



Interurban Transit Partnership

Financial Statements
and Single Audit Reports
Years Ended September 30, 2020 and 2019

Interurban Transit Partnership

Financial Statements and Single Audit Reports
Years Ended September 30, 2020 and 2019

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Interurban Transit Partnership

Contents

Independent Auditor's Report	5-9
Management's Discussion and Analysis	11-16
Basic Financial Statements	
Enterprise Fund:	
Statements of Net Position	19-20
Statements of Revenues, Expenses and Change in Net Position	22
Statements of Cash Flows	23-24
Fiduciary Funds:	
Statements of Fiduciary Net Position	25
Statements of Change in Fiduciary Net Position	26
Notes to Financial Statements	27-41
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability and Related Ratios - Administrative Plan	44
Schedule of Changes in the Net Pension Liability and Related Ratios - Non-Administrative Plan	45
Schedule of Contributions - Administrative Plan	46
Schedule of Contributions - Non-Administrative Plan	47
Combining Statements and Supplementary Information	
Pension Trust Funds:	
Combining Statement of Plan Net Position	50
Combining Statement of Changes in Plan Net Position	51
Schedule of Non-Operating Revenues - Local	52
Schedule of Non-Operating Revenues - State and Federal	53
Schedule of Operating Expenses by Function	54-57
Schedule of Expenses by Grant	58-60
Schedule of Regular Service Expenses by Function - Urban	61
Schedule of Regular Service Revenues - Urban	62
Schedule of Hours and Miles - Urban	63
Schedule of Operating Assistance Calculation	65-66
Schedule of Expenditures of Federal Awards	67
Notes to Schedule of Expenditures of Federal Awards	68
Schedule of Expenditures of State Awards	69-70
Additional Information	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	74-76
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	78-80
Schedule of Findings and Questioned Costs	82

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Independent Auditor's Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Interurban Transit Partnership (ITP) as of and for the years ended September 30, 2020 and 2019 (as of and for the years ended June 30, 2020 and 2019 for the Pension Trust Funds), and the related notes to the financial statements, which collectively comprise ITP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ITP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ITP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Partnership as of September 30, 2020 and 2019 (June 30, 2020 and 2019 for the Pension Trust Funds), and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 11-15 and the schedules of changes in ITP's net pension liability and related ratios and the schedules of contributions and actuarial assumptions on pages 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise ITP's basic financial statements. The accompanying combining statements, various schedules as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining statements, various schedules as listed in the table of contents and the schedule of expenditures of federal awards, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of ITP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ITP's internal control over financial reporting and compliance.

BDO USA, LLP

January 21, 2021

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Interurban Transit Partnership

Management's Discussion and Analysis

Year Ended September 30, 2020

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, 2020 and 2019.

Financial Highlights

- The state operating assistance rate for FY20 was 30.9848%, down from 32.04% in FY19, and 32.93% in FY18.
- ITP levied 1.45 mills in 2020 and 1.47 mills in both 2019 and 2018, as approved by the taxpayers, adjusted by MCL211.34d (Headlee adjustment).
- GASB 68 - *Accounting and Financial Reporting for Pensions* became effective for FY15. This pronouncement requires that ITP's net pension liability, as well as deferred outflows and inflows of resources related to pensions, be recorded in its financial statements. ITP recognized a net pension liability of \$4,015,145 and \$3,506,015 at September 30, 2020 and 2019, respectively.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements and notes to the financial statements, required supplementary information, 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 Position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of ITP are included in the Statements of Net Position.

The Statements of Net Position report the net position and how it has changed. Net position, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the financial health or position of ITP.

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Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

Financial Analysis of ITP

Net Position

ITP's net position increased by \$34.2 million during FY20, an increase of 26% from FY19 (see Table A-1).

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

<i>September 30,</i>	2020	2019	2018
Current assets	\$ 38,543	\$ 33,692	\$ 27,770
Capital assets, net	158,354	133,881	114,089
Total assets	196,897	167,573	141,859
Deferred outflows of resources	1,327	1,125	969
Current liabilities	8,566	13,638	7,633
Net pension liability	4,015	3,506	3,163
Deferred inflows of resources	21,149	21,235	21,506
Net position			
Investment in capital assets	158,354	133,881	114,089
Unrestricted	6,140	(3,562)	(3,563)
Total Net Position	\$ 164,494	\$ 130,319	\$ 110,526

Net position increased by \$34.2 million from FY19. In FY20, total assets increased by \$29.3 million primarily due to the Laker Line going into service in August. Current liabilities decreased by \$5.1 million, also due to the completion of the Laker Line project, which decreased the accounts payable liability in FY20.

The increase in net position during FY19 was due to the increase in current and capital assets, primarily due to the Laker Line project. The grant receivables are significantly higher than previous years.

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Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

Changes in Net Position

Net position increased by \$34.2 million from September 30, 2019 to September 30, 2020 (see Table A-2).

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

<i>Year ended September 30,</i>	2020	2019	2018
Operating revenues			
Passenger fares	\$ 4,075	\$ 6,590	\$ 7,018
Advertising	208	132	166
Total operating revenues	4,283	6,722	7,184
Operating expenses			
Salaries and fringe benefits	28,097	28,839	24,756
Supplies and other operating expenses	20,627	21,703	20,352
Depreciation and loss on disposal of assets	13,839	11,914	11,369
Total operating expenses	62,563	62,456	56,477
Operating loss	(58,280)	(55,734)	(49,293)
Non-operating revenues			
State and federal	31,052	20,247	17,974
Property taxes	16,791	16,238	16,067
Other local	6,300	7,335	6,230
Total non-operating revenues	54,143	43,820	40,271
Loss before capital contributions	(4,137)	(11,914)	(9,022)
Capital contributions	38,312	31,707	7,785
Change in net position	34,175	19,793	(1,237)
Net Position, beginning of year	130,319	110,526	111,763
Net Position, end of year	\$ 164,494	\$ 130,319	\$ 110,526

The change in total operating revenue from the prior year is mainly due to the reduction in service levels due to the majority of bus routes being shut down in April through June 2020 due to the COVID-19 pandemic. Non-operating revenues increased due to the execution of the CARES Act grant that assisted in the loss of revenue by reimbursing eligible operating expenses. Capital contributions increased by \$6.6 million in FY20 as the Laker Line project came to completion and started service in August. In 2019, as compared to 2018, capital contributions increased compared to the prior year due to the Laker Line project, resulting in an increase in net position.

Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

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

<i>Year ended September 30,</i>	2020	2019	Percentage Change
Labor	\$ 18,326	\$ 18,723	(2.1) %
Fringe benefits	9,770	10,116	(3.4)
Services	3,782	3,058	23.7
Materials and supplies consumed	3,967	6,696	(40.8)
Utilities	1,010	920	9.8
Casualty and liability costs	1,772	1,597	11.0
Purchased transportation	6,691	8,745	(23.5)
Miscellaneous	543	650	(16.5)

The main reason for changes from FY19 to FY20 is due to the reduction in the service levels, along with the addition of safety protocols due to the pandemic.

Services expenses increased from FY19 to FY20 as additional safety protocols were put in place to disinfect buses, additional cleanings of the building, etc.

The materials and supplies expenses decreased from FY19 to FY20 due mainly to reduction in fuel consumption and price.

Purchase transportation expenses decreased because of the reduction in service from FY19 to FY20.

