100
Land improvements	195	145	34.5
Facilities	18,318	20,410	(10.3)
Revenue vehicles	26,343	27,316	(3.56)
Support equipment	2,466	2,500	(1.4)
Information systems and technology	1,280	1,742	(26.5)
Software	176	24	633.3
Total Net Capital Assets	\$ 68,363	\$ 61,034	12.0

The fleet maintenance facility expansion continued and resulted in expenditures of a \$9.2 million balance in construction in progress. Land associated with this project was purchased for just less than \$1 million while another parcel was purchased to be used as a transfer center in Kentwood, Michigan.

See Note 3 for additional information on capital assets.

Economic Factors and Next Year's Budget

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

As the State of Michigan continues to face difficult budgetary issues, there is annual uncertainty about the funding for public transit. In addition, area-wide taxable values were down this past year resulting in a reduction in property tax revenues. 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.

ITP is contemplating a calendar year 2011 millage request to fund the first of the service improvements and enhancements called for in the Master Transit Plan. This transit plan represents the community's priorities for improvements over a 20 year period. If the millage request moves forward and passes, it will fund the first set of improvements to be implemented in the first five years.

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Basic Financial Statements

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2010	2009
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 13,545,485	\$ 12,165,971
Property taxes receivable, net	1,569,598	1,037,864
Due from federal government	5,011,957	1,254,725
Due from State of Michigan	347,657	1,483,044
Billed receivables	1,112,977	1,869,132
Materials and supplies inventories	493,666	495,154
Prepaid expenses and deposits	177,073	148,498
Total Current Assets	22,258,413	18,454,388
Capital Assets (Note 3)		
Facilities	28,997,559	29,394,963
Revenue vehicles	42,270,139	48,982,122
Support equipment	9,098,869	9,160,614
Land and improvements	8,863,891	7,382,830
Information systems technology	9,051,891	8,042,112
Other nondepreciable assets	423,470	368,470
Construction in progress	11,151,083	1,923,979
	109,856,902	105,255,090
Less accumulated depreciation	(41,493,639)	(44,221,188)
Net Capital Assets	68,363,263	61,033,902
Total Assets	\$ 90,621,676	\$ 79,488,290

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2010	2009
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,088,280	\$ 1,947,957
Employee compensation and related withholdings	2,164,013	2,064,488
Unredeemed fares	64,070	116,536
Deferred revenues	54,180	42,578
Reserve for future PL/PD claims	181,049	-
Due to State of Michigan	2,736,006	448,352
Total Current Liabilities	8,287,598	4,619,911
Net Assets		
Invested in capital assets	68,363,263	61,033,902
Restricted	-	440,492
Unrestricted	13,970,815	13,393,985
Total Net Assets	\$ 82,334,078	\$ 74,868,379

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>	2010	2009
Operating Revenues		
Passenger fares	\$ 5,242,304	\$ 5,227,018
Advertising (Note 1)	102,186	79,617
Total operating revenues	5,344,490	5,306,635
Operating Expenses		
Salaries and fringe benefits	18,700,429	19,079,004
Supplies and other operating expenses	17,402,160	16,632,280
Depreciation	8,523,216	7,427,759
Total operating expenses	44,625,805	43,139,043
Operating loss	(39,281,315)	(37,832,408)
Non-operating Revenues		
State and federal	13,522,107	13,227,569
Property taxes	11,709,833	12,261,811
Other local	6,165,330	6,007,839
Total non-operating revenues	31,397,270	31,497,219
Loss before capital contributions	(7,884,045)	(6,335,189)
Capital Contributions	15,349,744	16,209,663
Change in net assets	7,465,699	9,874,474
Net Assets, beginning of year	74,868,379	64,993,905
Net Assets, end of year	\$ 82,334,078	\$ 74,868,379

