

Interurban Transit Partnership

Single Audit Report

Years Ended September 30, 2007 and 2006



BDO Seidman, LLP
Accountants and Consultants

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Interurban Transit Partnership		County Kent	
Fiscal Year End 9/30/07		Opinion Date 12/21/07		Date Audit Report Submitted to State 1/08			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

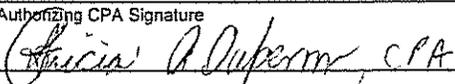
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

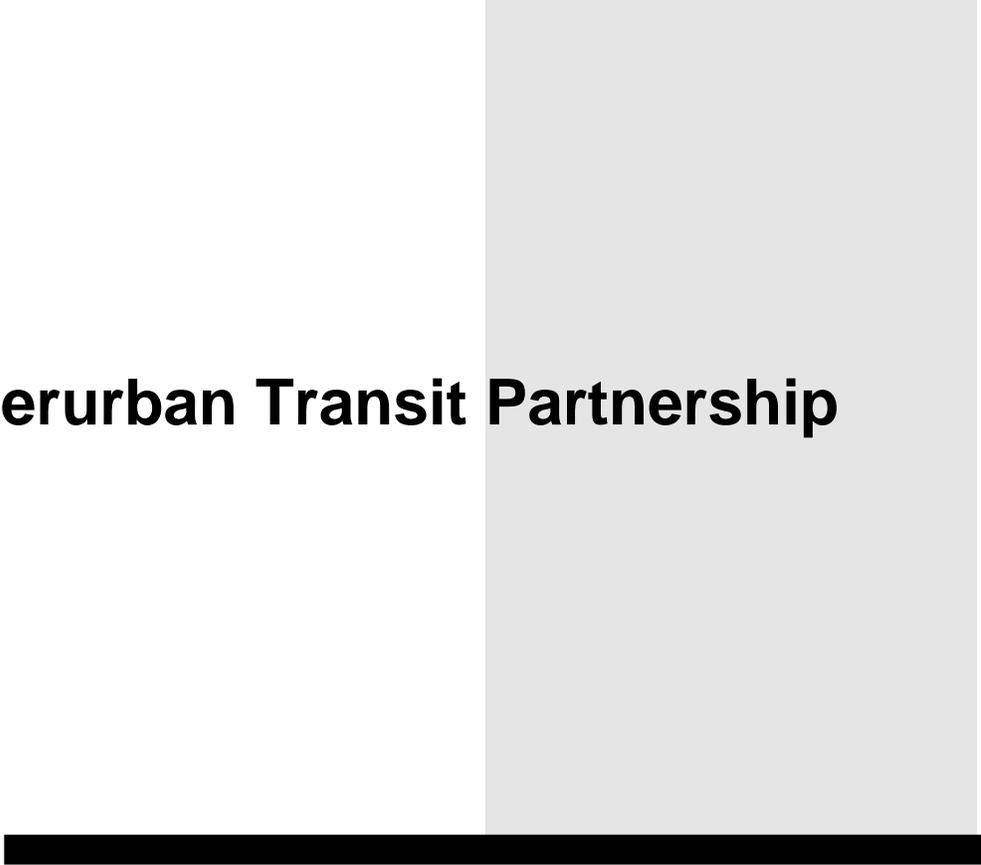
YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe) Single Audit Reports		<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) BDO Seidman, LLP			Telephone Number 616-774-7000	
Street Address 99 Monroe Ave. NW Suite 800			City Grand Rapids	State MI
			Zip 49503	
Authorizing CPA Signature 		Printed Name Patricia A. Duperron, CPA		License Number 1101019522



Interurban Transit Partnership

Single Audit Report
Years Ended September 30, 2007 and 2006

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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, 2007 and 2006 (as of and for the years ended June 30, 2007 and 2006 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, 2007 and 2006 (June 30, 2007 and 2006 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 December 21, 2007 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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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
December 21, 2007

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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, 2007 and 2006.

Financial Highlights

- The state operating assistance rate fell from 33.1% for FY06 to 32.52% for FY07.
- Property tax revenues increased by 5.0% in FY07.
- Total passengers surpassed the 8 million mark driving fare revenue up by 5.9%.
- Services provided to our community partners such as Grand Valley State University and Davenport College continue to expand helping our local revenues grow by 6.1%.
- A retrospective adjustment from ITP's PL/PD provider, the Michigan Transit Pool cost ITP an additional \$100,000 during FY07.
- ITP grew its unrestricted net assets (fund balance) by approximately \$885,000 for the year.

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 the Authority 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 over \$63.6 million during FY07, an increase of 10.8% from FY06 (see Table A-1) and 16% since the end of FY05.

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

<i>September 30,</i>	2007	2006	2005
Current assets	\$ 14,883	\$ 14,226	\$ 13,388
Capital assets, net	52,473	47,169	45,402
Total assets	67,356	61,395	58,790
Current liabilities	3,751	3,979	4,057
Net assets			
Invested in capital assets	52,473	47,169	45,402
Restricted for STC project	440	440	440
Unrestricted	10,692	9,807	8,891
Total Net Assets	\$ 63,605	\$ 57,416	\$ 54,733

ITP acquired land valued at \$1.4 million adjacent to current facilities for future expansion needs. During the year 14 new Gillig Buses, including 5 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. Phase I of the ITS project will be completed during FY08.