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

<i>Year ended September 30,</i>	2019	2018	Percentage Change
Labor	\$ 18,723	\$ 17,420	7.5%
Fringe benefits	10,116	7,336	37.9
Services	3,058	3,327	(8.0)
Materials and supplies consumed	6,696	5,083	31.7
Utilities	920	924	(0.4)
Casualty and liability costs	1,597	1,454	9.8
Purchased transportation	8,745	8,526	2.6
Miscellaneous	650	1,037	(37.3)

Labor costs increased from FY18 to FY19 due to the operators and maintenance staffing. Route 19 and Dash increased service at the end of FY18, but was operated for a full in year FY19 which caused wages to increase over FY18. The maintenance department was understaffed the majority of the year, which caused overtime to increase.

Fringe benefits increased in FY19 because in FY18, there were significant plan changes to the defined benefit programs, resulting in a significant decrease in pension liability. The decrease in pension liability resulted in a material savings in expense of \$1.8 million, which is a one year

Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

adjustment. This FY18 expense reduction is driving the variance from FY19 to FY18. In FY19, no major plan changes were made. It is expected that going forward the liability adjustments will not have a material impact on the pension expense.

The materials and supplies expenses increased from FY18 to FY19 due to noncapital expenses for the Laker Line project. FY18 did not include any materials and supplies expenses, as the project started construction in FY19.

Capital Assets

As of September 30, 2020, ITP had invested \$260 million in capital assets including land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2020 totaled approximately \$158 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$24.5 million, or 18.3%, from September 30, 2019.

As of September 30, 2019, ITP had invested \$226 million in capital assets including land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2019 totaled approximately \$134 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$19.8 million, or 17.5%, from September 30, 2018.

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Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

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

<i>September 30,</i>	2020	2019	Percentage Change
Land	\$ 9,368	\$ 9,368	-
Artwork	368	368	-
Easements	55	55	-
Construction in progress	1,147	22,511	(94.9)
Land improvements	2,715	2,968	8.5
Facilities	87,855	53,214	65.1
Revenue vehicles	47,224	36,794	28.3
Support equipment	3,807	3,613	5.4
Information systems and technology	5,512	4,700	17.3
Software and software development	303	290	4.3
Total Net Capital Assets	\$ 158,354	\$ 133,881	18.3 %

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

<i>September 30,</i>	2019	2018	Percentage Change
Land	\$ 9,368	\$ 9,368	-%
Artwork	368	368	-
Easements	55	55	-
Construction in progress	22,511	5,478	310.9
Land improvements	2,968	3,220	(7.8)
Facilities	53,214	56,010	(5.0)
Revenue vehicles	36,794	29,909	23.0
Support equipment	3,613	3,757	(3.8)
Information systems and technology	4,700	5,566	(15.6)
Software and software development	290	358	(19.0)
Total Net Capital Assets	\$ 133,881	\$ 114,089	17.5%

Economic Factors and Next Year's Budget

There are many unknowns in FY21 due to the impact of COVID-19. Our focus remains on improving and increasing service and ridership, while maintaining safety and community trust.

With reduction in service levels, passenger fares and contract service revenue will be lower in FY21. Property tax revenue is anticipated to be stable, and the addition of CARES Act funding will assist with the loss of fare revenue. State operating assistance will be 31.6001% in FY21.

The health and safety of our customers and employees is a priority. Additional bus and facility cleanings, personal protective equipment, and other safety supplies are included in the FY21 budget. The conversion of the line haul fleet from diesel to CNG (compressed natural gas) is on track. In FY21, the fleet will be 50% diesel and 50% CNG.

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Basic Financial Statements

Interurban Transit Partnership

Statements of Net Position Enterprise Fund

<i>September 30,</i>	2020	2019
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 27,513,058	\$ 18,977,235
Property taxes receivable, net	1,730,862	2,268,505
Due from federal government	3,773,491	7,471,681
Due from State of Michigan	1,152,587	2,510,112
Billed receivables	3,766,690	1,660,555
Materials and supplies inventories	579,685	577,150
Prepaid expenses and deposits	26,625	226,625
Total Current Assets	38,542,998	33,691,863
Capital Assets (Note 3)		
Facilities	116,360,639	78,119,499
Revenue vehicles	87,165,968	73,298,797
Support equipment	16,237,255	15,719,161
Land and improvements	14,566,181	14,566,181
Information systems, technology and software	24,014,557	21,303,288
Other nondepreciable assets	423,470	423,470
Construction in progress	1,147,039	22,510,897
	259,915,109	225,941,293
Less accumulated depreciation	(101,560,892)	(92,059,724)
Net Capital Assets	158,354,217	133,881,569
Total Assets	196,897,215	167,573,432
Deferred Outflows of Resources		
Related to pensions (Note 4)	1,326,678	1,124,566

Interurban Transit Partnership

Statements of Net Position Enterprise Fund

<i>September 30,</i>	2020	2019
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,447,545	\$ 9,115,285
Accrued payroll	2,648,305	2,658,988
Unredeemed fares	305,665	176,076
Unearned revenues	271,481	298,748
Due to State of Michigan	1,893,152	1,388,723
Total Current Liabilities	8,566,148	13,637,820
Net Pension Liability (Note 4)	4,015,145	3,506,015
Total Liabilities	12,581,293	17,143,835
Deferred Inflows of Resources		
Property taxes received or receivable before the levy date	17,395,614	16,584,149
Related to pensions (Note 4)	3,752,808	4,651,093
Total Deferred Inflows of Resources	21,148,422	21,235,242
Net Position		
Investment in capital assets	158,354,217	133,881,569
Unrestricted	6,139,961	(3,562,648)
Total Net Position	\$ 164,494,178	\$ 130,318,921

See accompanying notes to financial statements.

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Interurban Transit Partnership
Statements of Revenues, Expenses and Change in Net Position
Enterprise Fund

<i>Year ended September 30,</i>	2020	2019
Operating Revenues		
Passenger fares	\$ 4,075,367	\$ 6,590,438
Advertising (Note 1)	207,249	131,890
Total operating revenues	4,282,616	6,722,328
Operating Expenses		
Salaries and fringe benefits	28,096,715	28,838,832
Supplies and other operating expenses	20,626,630	21,703,354
Depreciation and loss on disposal of assets	13,839,510	11,914,171
Total operating expenses	62,562,855	62,456,357
Operating loss	(58,280,239)	(55,734,029)
Non-Operating Revenues		
State	15,621,444	16,460,562
Federal	15,430,314	3,786,323
Property taxes	16,791,217	16,237,538
Other local	6,300,363	7,335,434
Total non-operating revenues	54,143,338	43,819,857
Loss before capital contributions	(4,136,901)	(11,914,172)
Capital Contributions	38,312,158	31,707,206
Change in net position	34,175,257	19,793,034
Net Position, beginning of year	130,318,921	110,525,887
Net Position, end of year	\$ 164,494,178	\$ 130,318,921

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2020	2019
Cash From (for) Operating Activities		
Receipts from customers	\$ 2,306,070	\$ 8,306,327
Payments to suppliers	(26,096,905)	(14,921,122)
Payments to employees and fringe benefits	(28,698,665)	(29,462,006)
Net cash for operating activities	(52,489,500)	(36,076,801)
Cash From Noncapital Financing Activities		
Federal grants received	15,434,023	3,786,325
State grants received	17,484,330	14,225,121
Local government assistance received	5,871,211	7,032,845
Property taxes	18,140,325	17,267,100
Other income	305,772	164,961
Net cash from noncapital financing activities	57,235,661	42,476,352
Cash From (for) Capital and Related Financing Activities		
Federal contributed capital	34,396,324	19,850,866
State contributed capital	7,657,077	6,341,441
Local contributed capital	(74,961)	74,961
Purchase of capital assets	(38,312,158)	(31,707,206)
Proceeds from sale of capital assets	49,991	69,778
Net cash from (for) capital and related financing activities	3,716,273	(5,370,160)
Cash From Investing Activity		
Interest received on investments	73,389	67,850
Net Increase in Cash and Investments	8,535,823	1,097,241
Cash and Investments, beginning of year	18,977,235	17,879,994
Cash and Investments, end of year	\$ 27,513,058	\$ 18,977,235