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2010	2009
<hr/>		
Cash for Operating Activities		
Receipts from customers	\$ 5,265,440	\$ 5,274,072
Payments to suppliers	(21,271,081)	(21,953,932)
Payments to employees	(13,049,575)	(13,139,341)
<hr/>		
Net cash for operating activities	(29,055,216)	(29,819,201)
<hr/>		
Cash From Noncapital Financing Activities		
Federal grants received	1,905,137	2,322,596
State grants received	12,006,403	11,136,831
Local government assistance received	5,104,886	5,687,188
Property taxes	11,226,492	12,365,083
Other income	148,685	119,894
<hr/>		
Net cash from noncapital financing activities	30,391,603	31,631,592
<hr/>		
Cash for Capital and Related Financing Activities		
Federal contributed capital	10,438,994	13,116,935
State contributed capital	5,153,148	1,135,954
Purchase of capital assets	(15,852,571)	(16,209,663)
Proceeds from sale of capital assets	216,586	40,796
<hr/>		
Net cash for capital and related financing activities	(43,843)	(1,915,978)
<hr/>		
Cash From Investing Activity		
Interest received on investments	86,970	158,037
<hr/>		
Net Increase in Cash and Cash Equivalents	1,379,514	54,450
<hr/>		
Cash and Investments, beginning of year	12,165,971	12,111,521
<hr/>		
Cash and Investments, end of year	\$ 13,545,485	\$ 12,165,971
<hr/>		

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2010	2009
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (39,281,315)	\$ (37,832,408)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	8,523,216	7,427,759
Changes in assets and liabilities:		
Increase in billed receivables	(79,050)	(32,563)
Decrease (increase) in inventories	1,488	(79,658)
Increase in prepaid expenses and deposits	(28,575)	(35,041)
Increase in accounts payable	1,140,323	497,667
Increase in accrued payroll	99,525	193,662
Increase (decrease) in unredeemed fares	(52,466)	41,985
Increase (decrease) in other liabilities	621,638	(604)
Net Cash for Operating Activities	\$ (29,055,216)	\$ (29,819,201)

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2010	2009
Assets		
Cash and short-term investments (Note 2)	\$ 107,529	\$ 1,042,221
Receivables		
Employer contributions	29,324	28,302
Interest and dividends receivable	792	1,083
Due from non-administrative plan	3,637	9,157
Total receivables	33,753	38,542
Investments, at fair value (Note 2)		
Bond mutual funds	1,753,741	856,785
Equity mutual funds	4,732,701	3,952,996
Total investments	6,486,442	4,809,781
Total Assets	6,627,724	5,890,544
Liabilities		
Due to administrative plan	3,637	9,157
Net Assets Held in Trust for Pension Benefits	\$ 6,624,087	\$ 5,881,387

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	
	2010	2009
Additions		
Employer contributions	\$ 751,483	\$ 728,150
Investment income:		
Net appreciation (depreciation)	583,632	(1,294,795)
Interest	57,663	79,354
Dividends	81,554	146,425
Other	-	(20)
Investment expense	(37,487)	(35,745)
Fee rebates	6,942	6,033
Total investment income	692,304	(1,098,748)
Total additions	1,443,787	(370,598)
Deductions		
Benefits	669,882	929,102
Administrative expense	31,205	35,367
Total deductions	701,087	964,469
Change in net assets	742,700	(1,335,067)
Net Assets Held in Trust for Pension Benefits, beginning of year	5,881,387	7,216,454
Net Assets Held in Trust for Pension Benefits, end of year	\$ 6,624,087	\$ 5,881,387

See accompanying notes to financial statements.

Interurban Transit Partnership

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Measurement Focus and Basis of Accounting

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

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

Cash and Cash Equivalents

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

Materials and Supplies Inventories

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

Investments

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

Capital Assets

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

Interurban Transit Partnership

Notes to Financial Statements

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

	Years
Land improvements	10 - 30
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.

Compensated Absences

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

Property Taxes

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

Property taxes are recognized as revenue when levied, with proper allowances made for estimated uncollectible amounts. The current millage rate was approved in May 2007 at 1.12 mills for collections beginning in 2008.

Interurban Transit Partnership

Notes to Financial Statements

Advertising

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

Estimates

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

2. Cash and Investments

Deposits

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

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, 2010, the bank balances were \$10,734,780, of which \$8,226,157 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, 2010, ITP's Enterprise Fund had the following investments:

<i>Investment</i>	<i>Maturity</i>	<i>Fair Value</i>
Kent County Investment Pool	Less than 1 year	\$ 2,542,813
Municipal Investment Funds	Less than 1 year	56,707
Total		\$ 2,599,520

Interurban Transit Partnership

Notes to Financial Statements

At June 30, 2010, ITP's Pension Trust Funds had investments in mutual funds with a value of \$6,486,442 and mature in less than one year.