Changes in Net Assets

Net assets grew by nearly \$6.2 million from September 30, 2006 to September 30, 2007 (see Table A-2).

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

<i>Year ended September 30,</i>	2007	2006	2005
Operating revenues			
Passenger fares	\$ 4,294	\$ 4,042	\$ 3,567
Advertising	131	88	36
Total operating revenues	4,425	4,130	3,603
Operating expenses			
Salaries and benefits	15,820	15,181	14,026
Other operating expenses	15,459	14,072	13,065
Depreciation	6,084	5,353	4,625
Total operating expenses	37,363	34,606	31,716
Operating loss	(32,938)	(30,476)	(28,113)
Nonoperating revenues			
Property taxes	10,344	9,848	9,296
Other local	4,752	4,487	3,770
State and federal	12,644	11,707	10,860
Total nonoperating revenues	27,740	26,042	23,926
Loss before capital contributions	(5,198)	(4,434)	(4,187)
Capital contributions	11,387	7,117	10,922
Change in net assets	6,189	2,683	6,735
Net Assets, beginning of year	57,416	54,733	47,998
Net Assets, end of year	\$ 63,605	\$ 57,416	\$ 54,733

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

With increased services come increased operating expenses. Service and program expansion drives the 9.9% increase in other operating expenses and to a lesser degree salaries and benefits which rose by 4.0% in FY07.

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

<i>Year ended September 30,</i>	2007	2006	Percentage Change
Labor	\$ 10,044	\$ 9,612	4.5
Fringe benefits	5,776	5,569	3.7
Services	2,145	2,322	(7.6)
Materials and supplies	3,750	3,186	17.7
Utilities	497	459	8.3
Casualty and liability	772	315	145.1
Purchased transportation	7,567	7,198	5.1
Miscellaneous	727	592	22.8

Materials and supplies increase of 17.7% can be attributed to expanded services, increases in both repair parts costs and usage and to projects such as ITS whose expenditures include many components which may not meet ITP's threshold for capitalization.

PL&PD coverage, included in Casualty and Liability, is provided by the Michigan Transit Pool (Pool), which is an association of transit systems throughout the State of Michigan. Annually the Pool revalues its open claims from past years and either issues refunds or billings to its members. During 2007 the Pool issued ITP a retrospective billing for nearly \$100,000 which, combined with a refund of \$340,000 recorded in FY06, led to the 145.1% increase.

Capital Assets

As of September 30, 2007, ITP had invested approximately \$86.3 million in capital assets, including land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2007 totaled approximately \$52.5 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$5.3 million or 11.2% over September 30, 2006.

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

<i>Year ended September 30,</i>	2007	2006	Percentage Change
Land	\$ 6,592	\$ 5,149	21.9
Artwork	189	89	112.4
Land improvements	169	180	(6.1)
Buildings and improvements	21,146	21,645	(2.3)
Revenue vehicles	18,573	15,638	18.8
Machinery and equipment	5,804	4,468	29.9
Total Net Capital Assets	\$ 52,473	\$ 47,169	11.2

Land acquisitions for future expansion requirements resulted in 21.9% increase in land. Revenue equipment grew by 18.8% as a result of the purchase of 14 new buses including 5 hybrid electrics. Machinery and equipment increased by 29.9% due to technology upgrades included in our Intelligent Transportation Systems project.

Economic Factors and Next Year's Budget

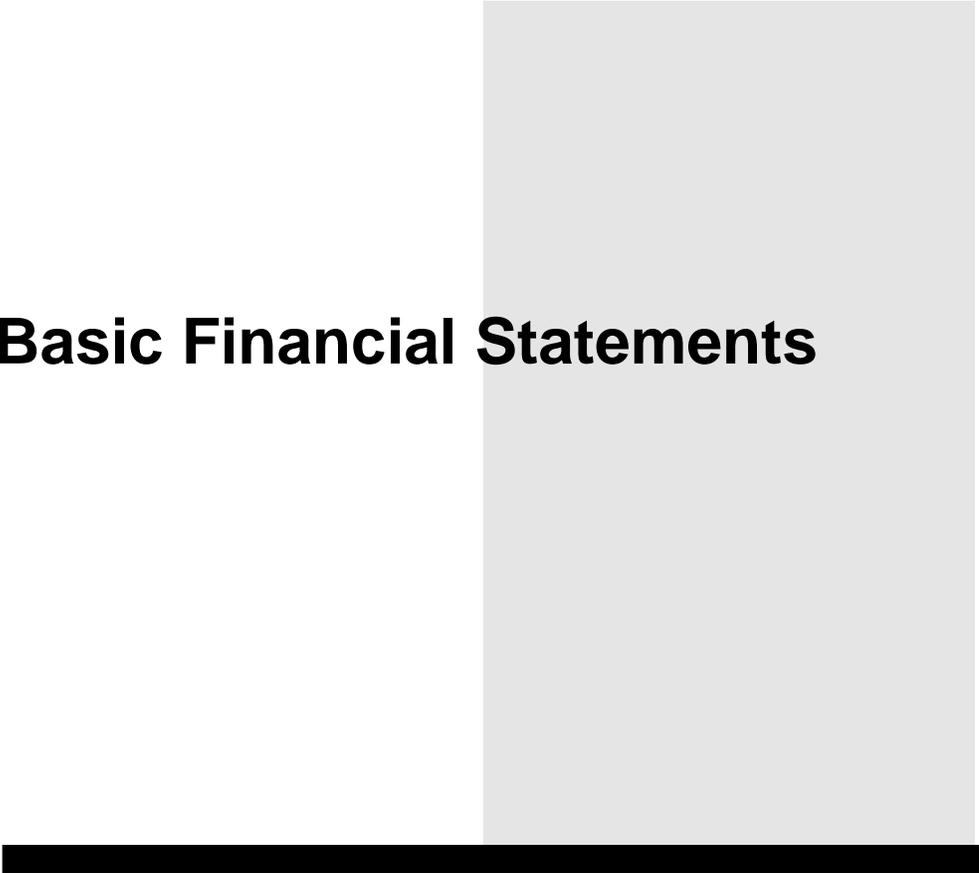
A significant source of ITP's operating revenues are provided by the State of Michigan. These revenues are based upon total eligible operating expenses, as defined by the Michigan Department of Transportation, and represent a percentage of these eligible expenses.