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2020	2019
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (58,280,239)	\$ (55,734,029)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation and loss on disposal of assets	13,839,510	11,914,171
Changes in assets and liabilities:		
(Increase) decrease in billed receivables	(2,106,135)	1,463,504
Increase in inventories	(2,535)	(8,011)
(Increase) decrease in prepaid expenses and deposits	200,000	(50,000)
Increase (decrease) in accounts payable	(5,667,740)	6,840,242
Increase (decrease) in accrued payroll	(10,683)	3,407
Increase in unredeemed fares	129,589	120,496
Decrease in pension-related items	(591,267)	(626,581)
Net Cash for Operating Activities	\$ (52,489,500)	\$ (36,076,801)

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Fiduciary Net Position
Fiduciary Funds

<i>June 30,</i>	Pension Trust Funds	
	2020	2019
Assets		
Cash and short-term investments (Note 2)	\$ 1,166,424	\$ 757,128
Receivables		
Interest and dividends receivable	50	466
Investments, at fair value (Note 2)		
Bond mutual funds	3,199,577	3,238,283
Equity mutual funds	8,009,798	7,915,045
Total investments, at fair value	11,209,375	11,153,328
Total Assets	12,375,849	11,910,922
Net Position Held in Trust for Pension Benefits	\$ 12,375,849	\$ 11,910,922

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Change in Fiduciary Net Position
Fiduciary Funds

<i>Year ended June 30,</i>	Pension Trust Funds	
	2020	2019
Additions		
Employer and employee contributions	\$ 806,514	\$ 650,000
Investment income:		
Net appreciation	305,683	563,134
Interest	6,950	16,262
Dividends	280,966	291,978
Investment expense	(12,317)	(28,700)
Total investment income	581,282	842,674
Total additions	1,387,796	1,492,674
Deductions		
Benefits	883,235	3,963,272
Administrative expense	39,634	43,049
Total deductions	922,869	4,006,321
Change in net position	464,927	(2,513,647)
Net Position Held in Trust for Pension Benefits, beginning of year	11,910,922	14,424,569
Net Position Held in Trust for Pension Benefits, end of year	\$ 12,375,849	\$ 11,910,922

See accompanying notes to financial statements.

Interurban Transit Partnership

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Interurban Transit Partnership (ITP) was created in 2000 pursuant to the provisions of the Public Transit Authority Act of 1986, as amended. The six-member municipalities of East Grand Rapids, Grand Rapids, Grandville, Kentwood, Walker, and Wyoming each levy 1.47 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; expenses are recognized when incurred. Grants are recognized as revenue as soon as all eligibility requirements have been met.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expense generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues are passenger fares. Operating expense include salaries and benefits, supplies and operating expense and depreciation. All revenues not meeting this definition are reported as non-operating revenues.

Cash

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 in bond mutual funds and equities 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:

<i>Asset category</i>	Useful Life (in Years)
Facilities	20 - 40
Revenue vehicles	3 - 12
Support equipment	3 - 10
Land improvements	10 - 30
Information systems, technology and software	3 - 10

Unearned Revenues

Unearned 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 unearned revenue is removed from the statement of net position and revenue is recognized.

Deferred Outflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. ITP has pension-related items that qualify to be reported in this category. These amounts are expensed in the plan years in which it applies.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. ITP has two items that qualify for reporting in this category. First, ITP reports a deferred inflow of resources for property taxes received or receivable prior to the period for which they were levied. Second are the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of ITP's pension plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interurban Transit Partnership

Notes to Financial Statements

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position invested in capital assets is net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its 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 in the period for which they are levied, with proper allowances made for estimated uncollectible amounts. ITP levied 1.47 mills for FY20, as approved by the voters and adjusted by MCL211.34d (Headlee adjustment) in a prior year.

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.

Subsequent Events

Management has evaluated subsequent events through January 21, 2021, the date the financial statements were available to be issued.

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, 2020, the bank balances were \$28,334,561, of which \$27,584,561 was uninsured and uncollateralized.

Accounts Held by Government Depositors are Insured as Follows:

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

Investments

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

At September 30, 2020, ITP's Enterprise Fund had the following investment, which is measured at amortized cost:

Investment	Maturity	Amortized Cost
Kent County Investment Pool	Less than 1 year	\$ 378,774

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, 2020.

Interurban Transit Partnership

Notes to Financial Statements

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, 2020, ITP's investments had the following credit ratings and exposure:

Investment Type	Rating	Credit Exposure as a Percentage of Total Investments
Enterprise Fund		
Kent County Investment Pool	Not rated	100%
Pension Trust Funds		
Money market funds	Moody's A-mf	9.43
Bond mutual funds	Not rated	25.85

Fair Value Measurement

ITP is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 - Prices determined using significant unobservable inputs. In situations where quoted prices are observable, inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect on ITP's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The following tables set forth by level within the fair value hierarchy the investment assets at fair value as of June 30, 2020 and 2019. As required by the fair value measurement standard, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Interurban Transit Partnership

Notes to Financial Statements

The balances of assets measured at fair value on a recurring basis are as follows:

<i>June 30, 2020</i>	Level 1	Level 2	Level 3	Total
Pension Trust Fund				
Cash and short-term investments	\$ 1,166,424	\$ -	\$ -	\$ 1,166,424
Equity mutual funds	8,009,797	-	-	8,009,797
Bond mutual funds	3,199,578	-	-	3,199,578
Investments, at fair value	\$ 12,375,799	\$ -	\$ -	\$ 12,375,799
<hr/>				
<i>June 30, 2019</i>	Level 1	Level 2	Level 3	Total
Pension Trust Fund				
Cash and short-term investments	\$ 757,128	\$ -	\$ -	\$ 757,128
Equity mutual funds	7,915,045	-	-	7,915,045
Bond mutual funds	3,238,283	-	-	3,238,283
Investments, at fair value	\$ 11,910,456	\$ -	\$ -	\$ 11,910,456

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Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2020 is as follows:

	Balance October 1, 2019	Additions	Transfers/ Deletions	Balance September 30, 2020
Capital Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 22,510,897	\$ -	\$ 21,363,858	\$ 1,147,039
Land	9,367,620	-	-	9,367,620
Artwork	368,470	-	-	368,470
Easements - intangible	55,000	-	-	55,000
Software in development	-	-	-	-
Capital assets being depreciated:				
Facilities	78,119,499	38,466,872	225,732	116,360,639
Revenue vehicles	73,298,797	17,116,074	3,248,903	87,165,968
Support equipment	15,719,161	1,373,141	855,047	16,237,255
Land improvements	5,198,561	-	-	5,198,561
Information systems and technology	18,152,222	2,526,480	2,201	20,676,501
Software - intangible	3,151,066	193,450	6,460	3,338,056
Total capital assets	225,941,293	59,676,017	25,702,201	259,915,109
Accumulated depreciation:				
Facilities	24,905,568	3,826,218	225,732	28,506,054
Revenue vehicles	36,503,867	6,667,243	3,229,359	39,941,751
Support equipment	12,106,339	1,179,162	855,047	12,430,454
Land improvements	2,231,165	252,157	-	2,483,322
Information systems and technology	13,451,970	1,714,263	2,203	15,164,030
Software - intangible	2,860,815	180,923	6,457	3,035,281
Total accumulated depreciation	92,059,724	13,819,966	4,318,798	101,560,892
Net Capital Assets	\$ 133,881,569	\$ 45,856,051	\$ 21,383,403	\$ 158,354,217

Please note the \$21,363,858 transfer amount in construction in progress was done to distribute prior year expenditures to the appropriate asset category when the Laker Line went into service.