Interest Rate Risk

ITP minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term investments.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, ITP will not be able to recover the value of its investments that are in the possession of an outside party. ITP minimizes custodial credit risk by limiting investments and pre-qualifying financial institutions. ITP had no investments subject to custodial credit risk at September 30, 2010.

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, 2010, 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	97.8%
Municipal Investment Funds	Moody's Aaa	2.2
Pension Trust Funds		
Money market funds	Not rated	1.6
Bond mutual funds	Not rated	26.6

Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

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	24,444	-	657,045
Facilities	8,986,420	2,211,231	517,334	10,680,317
Revenue vehicles	21,665,875	3,760,065	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	\$ 7,329,362	\$ -	\$ 68,363,263

Cost to complete the construction in progress is approximately \$20.3 million.

Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2009 is as follows:

	Balance October 1, 2008	Additions	Transfers/ Deletions	Balance September 30, 2009
Assets				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 1,923,979	\$ -	\$ 1,923,979
Land	6,597,870	7,445	-	6,605,315
Artwork	209,921	158,549	-	368,470
Capital assets being depreciated:				
Land improvements	777,515	-	-	777,515
Buildings and improvements	29,182,019	213,893	949	29,394,963
Revenue vehicles	38,841,957	12,810,523	2,670,358	48,982,122
Machinery and equipment	16,553,150	1,095,274	445,698	17,202,726
Total assets	92,162,432	16,209,663	3,117,005	105,255,090
Accumulated depreciation:				
Land improvements	620,647	11,954	-	632,601
Buildings and improvements	7,885,143	1,102,226	949	8,986,420
Revenue vehicles	20,753,006	3,583,227	2,670,358	21,665,875
Machinery and equipment	10,651,638	2,730,352	445,698	12,936,292
Total accumulated depreciation	39,910,434	7,427,759	3,117,005	44,221,188
Net Capital Assets	\$ 52,251,998	\$ 8,781,904	\$ -	\$ 61,033,902

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:

	2010	2009
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	31	30
Current active members	13	15
Total	44	45

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 \$309,630 and \$245,092, and the contribution totaled \$341,366 and \$299,212 for the years ended September 30, 2010 and 2009, 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
2008	\$ 226,300	155.0	-
2009	245,092	122.1	-
2010	309,630	110.3	-

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 48.6% funded. The actuarial accrued liability for benefits was \$4,307,750, and the actuarial value of assets was \$2,092,892, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,214,858.

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, 2010 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, 2010 was 30 years. The covered payroll (annual payroll of active employees covered by the plan) was \$909,585.

Defined Benefit - Non-Administrative Plan

Plan Description

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

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

Interurban Transit Partnership

Notes to Financial Statements

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

	2010	2009
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	124	120
Transferred to non-union	15	16
Active plan members	226	229
Total	365	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, 2009 to June 30, 2010, this rate is \$.80 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 448,915 and \$345,966, and the contribution totaled \$410,117 and \$428,938 for the years ended September 30, 2010 and 2009, 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
2008	\$ 300,837	111.3	-
2009	345,966	124.0	-
2010	448,915	91.4	-

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 71.90% funded. The actuarial accrued liability for benefits was \$7,119,898, and the actuarial value of assets was \$5,121,284, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,998,614.

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, 2010 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, 2010 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 \$175,275 and \$147,469 for the plan years ended June 30, 2010 and 2009, 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

Interurban Transit Partnership

Notes to Financial Statements

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 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 2010 and 2009 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$15,968,492 and \$16,183,424 in 2010 and 2009, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 29.74% and 30.16% totaled \$9,498,059 and \$9,761,730 in 2010 and 2009, 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

* 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, 2010
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

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, 2010
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, 2010</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 11,544	\$ 95,985	\$ 107,529
Receivables			
Employer contributions	-	29,324	29,324
Interest and dividends receivable	247	545	792
Due from non-administrative plan	3,637	-	3,637
Total receivables	3,884	29,869	33,753
Investments, at fair value			
Bond mutual funds	560,229	1,193,512	1,753,741
Equity mutual funds	1,517,235	3,215,466	4,732,701
Total investments	2,077,464	4,408,978	6,486,442
Total Assets	2,092,892	4,534,832	6,627,724
Liabilities			
Due to administrative plan	-	3,637	3,637
Net Assets Held in Trust for Pension Benefits	\$ 2,092,892	\$ 4,531,195	\$ 6,624,087