As the State of Michigan continues to face difficult budgetary issues, there is annual uncertainty about the funding for public transit. This, combined with inflation in key expense categories such as fuel and health care costs, has presented many challenges to ITP's budget development. Despite these challenges, ITP has managed to grow its unrestricted net assets by more than \$2.2 million over the past three fiscal years. This has been the result of sound fiscal conservatism and some good fortune.

In May of 2007, ITP sought and received a .17 mill increase to our operating tax levy. The increased millage rate, which goes into effect in the summer of 2008 should boost property tax revenues by an estimated \$1.9 million. This additional revenue will be used to improve and expand services beginning with the 4th quarter of FY08.

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Basic Financial Statements



Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2007	2006
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 8,954,180	\$ 8,529,117
Property taxes receivable, net	863,388	739,247
Due from federal government	1,363,120	1,910,285
Due from State of Michigan	737,365	1,462,440
Billed receivables	2,518,379	1,252,586
Materials and supplies inventories	342,330	303,450
Prepaid expenses and deposits	104,981	28,650
Total Current Assets	14,883,743	14,225,775
Capital Assets (Note 3)		
Land and improvements	7,369,935	5,926,037
Artwork	188,921	88,900
Buildings and improvements	27,988,233	27,523,337
Revenue vehicles	36,764,397	32,773,113
Machinery and equipment	14,027,598	11,219,152
	86,339,084	77,530,539
Less accumulated depreciation	33,866,394	30,361,420
Net Capital Assets	52,472,690	47,169,119
Total Assets	67,356,433	61,394,894

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2007	2006
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,232,502	\$ 1,492,819
Employee compensation and related withholdings	1,677,188	1,528,149
Unredeemed fares	54,076	47,211
Deferred revenues	337,384	521,576
Due to State of Michigan	449,713	388,683
Total Current Liabilities	3,750,863	3,978,438
Net Assets		
Invested in capital assets	52,472,690	47,169,119
Restricted, expendable	440,492	440,492
Unrestricted	10,692,388	9,806,845
Total Net Assets	\$ 63,605,570	\$ 57,416,456

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>	2007	2006
Operating Revenues		
Passenger fares	\$ 4,294,049	\$ 4,041,805
Advertising	131,270	88,084
Total operating revenues	4,425,319	4,129,889
Operating Expenses		
Salaries and fringe benefits	15,820,528	15,180,777
Supplies and other operating expenses	15,459,221	14,072,439
Depreciation	6,083,821	5,352,989
Total operating expenses	37,363,570	34,606,205
Operating loss	(32,938,251)	(30,476,316)
Nonoperating Revenues		
State and federal	12,644,231	11,706,762
Property taxes	10,343,660	9,848,409
Other local	4,752,081	4,486,718
Total nonoperating revenues	27,739,972	26,041,889
Loss before capital contributions	(5,198,279)	(4,434,427)
Capital contributions	11,387,393	7,117,357
Changes in net assets	6,189,114	2,682,930
Net Assets, beginning of year	57,416,456	54,733,526
Net Assets, end of year	\$ 63,605,570	\$ 57,416,456

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2007	2006
Cash for Operating Activities		
Receipts from customers	\$ 4,432,184	\$ 4,143,622
Payments to suppliers	(22,001,700)	(17,765,231)
Payments to employees	(10,866,519)	(11,179,781)
Net cash for operating activities	(28,436,035)	(24,801,390)
Cash From Noncapital Financing Activities		
Federal grants received	2,523,287	2,288,560
State grants received	10,009,413	9,590,442
Local government assistance received	6,773,478	3,200,875
Property taxes	10,263,914	9,872,767
Other income	31,781	15,364
Net cash from noncapital financing activities	29,601,873	24,968,008
Cash for Capital and Related Financing Activities		
Federal contributed capital	9,350,327	5,602,948
State contributed capital	793,480	868,087
Local contributed capital	170,420	-
Purchase of capital assets	(11,387,394)	(7,119,806)
Proceeds from sale of capital assets	32,880	30,135
Net cash for capital and related financing activities	(1,040,287)	(618,636)
Cash From Investing Activity		
Interest received on investments	299,512	299,472
Net Increase (Decrease) in Cash	425,063	(152,546)
Cash, beginning of year	8,529,117	8,681,663
Cash, end of year	\$ 8,954,180	\$ 8,529,117