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Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2019 is as follows:

	Balance October 1, 2018	Additions	Transfers/ Deletions	Balance September 30, 2019
Capital Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 5,478,493	\$ 17,032,404	\$ -	\$ 22,510,897
Land	9,367,620	-	-	9,367,620
Artwork	368,470	-	-	368,470
Easements - intangible	55,000	-	-	55,000
Software in development	282,184	-	282,184	-
Capital assets being depreciated:				
Facilities	78,066,782	54,450	1,733	78,119,499
Revenue vehicles	65,718,670	12,863,458	5,283,331	73,298,797
Support equipment	14,846,288	1,015,468	142,595	15,719,161
Land improvements	5,198,561	-	-	5,198,561
Information systems and technology	17,799,200	652,397	299,375	18,152,222
Software - intangible	2,779,853	89,029	282,184	3,151,066
Total capital assets	199,961,121	31,707,206	5,727,034	225,941,293
Accumulated depreciation:				
Facilities	22,056,315	2,850,986	1,733	24,905,568
Revenue vehicles	35,810,158	5,798,047	5,104,338	36,503,867
Support equipment	11,089,396	1,159,538	142,595	12,106,339
Land improvements	1,978,871	252,294	-	2,231,165
Information systems and technology	12,233,127	1,518,218	299,375	13,451,970
Software - intangible	2,704,721	156,094	-	2,860,815
Total accumulated depreciation	85,872,588	11,735,177	5,548,041	92,059,724
Net Capital Assets	\$ 114,088,533	\$ 19,972,029	\$ 178,993	\$ 133,881,569

4. Pension and Retirement Plans

ITP has two single-employer defined benefit pension plans which provide retirement benefits to plan members and beneficiaries consisting of the Interurban Transit Partnership Pension Plan (Administrative Plan) and the Interurban Transit Partnership and Amalgamated Transit Union Pension Plan (Non-Administrative Plan).

Plan Description - Administrative Plan

ITP administers the Administrative Plan, a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. The plan is currently closed to new participants. Administrative employees were eligible to participate when they 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

Interurban Transit Partnership

Notes to Financial Statements

plan provided 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.

The financial statements of the plan are included in these financial statements as a Pension Trust Fund (a fiduciary fund).

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

	2020	2019
Retirees and beneficiaries currently receiving benefits	16	15
Terminated employees entitled to benefits but not yet receiving them	16	16
Active plan members	1	2
Total	33	33

Plan Description - Non-Administrative Plan

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

The financial statements of the plan are included in these financial statements as a Pension Trust Fund (a fiduciary fund).

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

	2020	2019
Retirees and beneficiaries currently receiving benefits	129	125
Terminated employees entitled to benefits but not yet receiving them	127	126
Active plan members	225	242
Total	481	493

Basis of Accounting

The financial statements of both plans 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 plans. Investments are reported at fair value.

Interurban Transit Partnership

Notes to Financial Statements

Funding Policy

The Administrative Plan was established and is being funded under the authority of ITP. Article 9, Section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. ITP retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. ITP is required to contribute the actuarially determined amount.

The Non-Administrative 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, 2017 to December 10, 2017, this rate is \$1.00 for each hour of service completed. ITP is required by the terms of the plan to contribute based on the negotiated rate. This fund is now closed.

Actuarial Assumptions

The total pension liability for both plans was determined by an actuarial valuation as of July 1, 2020 and the following actuarial assumptions, applied to all periods included in the measurement:

	Administrative Plan	Non-Administrative Plan
Inflation	2.50%	2.50%
Salary increases	0.00	0.00
Investment rate of return	3.50	4.00

Discount Rate

The discount rate used to measure the total pension liability for the Administrative Plan was 6.00% and 6.50% for the Non-Administrative Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, both plans' fiduciary net position was not projected to be sufficient to make all future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the depletion date), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate is used to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following tables present the pension plans' net pension liability, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.00%)	Current Rate (6.00%)	1% Increase (7.00%)
Administrative Plan			
Net Pension Liability	\$ 1,030,561	\$ 743,819	\$ 498,641

Interurban Transit Partnership

Notes to Financial Statements

<i>Non-Administrative Plan</i>	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 4,833,420	3,271,326	\$ 1,973,328

Long-Term Expected Rates of Return and Asset Allocation

The long-term expected rates of return of retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major asset class included in the retirement plan's investment policy.

<i>Asset Class</i>	Administrative Plan		Non-Administrative Plan	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	50%	6.0%	50%	6.50%
International equity	10	6.0	15	6.50
Fixed income	40	6.0	25	6.50
Real estate	0	0.0	10	6.50

Changes in the Net Pension Liability

The following table summarizes changes in the net pension liability related to the Administrative Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 2,759,802	\$ 1,907,376	\$ 852,426
Changes in pension liability			
Service cost			
Interest	166,683	-	166,683
Experience losses	70,045	-	70,045
Contributions - employer	-	419,186	(419,186)
Assumption change	139,623	-	139,623
Net investment income	-	79,677	(79,677)
Benefit payment	(185,757)	(185,757)	-
Administrative expenses	-	(13,905)	13,905
Net changes in pension liability	190,594	299,201	(108,607)
Balance, June 30, 2020	\$ 2,950,396	\$ 2,206,577	\$ 743,819

Interurban Transit Partnership

Notes to Financial Statements

The following table summarizes changes in the net pension liability related to the Non-Administrative Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 12,657,135	\$ 10,003,546	\$ 2,653,589
Changes in pension liability			
Interest	800,046	-	800,046
Experience losses	43,263	-	43,263
Contributions - employer	-	387,328	(387,328)
Assumption change	637,632	-	637,632
Net investment income	-	501,605	(501,605)
Benefit payment	(697,478)	(697,478)	-
Administrative expenses	-	(25,729)	25,729
Net changes in pension liability	783,463	165,726	617,737
Balance, June 30, 2020	\$ 13,440,598	\$ 10,169,272	\$ 3,271,326

Deferred Inflows and Outflows of Resources Related to the Pension Plan

At September 30, 2020, ITP reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Administrative Plan		Non-Administrative Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 217,374	\$ -	\$ 209,038	\$ 261,931
Changes of assumptions	-	992	825,822	3,456,453
Investment earnings losses	74,444	-	-	33,432
Total	\$ 291,818	\$ 992	\$ 1,034,860	\$ 3,751,816

Deferred outflows of resources and deferred inflows of resources that are the result of differences in expected and actual experience with regard to economic and demographic factors, or from changes in assumptions regarding those factors, are amortized over a closed period equal to the average of the expected remaining period of service for all plan participants. Those time periods are five years for both plans. The differences between projected and actual investment earnings are amortized over five years.

Interurban Transit Partnership

Notes to Financial Statements

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year ending September 30,</i>	Administrative Plan	Non- Administrative Plan	Total
2021	\$ 228,082	\$ (566,129)	\$ (328,047)
2022	28,767	(507,744)	(478,977)
2023	24,699	(494,966)	(470,267)
2024	9,278	(475,081)	(465,803)
2025	-	(502,622)	(502,622)
Thereafter	-	(170,414)	(170,414)

Components of Pension Expense

For the year ended September 30, 2020, ITP recognized pension expense of \$480,715 for the Administrative Plan and \$(265,468) for the Non-Administrative Plan.

Below are the components of the total pension expense:

<i>Year ended September 30, 2020</i>	Administrative Plan	Non- Administrative Plan
Interest	\$ 166,683	\$ 800,046
Experience (gains) losses	226,140	(16,024)
Assumption change	142,489	(486,598)
Projected earnings on pension plan investments	(126,071)	(639,314)
Investment earnings losses	57,569	50,693
Administrative expenses	13,905	25,729
Total Pension Expense	\$ 480,715	\$ (265,468)

For the year ended September 30, 2020, actual cash payments made were \$419,186 and \$387,328 for the Administrative Plan and the Non-Administrative Plan, respectively.