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

<i>Year ended June 30, 2010</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 341,366	\$ 410,117	\$ 751,483
Investment income:			
Net appreciation	185,420	398,212	583,632
Interest	18,285	39,378	57,663
Dividends	26,194	55,360	81,554
Investment expense	(14,456)	(23,031)	(37,487)
Fee rebates	2,263	4,679	6,942
Total investment income	217,706	474,598	692,304
Total additions	559,072	884,715	1,443,787
Deductions			
Benefits	353,181	316,701	669,882
Administrative expense	11,999	19,206	31,205
Total deductions	365,180	335,907	701,087
Change in net assets	193,892	548,808	742,700
Net Assets Held in Trust for Pension Benefits, beginning of year	1,899,000	3,982,387	5,881,387
Net Assets Held in Trust for Pension Benefits, end of year	\$ 2,092,892	\$ 4,531,195	\$ 6,624,087

Interurban Transit Partnership

Schedule of Non-operating Revenues - Local

Year ended September 30, 2010

Local Revenue	
Property taxes	\$ 11,709,833
Grand Valley State University	2,573,255
Network 180	1,726,340
DASH - City of Grand Rapids	812,260
Davenport College	80,038
Van pool	83,986
Ada Township	24,111
Alpine Township	80,817
Byron Township	78,861
Cascade Township	109,081
Gaines Township	65,672
Other local services	78,668
<hr/>	
Total local revenue	17,422,922
<hr/>	
Other Income	
Gain on sale of property	216,586
Retail lease	50,230
Interest income	86,970
Miscellaneous	98,455
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Total other income	452,241
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Total Non-operating Revenues - Local	\$ 17,875,163

Interurban Transit Partnership

Schedule of Non-operating Revenues - State and Federal

Year ended September 30, 2010

State of Michigan Grants	
General operating assistance	\$ 9,585,660
Capital assistance	35,825
Specialized services	463,289
Job Access and Reverse Commute	417,782
<hr/>	
Total State of Michigan grants	10,502,556
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Federal Government Grants	
General operating assistance	5,224
Capital assistance	1,924,079
Planning and miscellaneous project assistance	672,466
Job Access and Reverse Commute	417,782
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Total federal government grants	3,019,551
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Total Non-operating Revenues - State and Federal	\$ 13,522,107

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<i>Year ended September 30, 2010</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 7,899,849	\$ -
Other salaries and wages	993,516	1,563,092
Dispatchers' salaries and wages	121,394	-
Total labor	9,014,759	1,563,092
Fringe Benefits		
Pension	555,680	120,288
Other fringe benefits	4,244,565	750,558
Total fringe benefits	4,800,245	870,846
Services		
Audit fees	-	-
Other services	370,127	759,698
Total services	370,127	759,698
Materials and Supplies Consumed		
Fuel and lubricants	2,596,155	-
Tires and tubes	-	12,013
Other materials and supplies	10,098	892,723
Total materials and supplies consumed	2,606,253	904,736
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	559,836	-
Other insurance	-	-
Total casualty and liability costs	559,836	-

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations			Total
Administration	Total	Grants	System
\$ -	\$ 7,899,849	\$ -	\$ 7,899,849
1,401,245	3,957,853	93,579	4,051,432
-	121,394	-	121,394
1,401,245	11,979,096	93,579	12,072,675
253,345	929,313	-	929,313
651,209	5,646,332	52,109	5,698,441
904,554	6,575,645	52,109	6,627,754
38,500	38,500	-	38,500
387,550	1,517,375	1,606,532	3,123,907
426,050	1,555,875	1,606,532	3,162,407
-	2,596,155	-	2,596,155
-	12,013	187,283	199,296
74,369	977,190	122,566	1,099,756
74,369	3,585,358	309,849	3,895,207
537,051	537,051	-	537,051
-	559,836	-	559,836
132,380	132,380	-	132,380
132,380	692,216	-	692,216