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2007	2006
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (32,938,251)	\$ (30,476,316)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	6,083,821	5,352,989
Other income	-	(2,719)
Changes in assets and liabilities:		
Decrease (increase) in billed receivables	(1,238,819)	297,061
Decrease (increase) in inventories	(38,880)	27,901
Decrease (increase) in prepaid expenses and deposits	(76,331)	77,910
Decrease in accounts payable	(260,317)	(566,636)
Increase in accrued payroll	149,039	200,379
Increase in unredeemed fares	6,865	13,732
Increase (decrease) in other liabilities	(123,162)	274,309
Net Cash for Operating Activities	\$ (28,436,035)	\$ (24,801,390)

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2007	2006
Assets		
Cash and short-term investments (Note 2)	\$ 1,509,657	\$ 1,343,696
Receivables		
Employer contribution	35,067	33,583
Interest and dividends receivable	5,468	4,755
Due from Administrative Plan (Note 4)	166,426	-
Total receivables	206,961	38,338
Investments, at fair value (Note 2)		
Bond mutual funds	885,471	485,084
Equity mutual funds	4,969,201	4,398,877
Total investments	5,854,672	4,883,961
Total Assets	7,571,290	6,265,995
Liabilities		
Due to Non-Administrative Plan (Note 4)	166,426	-
Net Assets Held in Trust for Pension Benefits	\$ 7,404,864	\$ 6,265,995

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Changes in Fiduciary Net Assets

<i>Year ended June 30,</i>	<u>Pension Trust Funds</u>	
	2007	2006
Additions		
Employer contributions	\$ 895,491	\$ 802,121
Investment income:		
Net appreciation	593,044	255,338
Interest	90,836	65,204
Dividends	334,903	215,984
Other	611	457
Fee rebates	8,394	5,417
Investment expense	(38,127)	(34,107)
Net investment income	989,661	508,293
Total additions	1,885,152	1,310,414
Deductions		
Benefits	724,446	335,392
Administrative expense	21,837	20,423
Total deductions	746,283	355,815
Changes in net assets	1,138,869	954,599
Net Assets Held in Trust for Pension Benefits, beginning of year	6,265,995	5,311,396
Net Assets Held in Trust for Pension Benefits, end of year	\$ 7,404,864	\$ 6,265,995

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.

Capital Assets

Property, building 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 3 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.

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, 2007, the bank balances were \$7,223,895, of which \$6,923,895 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, 2007, 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	\$4,182,317
Municipal Investment Funds	Less than 1 year	821,486
Total		\$5,003,803

At June 30, 2007, ITP's Pension Trust Funds had investments in mutual funds with a value of \$7,364,329 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, 2007.

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, 2007, ITP's investments had the following credit ratings and exposure:

<i>Investment Type</i>	<i>Rating</i>	<i>Credit Exposure as a Percent of Total Investments</i>
Enterprise Fund		
Kent County Investment Pool	Not rated	83.6%
Municipal Investment Fund	Standard & Poor's AAA	16.4
Pension Trust Funds		
Money market funds	Standard & Poor's AA+	20.5
Bond mutual funds	Moody's Aa2	12.0
Equity funds	Not rated	67.5

Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

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

	Balance October 1, 2006	Additions	Transfers/ Deletions	Balance September 30, 2007
Assets				
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
Total assets	77,530,539	11,387,394	2,578,849	86,339,084
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
Total accumulated depreciation	30,361,420	6,083,823	2,578,849	33,866,394
Net Capital Assets	\$ 47,169,119	\$ 5,303,571	-	\$ 52,472,690

Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2006 is as follows:

	Balance October 1, 2005	Additions	Transfers/ Deletions	Balance September 30, 2006
Assets				
Capital assets not being depreciated:				
Land	\$ 5,148,522	\$ -	-	\$ 5,148,522
Artwork	-	88,900	-	88,900
Capital assets being depreciated:				
Land improvements	777,515	-	-	777,515
Buildings and improvements	26,671,284	852,053	-	27,523,337
Revenue vehicles	29,728,805	4,788,377	1,744,069	32,773,113
Machinery and equipment	9,965,367	1,390,746	136,961	11,219,152
Total assets	72,291,493	7,120,076	1,881,030	77,530,539
Accumulated depreciation				
Land improvements	587,365	9,374	-	596,739
Buildings and improvements	4,945,832	932,520	-	5,878,352
Revenue vehicles	16,112,418	2,767,023	1,744,069	17,135,372
Machinery and equipment	5,243,846	1,644,072	136,961	6,750,957
Total accumulated depreciation	26,889,461	5,352,989	1,881,030	30,361,420
Net Capital Assets	\$ 45,402,032	\$ 1,767,087	\$ -	\$ 47,169,119

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:

	2007	2006
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	31	33
Current active members	19	19
Total	50	52

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.

Contributions and Reserves

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 investments constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$256,046 and \$211,575, and the contribution totaled \$589,929 and \$501,076 for the years ended September 30, 2007 and 2006, respectively.

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$226,908	213.7	-
2006	211,575	236.8	-
2007	256,046	230.4	-

Interurban Transit Partnership

Notes to Financial Statements

Schedule of Funding Progress

<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, 2002	\$ 1,718,491	\$ 3,003,002	\$ 1,284,511	57.23
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

* 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, 2007
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

Notes to Financial Statements

Defined Benefit - Non-Administrative Plan

Plan Description

ITP has a non-contributory defined benefit 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:

	2007	2006
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	105	92
Transferred to non-union	15	14
Active plan members	196	191
Total	316	297

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.