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 9% of compensation paid during the month. ITP made contributions totaling \$423,761 for the year ended September 30, 2020.

Defined Contribution - Non-Administrative Plan

ITP has a contributory defined contribution benefit plan for its non-administrative employees. The plan had an initial effective date of August 1, 2018, with ITP contributions retroactive to the December 11, 2017 effective date of a new bargaining agreement. Non-administrative employees

Interurban Transit Partnership

Notes to Financial Statements

are eligible to participate after completion of a probationary period of 90 or 150 days. The plan provides 100% vesting after five years of service, with intermediate vesting levels for fewer years of service. Contributions are made bi-weekly and consist of 6% of eligible compensation, plus a match of participants' additional elective contributions up to 1% of eligible compensation. ITP made contributions totaling \$886,654 for the year ended September 30, 2020.

5. Risk Management

ITP is exposed to various risks of loss related to torts, theft of and damage to assets, errors and omissions, injuries to employees and natural disasters. ITP carries commercial insurance for most risks of loss, including employee life, health and accident insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. ITP participated in a public entity risk pool for property and liability coverage through November 30, 2009. ITP paid an annual premium to the pool, which is adjusted retroactively to reflect the actual cost. Each member is responsible for all losses falling within its selected retention level, plus its share of pool losses and administrative expenses, less its share of investment income. The agreement for formation of the Michigan Transit Pool (the Pool) provides that the Pool will be self-sustaining through member premiums and will provide property and liability coverage to its members for the first \$2,000,000 per occurrence. The Pool has purchased excess insurance for an additional \$3,000,000 per occurrence. In addition, ITP carried excess insurance for an additional \$5,000,000 per occurrence. The Pool publishes its own financial report which can be obtained from the Pool. ITP's participation in the Pool ended as of December 1, 2009 except with regard to known and unknown covered events occurring prior to December 1, 2009. ITP currently purchases commercial insurance for property and liability with coverage of \$5,000,000 per occurrence with a \$50,000 deductible and has excess coverage for an additional \$5,000,000. 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 2020 and 2019 of up to 50% of eligible expenses, based on actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$21,379,383 and \$22,771,743 in 2020 and 2019, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 30.9848% and 32.04%, respectively, totaled \$13,248,718 and \$14,591,040 in 2020 and 2019, 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 (20%). 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.

Interurban Transit Partnership

Notes to Financial Statements

Contingencies

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

7. Risks and Uncertainties

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

ITP's operations are heavily dependent on the ability to raise property taxes and charges for services. Additionally, access to grants and contracts from federal, state and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, ITP's financial condition and liquidity may be negatively impacted for FY21.

CARES Act

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. There is no assurance ITP is eligible for these funds or will be able to obtain them.

Also, as part of the CARES Act, ITP received a Section 5307 grant for operating and capital assistance. This grant was fully federal and did not require a local match. The grant award was \$28.4 million, of which ITP spent \$11.2 million as of September 30, 2020.

ITP continues to examine the impact that the CARES Act may have on its operations. Currently, ITP is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

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Required Supplementary Information

Interurban Transit Partnership

Schedule of Changes in the Net Pension Liability and Related Ratios - Administrative Plan

<i>Year ended June 30,</i>	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 77,449
Interest	166,683	222,849	298,964	304,879	305,827
Changes of benefit terms	-	-	-	-	(271,192)
Difference between expected and actual experience	70,045	652,124	(17,596)	29,585	(472,647)
Change of assumptions	139,623	(2,976)	92,870	414,758	(793,053)
Benefit payments	(185,757)	(3,355,575)	(177,586)	(178,477)	(214,300)
Net Change in Total Pension Liability	190,594	(2,483,578)	196,652	570,745	(1,367,916)
Total Pension Liability - beginning	2,759,802	5,243,380	5,046,728	4,475,983	5,843,899
Total Pension Liability - ending (a)	2,950,396	2,759,802	5,243,380	5,046,728	4,475,983
Plan Fiduciary Net Position					
Contributions - employer	419,186	400,000	457,924	800,000	434,492
Net investment income	79,677	126,980	250,474	369,137	(226)
Benefit payments	(185,757)	(3,355,575)	(177,586)	(178,477)	(214,300)
Administrative expenses	(13,905)	(14,445)	(12,580)	(11,874)	(17,484)
Net Change in Fiduciary Net Position	299,201	(2,843,040)	518,232	978,786	202,482
Plan Fiduciary Net Position - beginning	1,907,376	4,750,416	4,232,184	3,253,398	3,050,916
Plan Fiduciary Net Position - ending (b)	2,206,577	1,907,376	4,750,416	4,232,184	3,253,398
Net Pension Liability - ending (a)-(b)	\$ 743,819	\$ 852,426	\$ 492,964	\$ 814,544	\$ 1,222,585
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.8%	69.1%	90.6%	83.9%	72.7%
Covered-employee payroll	\$ 205,047	\$ 210,141	\$ 707,023	\$ 703,623	\$ 725,494
Net Pension Liability as a Percentage of Covered-Employee Payroll	362.8%	405.6%	69.7%	115.8%	168.5%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, ITP presents information for those years for which information is available.

Interurban Transit Partnership

Schedule of Changes in the Net Pension Liability and Related Ratios - Non-Administrative Plan

Year ended June 30,	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	\$ -	\$ -	\$ 424,425	\$ 623,310	\$ 628,910
Interest	800,046	782,627	823,542	740,441	686,559
Changes in benefit terms	-	-	(1,612,940)	-	-
Difference between expected and actual experience	43,263	194,529	25,377	(261,781)	(51,400)
Change of assumptions	637,632	(56,593)	373,105	(2,723,243)	(465,876)
Benefit payments	(697,478)	(607,696)	(597,778)	(545,433)	(499,710)
Net Change in Total Pension Liability	783,463	312,867	(564,269)	(2,166,706)	298,483
Total Pension Liability - beginning	12,657,135	12,344,268	12,908,537	15,075,243	14,776,760
Total Pension Liability - ending (a)	13,440,598	12,657,135	12,344,268	12,908,537	15,075,243
Plan Fiduciary Net Position					
Contributions - employee	-	-	-	-	644,412
Contributions - employer	387,328	250,000	529,010	987,300	-
Net investment income	501,605	715,694	648,430	889,974	(36,996)
Benefit payments	(697,478)	(607,696)	(597,778)	(545,433)	(499,710)
Administrative expenses	(25,729)	(28,605)	(32,948)	(22,431)	(25,584)
Net Change in Fiduciary Net Position	165,726	329,393	546,714	1,309,410	82,122
Plan Fiduciary Net Position - beginning	10,003,546	9,674,153	9,127,439	7,818,029	7,735,907
Plan Fiduciary Net Position - ending (b)	10,169,272	10,003,546	9,674,153	9,127,439	7,818,029
Net Pension Liability - ending (a)-(b)	\$ 3,271,326	\$ 2,653,589	\$ 2,670,115	\$ 3,781,098	\$ 7,257,214
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.7%	79.0%	78.4%	70.7%	51.9%
Covered-employee payroll	n/a	n/a	n/a	n/a	n/a
Net Pension Liability as a Percentage of Covered-Employee Payroll	n/a	n/a	n/a	n/a	n/a

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, ITP presents information for those years for which information is available.