Interurban Transit Partnership
Schedule of Operating Expenses by Function

	General	
<i>Year ended September 30, 2010</i>	Operations	Maintenance
Purchased Transportation	\$ 6,629,647	\$ -
Miscellaneous		
Travel and meetings	22,125	2,697
Advertising/promotion media	-	-
Other miscellaneous	1,685	31,105
Total miscellaneous	23,810	33,802
Leases and Rentals	12,316	-
Depreciation	-	-
Total Expenses	\$ 24,016,993	\$ 4,132,174

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations			Total
Administration	Total	Grants	System
\$ -	\$ 6,629,647	\$ 1,912,482	\$ 8,542,129
27,635	52,457	46,920	99,377
244,116	244,116	33,900	278,016
106,376	139,166	375	139,541
378,127	435,739	81,195	516,934
-	12,316	43,900	56,216
8,523,216	8,523,216	-	8,523,216
\$ 12,376,992	\$ 40,526,159	\$ 4,099,646	\$ 44,625,805

Interurban Transit Partnership

Schedule of Expenses by Grant

<i>Year ended September 30, 2010</i>	Total	General Operations	340 MI-90-X-399 001 02-0049-Z10 FY03 Section 5307
Expenses			
Labor	\$ 12,072,675	\$ 11,979,096	\$ -
Fringe benefits	6,627,754	6,575,645	-
Services	3,162,407	1,555,875	-
Materials and supplies consumed	3,895,207	3,585,358	29,296
Utilities	537,051	537,051	-
Casualty and liability costs	692,216	692,216	-
Purchased transportation	8,542,129	6,629,647	-
Miscellaneous	516,934	435,739	-
Leases and rentals	56,216	12,316	-
Depreciation	8,523,216	8,523,216	-
Total Expenses	\$ 44,625,805	\$ 40,526,159	\$ 29,296

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

Interurban Transit Partnership

Schedule of Expenses by Grant

380	400	411	420	425	440
MI-90-X-454	MI-90-X-487	MI-95-X-044	MI-90-X-529	MI-95-X-025	MI-90-X-548
02-0049-Z27	02-0049-Z30	07-0230-Z3	07-0230-Z5	07-0230-Z9	07-0230-Z8
FY05	FY06	FY07	FY07	FY08	FY08
Section 5307	Section 5307	Section 5307	Section 5307	Section 5307	Section 5307
\$ -	\$ -	\$ 2,076	\$ -	\$ 16,476	\$ -
-	-	1,031	-	10,371	-
4,074	8,174	-	53,321	-	150,365
2,264	6,707	-	14,697	-	40,588
-	-	-	-	-	-
-	-	-	-	-	-
-	73,291	19,375	-	-	-
-	1,506	1,963	3,023	25,761	25,947
25,900	18,000	-	-	-	-
-	-	-	-	-	-
\$ 32,238	\$ 107,678	\$ 24,445	\$ 71,041	\$ 52,608	\$ 216,900

Interurban Transit Partnership

Schedule of Expenses by Grant

	450 MI-90-X580 07-0230-Z16 FY09 Section 5307	480 MI-90-X608 07-0230-Z23 FY10 Section 5307
<i>Year ended September 30, 2010</i>		
<hr/>		
Expenses		
Labor	\$ 49,992	\$ -
Fringe benefits	28,590	-
Services	213,149	642,671
Materials and supplies consumed	28,113	163,848
Utilities	-	-
Casualty and liability costs	-	-
Purchased transportation	204,776	161,933
Miscellaneous	-	11,746
Leases and rentals	-	-
Depreciation	-	-
<hr/>		
Total Expenses	\$ 524,620	\$ 980,198
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Interurban Transit Partnership

Schedule of Expenses by Grant

	768		860		865
741	MI-95-X039	786	MI-03-0234	863	MI-03-X239
MI-37-X016	07-0230-Z15	07-0230-Z20	02-0049-Z33	MI-39-0001	07-0230-Z18
02-0049-Z20	FY09	Specialized	FY04 & FY05	07-0230-Z11	FY09
JARC	Section 5307	Services	Section 5309	Section 5339	Section 5309
\$ -	\$ 25,035	\$ -	\$ -	\$ -	\$ -
-	12,117	-	-	-	-
-	-	-	-	364,026	170,752
-	-	-	24,336	-	-
-	-	-	-	-	-
-	-	-	-	-	-
989,818	-	463,289	-	-	-
-	6,392	-	-	4,814	43
-	-	-	-	-	-
-	-	-	-	-	-
\$ 989,818	\$ 43,544	\$ 463,289	\$ 24,336	\$ 368,840	\$ 170,795