Interurban Transit Partnership

Notes to Financial Statements

Method Used to Value Investments

Investments are reported at fair value.

Contributions and Reserves

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 is \$.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 investments constituted 5% or more of plan assets.

Annual Pension Cost

ITP's annual pension cost was \$277,203 and \$236,481, and the contribution totaled \$305,562 and \$301,045 for the years ended September 30, 2007 and 2006, respectively.

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$232,809	111.0	-
2006	236,481	127.3	-
2007	277,203	110.2	-

Interurban Transit Partnership

Notes to Financial Statements

Schedule of Funding Progress

<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, 2002	\$ 2,820,512	\$ 3,386,771	\$ 566,259	83.30
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	79.40
July 1, 2007	4,317,746	5,442,916	1,125,170	79.30

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, 2007
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

Interurban Transit Partnership

Notes to Financial Statements

During the plan year, a terminated employee elected a lump sum distribution of his vested benefit. The funds were inadvertently distributed from the Non-Administrative Plan instead of the Administrative Plan. This error will be corrected in the 2007-08 plan year.

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 \$130,893 and \$97,857 for the plan years ended June 30, 2007 and 2006, 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 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 Michigan Transit Pool publishes its own financial report which can be obtained from the Michigan Transit 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:

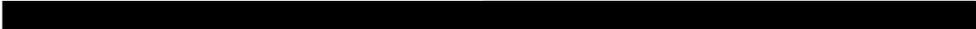
The Michigan Department of Transportation (MDOT) authorized funding for fiscal 2007 and 2006 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$13,827,574 and \$13,091,809 in 2007 and 2006, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 32.52% and 33.14% totaled \$8,992,973 and \$8,676,541 in 2007 and 2006, 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 the 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 \$2,937,000.



Combining Statements and Supplemental Schedules

Interurban Transit Partnership

Combining Statement of Plan Net Assets Pension Trust Funds

<i>June 30, 2007</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 672,373	\$ 837,284	\$ 1,509,657
Receivables			
Employer contributions	-	35,067	35,067
Interest and dividends receivable	2,388	3,080	5,468
Due from Administrative Plan	-	166,426	166,426
Total receivables	2,388	204,573	206,961
Investments, at fair value			
Bond mutual funds	392,468	493,003	885,471
Equity mutual funds	2,078,333	2,890,868	4,969,201
Total investments	2,470,801	3,383,871	5,854,672
Total Assets	3,145,562	4,425,728	7,571,290
Liabilities			
Due to Non-Administrative Plan	166,426	-	166,426
Net Assets Held in Trust for Pension Benefits	\$2,979,136	\$ 4,425,728	\$ 7,404,864

Interurban Transit Partnership

Combining Statement of Changes in Plan Net Assets Pension Trust Funds

<i>Year ended June 30, 2007</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 589,929	\$ 305,562	\$ 895,491
Investment income:			
Net appreciation	240,872	352,172	593,044
Interest	36,994	53,842	90,836
Dividends	150,555	184,348	334,903
Other	611	-	611
Fee rebates	3,380	5,014	8,394
Investment expense	(16,919)	(21,208)	(38,127)
Net investment income	415,493	574,168	989,661
Total additions	1,005,422	879,730	1,885,152
Deductions			
Benefits	514,720	209,726	724,446
Administrative expense	8,155	13,682	21,837
Total deductions	522,875	223,408	746,283
Changes in net assets	482,547	656,322	1,138,869
Net Assets Held in Trust for Pension Benefits, beginning of year	2,496,589	3,769,406	6,265,995
Net Assets Held in Trust for Pension Benefits, end of year	\$ 2,979,136	\$ 4,425,728	\$ 7,404,864

Interurban Transit Partnership

Nonoperating Revenues - Local

<i>Year ended September 30,</i>	<i>2007</i>
Local Revenue	
Property taxes	\$ 10,343,660
Byron Township	73,235
Gaines Township	58,059
Alpine Township	83,978
Cascade Township	102,815
Davenport College	226,691
DASH	651,845
Grand Valley State University	1,483,495
Network 180	1,483,804
Other local services	231,401
Total local revenue	14,738,983
Other Income	
Gain on sale of property	32,880
Interest income	299,512
Miscellaneous	24,366
Total other income	356,758
Total Nonoperating Revenues - Local	\$ 15,095,741

Interurban Transit Partnership

Nonoperating Revenues - State and Federal

<i>Year ended September 30,</i>	<i>2007</i>
State of Michigan Grants	
General operating assistance	\$ 9,091,575
Capital assistance	104,057
Planning and miscellaneous project assistance	53,769
Specialized services	463,289
Job Access and Reverse Commute	438,105
Total State of Michigan grants	10,150,795
Federal Government Grants	
Capital assistance	1,022,877
Planning and miscellaneous project assistance	1,032,454
Job Access and Reverse Commute	438,105
Total federal government grants	2,493,436
Total Nonoperating Revenues - State and Federal	\$ 12,644,231

<i>Year ended September 30, 2007</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 6,379,350	\$ -
Other salaries and wages	809,678	1,423,502
Dispatchers' salaries and wages	129,792	-
Total labor	7,318,820	1,423,502
Fringe Benefits	4,208,346	818,518
Services	256,582	645,864
Materials and Supplies Consumed		
Fuel and lubricants	2,232,917	-
Tires and tubes	-	7,927
Other materials and supplies	23,088	888,589
Total materials and supplies consumed	2,256,005	896,516
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	-	-
Other insurance	-	-
Total casualty and liability costs	-	-