Interurban Transit Partnership

Schedule of Contributions - Administrative Plan

<i>Fiscal year ended September 30,</i>	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 419,186	\$ 192,821	\$ 52,414	\$ 74,018	\$ 216,577
Actual contribution	419,186	400,000	457,924	800,000	434,492
Contribution (excess)	\$ -	\$ (207,179)	\$ (405,510)	\$ (725,982)	\$ (217,915)
Covered payroll	\$ 205,047	\$ 210,141	\$ 707,023	\$ 703,623	\$ 725,494
Actual contribution as % of covered payroll	204.4%	190.3%	64.8%	113.7%	59.9%

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2020
Actuarial cost method	Unit Credit
Asset valuation method	Market value
Retirement age	Age 65
Interest rate	6.00% per year
Mortality tables:	
Pre-retirement	None
Post-retirement	Pub-2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with modified MP-2018 improvement factors
Turnover rates	None
Salary scale	None
Ancillary benefits values	None
Administrative experience	Prior year, rounded to nearest \$100
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross
Changes since prior valuation	Mortality updated to public pension tables; interest rate changed to 6.00%
Cost of living adjustments after retirement	None

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, ITP presents information for those years for which information is available.

Interurban Transit Partnership

Schedule of Contributions - Non-Administrative Plan

<i>Fiscal year ended September 30,</i>	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 387,328	\$ 376,920	\$ 735,101	\$ 775,392	\$ 746,846
Actual contribution	387,328	250,000	529,010	987,300	644,412
Contribution deficiency (excess)	\$ -	\$ 126,920	\$ 206,091	\$ (211,908)	\$ 102,434
Covered payroll	n/a	n/a	n/a	n/a	n/a
Actual contribution as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2020
Actuarial cost method	Unit Credit
Asset valuation method	75% of expected assets plus 25% of market value of assets, including contributions accrued for hours worked through the valuation date, but not less than 80%, nor more than 120% of market value
Retirement age	10% of active employees are assumed to retire at age 62 (if eligible for early retirement) and all remaining at age 65 (or current age if older); terminated vested participants are assumed to retire at age 65
Interest rate	6.50%
Mortality table	Public Plan Mortality Table for Blue-Collar Employees with MP-2019 Improvement Scale
Post-disablement mortality rates	Disabled retirees receiving benefits who have not attained age 65 are valued with applicable mortality rates from IRS Rev. Rul. 96-7 and 1964 OASDI rates of mortality
Turnover rates	Crocker-Sarason-Straight T-5
Ancillary benefits values	Vesting and pre-retirement death
Normal cost expenses (non-investment related)	Estimated expense is calculated as the average of prior two years' non-investment related expenses paid from the trust, rounded to the nearest \$1,000
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross
Changes since prior valuation	The mortality tables updated to public mortality tables
Cost of living adjustments after retirement	None

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, ITP presents information for those years for which information is available.

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Combining Statements and Supplementary Information

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

<i>June 30, 2020</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 691,285	\$ 475,139	\$ 1,166,424
Receivables			
Interest and dividends receivable	35	15	50
Investments, at fair value			
Bond mutual funds	544,363	2,655,214	3,199,577
Equity mutual funds	970,894	7,038,904	8,009,798
Total investments, at fair value	1,515,257	9,694,118	11,209,375
Total Assets	2,206,577	10,169,272	12,375,849
Net Position Held in Trust for Pension Benefits	\$ 2,206,577	\$ 10,169,272	\$ 12,375,849

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

<i>Year ended June 30, 2020</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer and employee contributions	\$ 419,186	\$ 387,328	\$ 806,514
Investment income (loss):			
Net appreciation	38,282	267,401	305,683
Interest	5,429	1,521	6,950
Dividends	38,027	242,939	280,966
Investment expense	(2,061)	(10,256)	(12,317)
Total investment income	79,677	501,605	581,282
Total additions	498,863	888,933	1,387,796
Deductions			
Benefits	185,757	697,478	883,235
Administrative expense	13,905	25,729	39,634
Total deductions	199,662	723,207	922,869
Change in net position	299,201	165,726	464,927
Net Position Held in Trust for Pension Benefits, beginning of year	1,907,376	10,003,546	11,910,922
Net Position Held in Trust for Pension Benefits, end of year	\$ 2,206,577	\$ 10,169,272	\$ 12,375,849

Interurban Transit Partnership

Schedule of Non-Operating Revenues - Local

Year ended September 30, 2020

Local Revenue

Property taxes	\$	16,791,217
Grand Valley State University		2,282,372
Network180		390,640
DASH - City of Grand Rapids		2,058,507
Route 19		248,366
Van pool		57,302
Ferris State University		69,991
Grand Rapids Community College		69,845
Amtrak		43,275
Alpine Township		82,998
Byron Township		61,400
Cascade Township		379,738
Gaines Township		46,257
Other local services		80,520

Total local revenue		22,662,428
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Other Income

Gain on sale of property		49,991
Sale of wave cards		30,467
Retail lease		37,270
Family First Coronavirus Response Act (FFCRA)		124,253
Interest income		73,389
Miscellaneous		9,270
Ride project coordination		50,764
Vending machine		31,676
Billboard lease		22,072

Total other income		429,152
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Total Non-Operating Revenues - Local	\$	23,091,580
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Interurban Transit Partnership

Schedule of Non-Operating Revenues - State and Federal

Year ended September 30, 2020

State of Michigan Grants

General operating assistance	\$	13,849,041
Capital assistance		825,744
Preventive maintenance (operating)		11,360
Planning and miscellaneous project assistance		408,002
Specialized services		527,297

Total State of Michigan grants 15,621,444

Federal Government Grants

Capital assistance		3,437,567
CARES Act assistance		11,137,090
Preventive maintenance (operating)		45,437
Planning and miscellaneous project assistance		810,220

Total federal government grants 15,430,314

Total Non-Operating Revenues - State and Federal \$ 31,051,758

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<i>Year ended September 30, 2020</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 10,286,500	\$ -
Other salaries and wages	3,146,403	2,451,423
Dispatchers' salaries and wages	300,779	-
Total labor	13,733,682	2,451,423
Fringe Benefits		
Pension - defined benefit (actual paid)	562,338	98,452
Pension - defined benefit (GASB adjustment)	(517,097)	(95,560)
Pension - defined contribution	986,698	176,249
Other fringe benefits	6,102,167	1,082,511
Total fringe benefits	7,134,106	1,261,652
Services		
Audit fees	-	-
Other services	404,251	1,406,939
Total services	404,251	1,406,939
Materials and Supplies Consumed		
Fuel and lubricants	1,689,995	-
Tires and tubes	-	41,458
Other materials and supplies	85,693	1,497,219
Total materials and supplies consumed	1,775,688	1,538,677
Utilities		
Other	133,796	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	1,486,059	-
Other insurance	-	-
Total casualty and liability costs	\$ 1,486,059	\$ -

Interurban Transit Partnership
Schedule of Operating Expenses by Function

Operations				Total
Administration	Total	Grants	System	
\$ -	\$ 10,286,500	\$ -	\$ 10,286,500	
2,106,781	7,704,607	34,416	7,739,023	
-	300,779	-	300,779	
<hr/>				
2,106,781	18,291,886	34,416	18,326,302	
<hr/>				
145,724	806,514	-	806,514	
21,390	(591,267)	-	(591,267)	
147,468	1,310,415	-	1,310,415	
1,050,026	8,234,704	10,047	8,244,751	
<hr/>				
1,364,608	9,760,366	10,047	9,770,413	
<hr/>				
48,175	48,175	-	48,175	
785,532	2,596,722	1,136,802	3,733,524	
<hr/>				
833,707	2,644,897	1,136,802	3,781,699	
<hr/>				
-	1,689,995	-	1,689,995	
-	41,458	209,385	250,843	
155,976	1,738,888	287,322	2,026,210	
<hr/>				
155,976	3,470,341	496,707	3,967,048	
<hr/>				
875,944	1,009,740	-	1,009,740	
<hr/>				
-	1,486,059	-	1,486,059	
285,982	285,982	-	285,982	
<hr/>				
\$ 285,982	\$ 1,772,041	\$ -	\$ 1,772,041	