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2010</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 7,899,849	\$ -	\$ -	\$ 7,899,849
Other salaries and wages	993,516	1,563,092	1,401,245	3,957,853
Dispatchers' salaries and wages	121,394	-	-	121,394
Total labor	9,014,759	1,563,092	1,401,245	11,979,096
Fringe Benefits				
Pension	555,680	120,288	253,345	929,313
Other fringe benefits	4,244,565	750,558	651,209	5,646,332
Total fringe benefits	4,800,245	870,846	904,554	6,575,645
Services				
Audit fees	-	-	38,500	38,500
Other services	370,127	759,698	387,550	1,517,375
Total services	370,127	759,698	426,050	1,555,875
Materials and Supplies Consumed				
Fuel and lubricants	2,596,155	-	-	2,596,155
Tires and tubes	-	12,013	-	12,013
Other materials and supplies	10,098	892,723	74,369	977,190
Total materials and supplies consumed	2,606,253	904,736	74,369	3,585,358
Utilities				
Other	-	-	537,051	537,051
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	559,836	-	-	559,836
Other insurance	-	-	132,380	132,380
Total casualty and liability costs	559,836	-	132,380	692,216

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2010</i>	Operations	Maintenance	Administration	Total
Purchased Transportation	\$ 6,629,647	\$ -	\$ -	\$ 6,629,647
Miscellaneous				
Travel and meetings	22,125	2,697	27,635	52,457
Advertising/promotion media	-	-	244,116	244,116
Other miscellaneous	1,685	31,105	106,376	139,166
Total miscellaneous	23,810	33,802	378,127	435,739
Leases and Rentals	12,316	-	-	12,316
Depreciation	-	-	8,523,216	8,523,216
Total Expenses	\$ 24,016,993	\$ 4,132,174	\$ 12,376,992	\$ 40,526,159

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Interurban Transit Partnership

Schedule of Regular Service Revenues - Urban

Year ended September 30, 2010

Operating Revenues	
Passenger fares	\$ 5,242,304
Advertising	102,186
<hr/>	
Total operating revenues	5,344,490
<hr/>	
Non-operating Revenues	
State and federal assistance	13,522,107
<hr/>	
Local Revenue	
Property taxes	11,709,833
Grand Valley State University	2,573,255
Network 180	1,726,340
DASH - City of Grand Rapids	812,260
Davenport College	80,038
Van pool	83,986
Ada Township	24,111
Alpine Township	80,817
Byron Township	78,861
Cascade Township	109,081
Gaines Township	65,672
Other local services	78,668
<hr/>	
Total local revenue	17,422,922
<hr/>	
Other Income	
Gain on sale of property	216,586
Retail lease	50,230
Interest income	86,970
Miscellaneous	98,455
<hr/>	
Total other income	452,241
<hr/>	
Total Revenues	\$ 36,741,760

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Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2010</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	332,916	28,303	13,294	374,513
Revenue hours - linehaul	319,252	27,400	12,767	359,419
Total vehicle hours - demand response	205,753	12,405	10,592	228,750
Revenue hours - demand response	171,313	10,884	9,225	191,422
Total vehicle miles - linehaul	4,136,605	370,222	159,941	4,666,768
Revenue miles - linehaul	3,910,070	354,367	150,203	4,414,640
Total vehicle miles - demand response	2,969,052	167,516	143,847	3,280,415
Revenue miles - demand response	2,450,723	143,756	122,394	2,716,873

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

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Interurban Transit Partnership

Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2010</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$ 40,526,159	\$ -	\$ 40,526,159
Less Ineligible Expenses			
Depreciation expense	8,523,216	-	8,523,216
APTA and MPTA dues	4,700	-	4,700
Other (lobbying fees)	61,260	-	61,260
	8,589,176	-	8,589,176
Eligible Operating Expenses	\$ 31,936,983	\$ -	\$ 31,936,983
Maximum State Operating Assistance (50/60%)	\$ 15,968,492	\$ -	\$ 15,968,492
State Operating Assistance Accrual (29.74%)	\$ 9,498,059	\$ -	\$ 9,498,059

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. ITP did not apply for non-urban assistance for FY2010.