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations				Total
Administration	Total	Grants		System
\$ -	\$ 6,379,350	\$ -	\$ 6,379,350	
1,177,103	3,410,283	124,927	3,535,210	
-	129,792	-	129,792	
1,177,103	9,919,425	124,927	10,044,352	
676,838	5,703,703	72,473	5,776,176	
319,956	1,222,402	922,565	2,144,967	
-	2,232,917	-	2,232,917	
-	7,927	113,526	121,453	
108,039	1,019,716	376,392	1,396,108	
108,039	3,260,560	489,918	3,750,478	
497,495	497,495	-	497,495	
619,632	619,632	-	619,632	
152,700	152,700	-	152,700	
772,332	772,332	-	772,332	

<i>Year ended September 30, 2007</i>	General	
	Operations	Maintenance
Purchased Transportation	\$ 5,791,447	\$ -
Miscellaneous		
Travel and meetings	22,307	20,888
Advertising/promotion media	-	-
Other miscellaneous	440	30,170
Total miscellaneous	22,747	51,058
Leases and Rentals	-	-
Depreciation	-	-
Total Expenses	\$19,853,947	\$ 3,835,459

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>
\$ -	\$ 5,791,447	\$ 1,775,428	\$ 7,566,875
53,392	96,587	37,675	134,262
247,054	247,054	7,786	254,840
145,624	176,234	161,294	337,528
446,070	519,875	206,755	726,630
444	444	-	444
6,083,821	6,083,821	-	6,083,821
\$ 10,082,098	\$ 33,771,504	\$ 3,592,066	\$37,363,570

			320	
			MI-90-X-381	330
		001	02-0049-Z5	MI-03-X-184
		General	FY 02	02-0049-Z4
<i>Year ended September 30, 2007</i>	Total	Operations	Section 5307	Corridor Study
Expenses				
Labor	\$10,044,352	\$ 9,919,425	\$ -	\$ -
Fringe benefits	5,776,176	5,703,703	-	-
Services	2,144,967	1,222,402	-	19,760
Materials and supplies consumed	3,750,478	3,260,560	93,530	-
Utilities	497,495	497,495	-	-
Casualty and liability costs	772,332	772,332	-	-
Purchased transportation	7,566,875	5,791,447	-	-
Miscellaneous	726,630	519,875	-	-
Leases and rentals	444	444	-	-
Depreciation	6,083,821	6,083,821	-	-
Total Expenses	\$37,363,570	\$ 33,771,504	\$ 93,530	\$ 19,760

Interurban Transit Partnership

Schedule of Expenses by Grant

340 MI-90-X-399 02-0049-Z10 FY 03 Section 5307	360 MI-90-X-399 02-0049-Z10 FY 04 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
\$ -	\$ -	\$ 515	\$ 97,839	\$ 12,216
-	-	307	56,030	8,261
7,192	88,033	430,436	280,270	-
146,076	144,921	11,274	61,502	-
-	-	-	-	-
-	-	-	-	-
-	111,353	-	237,480	-
2,762	7,583	46,088	2,614	9,423
-	-	-	-	-
-	-	-	-	-
\$ 156,030	\$ 351,890	\$ 488,620	\$ 735,735	\$ 29,900

	420	730	740	741
	MI-90-X-529	2006-0238	MI-37-X012	MI-37-X016
	FY07	FY06	02-0049-Z16	02-0049-Z20
<i>Year ended September 30, 2007</i>	Section 5307	RTAP	JARC	JARC
Expenses				
Labor	\$ 11,195	\$ 3,162	\$ -	\$ -
Fringe benefits	6,294	1,581	-	-
Services	93,884	-	-	-
Materials and supplies consumed	32,615	-	-	-
Utilities	-	-	-	-
Casualty and liability costs	-	-	-	-
Purchased transportation	87,097	-	768,183	108,026
Miscellaneous	1,317	136,968	-	-
Leases and rental	-	-	-	-
Depreciation	-	-	-	-
Total Expenses	\$ 232,402	\$ 141,711	\$ 768,183	\$ 108,026

Interurban Transit Partnership

Schedule of Expenses by Grant

	839	
783	MI-04-0024	
07-0230-Z1	07-0230-Z4	
Specialized	FY07	
Services	Section 5309	
\$ -	\$ -	
-	-	
-	2,990	
-	-	
-	-	
-	-	
463,289	-	
-	-	
-	-	
-	-	
\$ 463,289	\$ 2,990	

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2007</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 6,379,350	\$ -	\$ -	\$ 6,379,350
Other salaries and wages	809,678	1,423,502	1,167,277	3,400,457
Dispatchers' salaries and wages	129,792	-	-	129,792
Total labor	7,318,820	1,423,502	1,167,277	9,909,599
Fringe Benefits				
	4,208,346	818,518	671,188	5,698,052
Services				
	256,582	645,863	319,854	1,222,299
Materials and Supplies Consumed				
Fuel and lubricants	2,232,917	-	-	2,232,917
Tires and tubes	-	7,927	-	7,927
Other materials and supplies	23,088	888,589	107,820	1,019,497
Total materials and supplies consumed	2,256,005	896,516	107,820	3,260,341
Utilities				
Other	-	-	497,495	497,495
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	-	-	619,632	619,632
Other insurance	-	-	152,700	152,700
Total casualty and liability costs	-	-	772,332	772,332