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<i>Year ended September 30, 2020</i>	General	
	Operations	Maintenance
Purchased Transportation	\$ 5,326,226	\$ -
Miscellaneous		
Travel and meetings	3,919	899
Advertising/promotion media	-	-
Dues and subscriptions	1,471	-
Other miscellaneous	150	38,390
Total miscellaneous	5,540	39,289
Depreciation and Loss on Disposal of Assets	-	-
Non Rapid Enhancements	-	-
Preventive Maintenance	-	-
Total Expenses	\$ 29,999,348	\$ 6,697,980

Interurban Transit Partnership
Schedule of Operating Expenses by Function

Operations				Total
Administration	Total	Grants	System	
\$ -	\$ 5,326,226	\$ 1,365,227	\$ 6,691,453	
59,792	64,610	3,843	68,453	
60,184	60,184	212,660	272,844	
93,897	95,368	24,074	119,442	
43,920	82,460	-	82,460	
257,793	302,622	240,577	543,199	
13,839,510	13,839,510	-	13,839,510	
-	-	2,804,654	2,804,654	
-	-	56,796	56,796	
\$ 19,720,301	\$ 56,417,629	\$ 6,145,226	\$ 62,562,855	

Interurban Transit Partnership

Schedule of Expenses by Grant

<i>Year ended September 30, 2020</i>	Total	001 General Operations	530 MI-2016-X009 12-0104-P12 FY16 Section 5307
Expenses			
Labor	\$ 18,326,302	\$ 18,291,886	\$ -
Fringe benefits	9,770,413	9,760,365	-
Services	3,781,699	2,644,897	35,865
Materials and supplies consumed	3,967,048	3,549,942	-
Utilities	1,009,740	1,009,740	-
Casualty and liability costs	1,772,041	1,772,041	-
Purchased transportation	6,691,453	5,326,226	-
Miscellaneous	543,199	302,621	88,707
Depreciation and loss on disposal of assets	13,839,510	13,839,510	-
Nonrapid enhancements	2,804,654	-	-
Preventive maintenance	56,796	-	-
Total Expenses	\$ 62,562,855	\$ 56,497,228	\$ 124,572

ITP 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 specialized services, there was no review of the methodology for capturing nonfinancial information for such programs.

Interurban Transit Partnership

Schedule of Expenses by Grant

540 MI-2017-X023 12-0070-P3 FY17 Section 5307	550 MI-16-X009 FY18 Section 5307	560 FY19 Section 5307	771 MI-2016-013 12-0104-P17 FY16 Section 5307	796 17-0070-P11 Specialized Services	870 MI-2017-015 FY17 Section 5339
\$ -	\$ -	\$ -	\$ 19,021	\$ -	\$ -
-	-	-	9,802	-	-
72,195	19,609	312,065	-	-	488
170,115	46,566	709	105	-	199,611
-	-	-	-	-	-
-	-	-	-	-	-
-	110,819	589,181	-	527,297	-
1,095	-	23,399	105,647	-	21,730
-	-	-	-	-	-
-	-	-	-	-	2,804,654
56,796	-	-	-	-	-
\$ 300,201	\$ 176,994	\$ 925,354	\$ 134,575	\$ 527,297	\$ 3,026,483

Interurban Transit Partnership

Schedule of Expenses by Grant

986 2017-0070-P10 MI Mobility Grant	987 MI-2019-010 TOD Grant
\$ 15,395	\$ -
246	-
51,876	644,704
-	-
-	-
-	-
137,930	-
-	-
-	-
-	-
-	-
<hr/>	<hr/>
\$ 205,447	\$ 644,704

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2020</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 10,286,500	\$ -	\$ -	\$ 10,286,500
Other salaries and wages	3,146,403	2,451,423	2,106,781	7,704,607
Dispatchers' salaries and wages	300,779	-	-	300,779
Total labor	13,733,682	2,451,423	2,106,781	18,291,886
Fringe Benefits				
Pension - defined benefit	562,338	98,452	145,724	806,514
Pension - defined benefit (GASB)	(517,097)	(95,560)	21,390	(591,267)
Pension - defined contributions	986,698	176,249	147,468	1,310,415
Other fringe benefits	6,102,167	1,082,511	1,050,026	8,234,704
Total fringe benefits	7,134,106	1,261,652	1,364,608	9,760,366
Services				
Audit fees	-	-	48,175	48,175
Other services	404,251	1,406,939	785,532	2,596,722
Total services	404,251	1,406,939	833,707	2,644,897
Materials and Supplies Consumed				
Fuel and lubricants	1,689,995	-	-	1,689,995
Tires and tubes	-	41,458	-	41,458
Other materials and supplies	85,693	1,497,219	155,976	1,738,888
Total materials and supplies consumed	1,775,688	1,538,677	155,976	3,470,341
Utilities				
Other	133,796	-	875,944	1,009,740
Total utilities	133,796	-	875,944	1,009,740
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	1,486,059	-	-	1,486,059
Other insurance	-	-	285,982	285,982
Total casualty and liability costs	1,486,059	-	285,982	1,772,041
Purchased Transportation	5,326,226	-	-	5,326,226
Miscellaneous				
Travel and meetings	3,919	899	59,792	64,610
Advertising/promotion media	-	-	60,184	60,184
Dues and subscriptions	1,471	-	93,897	95,368
Other miscellaneous	150	38,390	43,920	82,460
Total miscellaneous	5,540	39,289	257,793	302,622
Depreciation and Loss on Disposal of Assets	-	-	13,839,510	13,839,510
Total Expenses	\$ 29,999,348	\$ 6,697,980	\$ 19,720,301	\$ 56,417,629

Interurban Transit Partnership
Schedule of Regular Service Revenues - Urban

Year ended September 30, 2020

Operating Revenues

Passenger fares	\$	4,075,367
Advertising		207,249

Total operating revenues		4,282,616
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Non-Operating Revenues

State and federal assistance		31,051,758
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Local Revenue

Property taxes		16,791,217
Grand Valley State University		2,282,372
Network180		390,640
DASH - City of Grand Rapids		2,058,507
Route 19		248,366
Van pool		57,302
Ferris State University		69,991
Grand Rapids Community College		69,845
Amtrak		43,275
Alpine Township		82,998
Byron Township		61,400
Cascade Township		379,738
Gaines Township		46,257
Other local services		80,520

Total local revenue		22,662,428
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Other Income

Gain on sale of property		49,991
Sale of wave cards		30,467
Retail lease		37,270
Family First Coronavirus Response Act (FFCRA)		124,253
Interest income		73,389
Miscellaneous		9,270
Ride project coordination		50,764
Vending machine		31,676
Billboard lease		22,072

Total other income		429,152
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Total Revenues	\$	58,425,954
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Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2020</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	322,158	32,385	15,697	370,240
Revenue hours - linehaul	309,760	31,431	15,113	356,304
Total vehicle hours - bus rapid transit	21,509	2,390	1,970	25,869
Revenue hours - bus rapid transit	20,832	2,324	1,893	25,049
Total vehicle hours - demand response	111,930	8,665	7,960	128,555
Revenue hours - demand response	97,274	7,538	6,920	111,732
Total vehicle miles - linehaul	4,234,299	410,558	200,118	4,844,975
Revenue miles - linehaul	4,041,914	394,601	189,796	4,626,311
Total vehicle miles - bus rapid transit	287,311	30,096	25,108	342,515
Revenue miles - bus rapid transit	272,868	28,581	23,278	324,727
Total vehicle miles - demand response	1,769,235	120,360	105,934	1,995,529
Revenue miles - demand response	1,379,596	104,056	89,945	1,573,597

The methodology used for compiling non-financial data on OAR schedules is an adequate and reliable methodology.