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

<i>Year ended September 30, 2010</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
Federal Grantor/Program Title			
Federal Transit Authority			
FTA Capital and Planning	20.507	MI-90-X399	340
FTA Capital and Planning	20.507	MI-90-X454	380
FTA Capital and Planning	20.507	MI-90-X487	400
FTA Capital Assistance	20.507	MI-95-X004	411
FTA Capital Assistance	20.507	MI-90-X529	420
FTA Capital Assistance	20.507	MI-95-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-95-X039	768
FTA Capital Assistance - ARRA Funds	20.507	MI-96-0005	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
Total Capital Assistance - Section 5309			
FTA JARC - Section 5316	20.516	MI-37-0016	741
FTA Metropolitan Planning	20.522	MI-39-0001	863
Total miscellaneous			
Total Federal Financial Assistance			

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/09	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/10
\$ 329	\$ 108,341	\$ 113,041	\$ 5,029
(15,336)	10,317	56,655	31,002
306,249	2,133,091	2,029,935	203,093
71,605	150,510	130,985	52,080
91,912	2,425,151	3,652,992	1,319,753
12,798	52,659	98,626	58,765
94,896	2,622,488	2,624,187	96,595
200,169	1,139,361	2,358,078	1,418,886
-	357,909	1,021,411	663,502
-	-	43,544	43,544
24,783	2,332,108	2,357,360	50,035
787,405	11,331,935	14,486,814	3,942,284
16,398	2,393	-	14,005
1	-	-	1
321,666	10,661	-	311,005
6,633	456,501	706,627	256,759
38	10,783	136,636	125,891
344,736	480,338	843,263	707,661
39,246	344,077	417,782	112,951
67,988	187,767	368,840	249,061
107,234	531,844	786,622	362,012
\$ 1,414,597	\$ 12,344,117	\$ 16,116,699	\$ 5,011,957

Interurban Transit Partnership
Schedule of Expenditures of State Awards

<i>Year ended September 30, 2010</i>	State Grantor Number	Grantee Number
Program		
Section 5307	2002-0049-Z10	340
Section 5307	2002-0049-Z18	360
Section 5307	2002-0049-Z27	380
Section 5307	2002-049-Z30	400
Section 5307	2007-0230-Z3	411
Section 5307	2007-0230-Z5	420
Section 5307	2007-0230-Z9	425
Section 5307	2007-0230-Z8	440
Section 5307	2007-0230-Z16	450
Section 5307		480
Job Access and Reverse Commute	2002-0049-Z20	741
Specialized Services		785
Specialized Services		786
Section 5309	2007-0230-Z4	839
Section 5309		840
Section 5309		841
Section 5309	2002-0049-Z33	860
Section 5309		865
Total State Assistance		

Interurban Transit Partnership
Schedule of Expenditures of State Awards

Accrued (Deferred) Revenue 10/1/09	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/10
\$ 399	\$ 28,659	\$ 28,260	\$ -
(2,270)	-	2,270	-
15,116	2,026	(13,090)	-
53,923	489,615	435,692	-
70,667	96,851	30,177	3,993
1,100	676,885	684,626	8,841
15,541	7,196	(7,922)	423
5,368	572,306	542,219	(24,719)
47,259	1,336,434	437,136	(852,039)
-	978,969	3,746	(975,223)
45,400	287,762	417,782	175,420
120,165	120,165	-	-
-	343,551	463,289	119,738
4,661	4,661	-	-
897,717	897,717	-	-
1,034,999	1,034,999	-	-
-	94,536	94,536	-
5,935	7,610	34,159	32,484
\$ 2,315,980	\$ 6,979,942	\$ 3,152,880	\$ (1,511,082)

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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, 2010, and have issued our report thereon dated January 13, 2011. 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.

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Compliance and Other Matters

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

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

BDO USA, LLP

Certified Public Accountants
January 13, 2011

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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 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 the District's major federal programs for the year ended September 30, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

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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 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 13, 2011

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2010

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:	\$ 483,500
Auditee qualified as low-risk auditee?	yes

Section II - Findings Related to the Financial Statements

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

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.

There were no findings related to the financial statements or federal programs reported in the Schedule of Findings and Questioned Costs for the year ended September 30, 2009.

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