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2007</i>	Operations	Maintenance	Administration	Total
Purchased Transportation	\$ 5,688,323	\$ -	\$ -	\$ 5,688,323
Miscellaneous				
Travel and meetings	22,307	20,888	53,346	96,541
Advertising/promotion media	-	-	247,054	247,054
Other miscellaneous	440	30,170	145,609	176,219
Total miscellaneous	22,747	51,058	446,009	519,814
Leases and Rentals	-	-	444	444
Depreciation	-	-	6,083,821	6,083,821
Total Expenses	\$ 19,750,823	\$ 3,835,457	\$ 10,066,240	\$ 33,652,520

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Interurban Transit Partnership

Schedule of Regular Service Revenues - Urban

<i>Year ended September 30,</i>	2007
Operating Revenues	
Passenger fares	\$ 4,276,777
Advertising	131,270
Total operating revenues	4,408,047
Nonoperating Revenues	
Property taxes	10,343,660
Other local	4,704,204
State assistance - other	9,025,395
Total nonoperating revenues	24,073,259
Total Revenues	\$ 28,481,306

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Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2007</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	273,642	26,660	11,980	312,282
Revenue hours - linehaul	260,960	25,774	11,564	298,298
Total vehicle hours - demand response	190,013	10,093	8,392	208,498
Revenue hours - demand response	156,864	8,878	7,321	173,063
Total vehicle miles - linehaul	3,700,577	388,175	151,375	4,240,127
Revenue miles - linehaul	3,500,660	372,516	144,157	4,017,333
Total vehicle miles - demand response	2,702,681	136,067	107,618	2,946,366
Revenue miles - demand response	2,155,130	115,350	90,452	2,360,932

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Interurban Transit Partnership

Schedule of Regular Service Expense by Function - Nonurban

<i>Year ended September 30, 2007</i>	Operations	Maintenance	Administration	Total
Labor				
Other salaries and wages	\$ -	\$ -	\$ 9,827	\$ 9,827
Fringe Benefits	-	-	5,650	5,650
Services	-	-	103	103
Materials and Supplies Consumed				
Other materials and supplies	-	-	219	219
Purchased Transportation	103,124	-	-	103,124
Miscellaneous				
Travel and meetings	-	-	46	46
Other miscellaneous	-	-	15	15
Total miscellaneous	-	-	61	61
Total Expenses	\$ 103,124	\$ -	\$ 15,860	\$ 118,984

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Interurban Transit Partnership

Schedule of Regular Service Revenues - Nonurban

<i>Year ended September 30,</i>	<i>2007</i>
Operating Revenues	
Passenger fares	\$ 17,272
Nonoperating Revenues	
Other local	35,532
State operating assistance	45,952
Federal 5311 operating assistance	20,228
Total nonoperating revenues	101,712
Total Revenues	\$ 118,984

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Interurban Transit Partnership

Schedule of Vehicle Miles - Nonurban

<i>Year ended September 30, 2007</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - demand response	4,693	357	299	5,349
Revenue hours - demand response	4,096	315	262	4,673
Total vehicle miles - demand response	65,079	4,800	3,830	73,709
Revenue miles - demand response	55,979	4,088	3,226	63,293

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Interurban Transit Partnership

Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2007</i>	State Operating Assistance Urban	State Operating Assistance Nonurban	Total
General Operating Expenses	\$ 33,652,520	\$ 118,984	\$ 33,771,504
Less Ineligible Expenses			
Depreciation expense	6,083,821	-	6,083,821
APTA and MPTA dues	4,147	-	4,147
Other	52,187	-	52,187
	6,140,155	-	6,140,155
Eligible Operating Expenses	\$ 27,512,365	\$ 118,984	\$ 27,631,349
Maximum State Operating Assistance (50/60%)	\$ 13,756,183	\$ 71,391	\$ 13,827,574
State Operating Assistance Accrual (32.52/38.62%)	\$ 8,947,021	\$ 45,952	\$ 8,992,973

<i>Federal Grantor/Program Title</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
Federal Transit Authority			
FTA Capital and Planning	20.507	MI-90-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
Total Capital and Planning Assistance - Section 5307			
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
Total Capital Assistance - Section 5309			
FTA Miscellaneous JARC - Section 5316	20.516	MI-37-0012	740
FTA Miscellaneous JARC - Section 5316	20.516	MI-37-0016	741
FTA Miscellaneous - Section 5313(b)	20.515	MI-80-0014	791
Total Miscellaneous			
FTA Rural Transit Assistance Program	20.509	-	730
Total Federal Financial Assistance			

⁽¹⁾ Insurance proceeds received for destroyed bus shelter.

⁽²⁾ Correction to federal share. In prior year federal share was reported at 80%. Correct amount is 83%.

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/06	Adjustments	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/07
\$ 33,580	\$ -	\$ 42,281	\$ 94,941	\$ 86,240
(94,912)	-	217,777	340,095	27,406
214,953	-	1,898,302	1,700,906	17,557
980,245	(7,460) ⁽¹⁾	2,695,852	1,794,121	71,054
192,010	-	1,639,801	2,078,504	630,713
-	-	-	23,920	23,920
-	-	435,117	665,138	230,021
<u>1,325,876</u>	<u>(7,460)</u>	<u>6,929,130</u>	<u>6,697,625</u>	<u>1,086,911</u>
1,248	-	-	-	1,248
466,507	121,789 ⁽²⁾	953,402	508,250	143,144
-	-	2,973,204	2,971,982	(1,222)
-	-	710,183	771,063	60,880
<u>467,755</u>	<u>121,789</u>	<u>4,636,789</u>	<u>4,251,295</u>	<u>204,050</u>
(242,022)	-	110,444	384,092	31,626
(9,381)	-	50,514	54,013	(5,882)
<u>33,814</u>	<u>-</u>	<u>33,814</u>	<u>-</u>	<u>-</u>
<u>(217,589)</u>	<u>-</u>	<u>194,772</u>	<u>438,105</u>	<u>25,744</u>
<u>90,768</u>	<u>-</u>	<u>112,923</u>	<u>141,711</u>	<u>119,556</u>
<u>\$ 1,666,810</u>	<u>\$ 114,329</u>	<u>\$ 11,873,614</u>	<u>\$ 11,528,736</u>	<u>\$ 1,436,261</u>

<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	2002-049-Z24	782
Specialized Services	2007-0230-Z1	783
Section 5309	2002-0049-Z31	832
Section 5309	2007-0230-Z4	839
Section 5208	2002-0049-Z26	850

Total State Assistance

⁽¹⁾ Correction to state share. In prior year state share was reported at 20%. Correct amount is 17%.

Interurban Transit Partnership

Schedule of Expenditures of State Awards

Accrued (Deferred) Revenue				Accrued (Deferred) Revenue	
10/1/06	Adjustments	Receipts	Expenditures	9/30/07	
\$ 38,919	\$ -	\$ 60,155	\$ 23,735	\$ 2,499	
39,273	-	87,610	84,190	35,853	
166,645	-	277,894	391,259	280,010	
50,657	-	200,427	229,803	80,033	
-	-	163,782	194,075	30,293	
-	-	-	2,990	2,990	
-	-	-	92,332	92,332	
179,849	-	367,045	384,092	196,896	
-	-	-	54,013	54,013	
101,696	-	101,696	-	-	
-	-	346,523	463,289	116,766	
811,923	(121,789) ⁽¹⁾	794,234	104,100	-	
-	-	-	742,996	742,996	
-	-	-	192,766	192,766	
\$ 1,388,962	\$ (121,789)	\$ 2,399,366	\$ 2,959,640	\$1,827,447	

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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, 2007, and have issued our report thereon dated December 21, 2007. 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.

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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*.

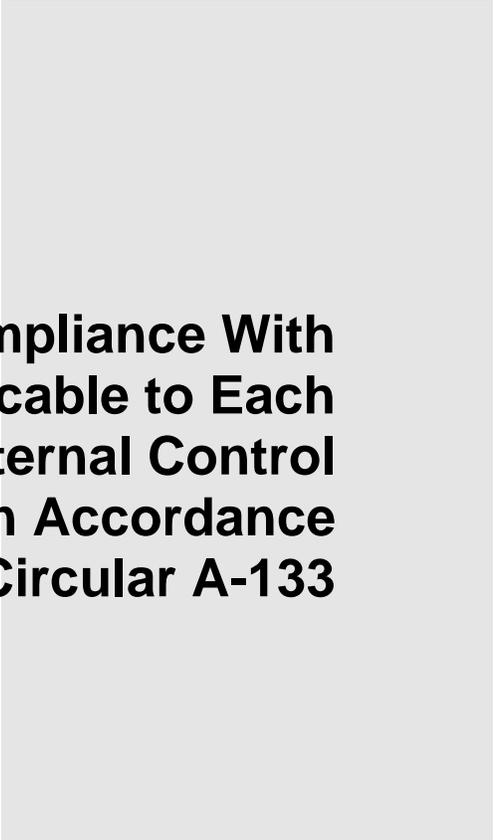
We noted certain matters that we reported to management of Interurban Transit Partnership in a separate letter dated December 21, 2007.

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
December 21, 2007

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**Report on Compliance With
Requirements Applicable to 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 are applicable to its major federal programs for the year ended September 30, 2007. 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, 2007.

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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 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
December 21, 2007

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2007

Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the financial statements of Interurban Transit Partnership.

The audit did not disclose any noncompliance which is material to the financial statements of Interurban Transit Partnership.

The auditors' report on compliance for major programs of Interurban Transit Partnership expresses an unqualified opinion.

The audit did not disclose any findings relative to major programs that are required to be reported herein in accordance with OMB Circular A-133.

The Authority had one major program: Transit Capital Grants Cluster, which consists of CFDA Nos. 20.500 and 20.507.

The dollar threshold used to distinguish between Type A and Type B programs was \$345,800.

Interurban Transit Partnership qualified as a low-risk auditee.

Findings Related to the Financial Statements

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

Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.

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Interurban Transit Partnership

Summary Schedule of Prior Audit Findings

Federal Transit Authority

Job Access and Reverse Commute Grant No. MI-37-0012

CFDA No. 20.516

Year ended September 30, 2006

Finding #06-1

The Interurban Transit Partnership (ITP) drew down excess funds for this Federal Transit Authority (FTA) grant which were not spent within a reasonable timeframe. At September 30, 2006, ITP had on hand excess grant funds of \$242,022.

Grantees are required to minimize the time between receipt of funds from the U.S. Treasury and disbursement of those funds.

Status

The finding has been corrected.

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