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Interurban Transit Partnership
Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2020</i>	State Operating Assistance Urban
General Operating Expenses	\$ 62,562,855
Add Eligible Expenses	
Reverse GASB entry to pension to reflect actual paid pension expenses	591,267
Less Ineligible Expenses	
Depreciation expense and loss on disposal of assets	13,839,510
Capital funds used for operating expenses	6,145,227
Amtrak - billed directly to the State of Michigan	128,299
Non-transportation revenue	126,997
APTA and MPTA dues	7,528
Preventive maintenance	56,796
Other (lobbying fees)	91,000
	19,804,090
Eligible Operating Expenses	\$ 42,758,765
Maximum State Operating Assistance (50%)	\$ 21,379,383
State Operating Assistance Accrual (30.9848%)	\$ 13,248,718

Notes to the Schedule of Operating Assistance Calculation

ITP has deducted all known ineligible expenses in completing this calculation of state operating assistance. Any refunds or rebates are deducted from the appropriate expense item when received. Any expenses related to miscellaneous revenue were netted against said revenue. ITP had no "other" post-employment benefits. No such expense was accrued or paid during fiscal year 2019 and, therefore, there are no applicable issues regarding calculation of eligible operating expenses or the related assistance from the State of Michigan. ITP did not apply for non-urban assistance for fiscal year 2020; therefore, schedules for urban and non-urban expenses are not included.

The following are statements of assurances for the state:

Cost Allocation Plan - ITP charges only direct costs to its grant programs; therefore, no Office of Passenger Transportation (OPT) approved cost allocation plans are required, and none were used in the preparation of financial statements.

Nonfinancial Methodology Plan - The method used for compiling miles for linehaul and demand response service has been reviewed, and the recording method has been found to be adequate and reliable.

Interurban Transit Partnership

Schedule of Operating Assistance Calculation

Capital Funds Used to Pay for Operating - Operating expenses of \$6,145,227 were paid for with capital funds. This amount was subtracted out as ineligible expense. No other operating expenses were paid for with capital funds. Ineligible expenses are identified according to the definition in the revenue and expense manual.

Depreciation - The depreciation expense is identified as an ineligible expense and subtracted from expenses. Therefore, the depreciation assurance regarding approval of useful life is not required.

Expenses associated with auxiliary transportation revenue - There are no costs associated with this revenue in eligible operating expenses, because advertising and concessions are outsourced and the contracting agency is responsible for any related expenses.

Retirement Benefits - ITP offers two types of pension compensation plans: defined benefit and defined contribution for administrative and non-administrative staff. The defined contribution expenses paid this year for the administrative staff is \$423,761 and non-administrative staff is \$886,654. The entire sum of \$1,310,415 was expensed on the books and paid with out-of-pocket funds.

The defined benefit plan expenses paid this year for the administrative plan is \$419,186 and the non-administrative plan is \$387,338. The entire sum of \$806,514 was expensed on the books and paid with out-of-pocket funds. The defined benefit plan is calculated pursuant to the GASB 68 Implementation Guide. The GASB adjustment recognized as required is a decrease of \$591,267 to the pension expense which is reflected on page 54, an increase of \$61,529 to the administration plan and a reduction of \$652,796 to the union plan. Therefore, the \$806,504 is an eligible expense and was added to the total operating expense for the calculation of state operating assistance.

\$11,137,090 was received in CARES Act funding in FY 20 to reimburse eligible operating expenses through September 30, 2020. These expenses are included in the Schedule of Operating Expenses by Function under General Operations.

Interurban Transit Partnership

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through	Pass-Through Federal Grantor Number	Passed Through to Subrecipients	Total Federal Expenditures
Federal Transit Cluster					
Federal Transit Formula Grants	20.507	Direct	MI-2016-X009	\$ -	\$ 767,801
Federal Transit Formula Grants	20.507	Direct	MI-2017-X023	-	1,367,610
Federal Transit Formula Grants	20.507	Direct	MI-2018-011	-	592,411
Federal Transit Formula Grants	20.507	Direct	MI-2019-023	-	4,657,506
Federal Transit Formula Grants	20.507	Direct	MI-2016-013	-	284,410
Federal Transit Formula Grants	20.507	Direct	MI-2019-024	-	180,919
Federal Transit Formula Grants (CARES Act)	20.507	Direct	MI-2020-016	-	11,163,863
Bus and Bus Facilities Formula Program	20.526	Direct	MI-2019-023	-	1,100,200
Federal Transit Capital Investment Grants	20.500	Direct	MI-2017-015	-	25,514,879
Federal Transit Capital Investment Grants	20.500	Direct	MI-2019-010	-	455,795
Total Federal Awards				\$ -	\$ 46,085,394

Interurban Transit Partnership

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of ITP under programs of the federal government for the year ended September 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of ITP, it is not intended to and does not present the financial position, changes in net assets or cash flows of ITP.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

ITP has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

Interurban Transit Partnership
Schedule of Expenditures of State Awards

<i>Year ended September 30, 2020</i>	State Grantor Number	Grantee Number	Accrued (Unearned) Revenue October 1, 2019	Receipts
Program				
Section 5307	MI-2016-x009	530	\$ 137,273	\$ 313,584
Section 5307	MI-2017-023	540	402,058	720,392
Section 5307	MI-2018-011	550	107,620	246,495
Section 5307	MI-2019-023	560	22,499	408,854
Section 5307	MI-2016-013	771	10,233	9,893
Section 5307	MI-2016-013	772	-	-
Specialized Services	2017-0070-P8	795	115,823	115,823
Specialized Services	2017-0070-P11	796	-	271,184
Section 5339	MI-2019-023	846	-	-
Section 5309	MI-2017-015	870	1,633,551	6,964,785
Section 5303	2017-0070-P10	986	86,437	291,884
Section 5303	MI-2019-010	987	(12,461)	81,591
Total State Assistance			\$ 2,503,033	\$ 9,424,485

Interurban Transit Partnership
Schedule of Expenditures of State Awards

Expenditures Capital	Expenditures Other	Accrued (Unearned) Revenue September 30, 2020
\$ 167,036	\$ 24,914	\$ 15,639
281,862	60,041	23,569
112,704	35,398	9,227
979,306	185,072	778,023
37,459	-	37,799
45,230	-	45,230
-	-	-
-	527,297	256,113
275,050	-	275,050
5,758,431	545,325	972,522
-	205,447	-
-	188,909	94,857
\$ 7,657,078	\$ 1,772,403	\$ 2,508,029

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Additional Information

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Independent Auditor's 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*

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited, in accordance with the 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, the financial statements of Interurban Transit Partnership (ITP) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise ITP's basic financial statements and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ITP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ITP's internal control. Accordingly, we do not express an opinion on the effectiveness of ITP's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ITP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ITP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

January 21, 2021

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

We have audited Interurban Transit Partnership's (ITP) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of ITP's major federal programs for the year ended September 30, 2020. ITP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ITP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ITP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ITP's compliance.

Opinion on Each Major Federal Program

In our opinion, Interurban Transit Partnership complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

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Report on Internal Control Over Compliance

Management of ITP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ITP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ITP's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

January 21, 2021

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness(es) identified? no

Significant deficiency(ies) identified? none reported

Noncompliance material to financial statements noted? no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? no

Significant deficiency(ies) identified? none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? no

Identification of major federal programs:

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

20.500, 20.507 and 20.526	Federal Transit Cluster
---------------------------	-------------------------

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes

Section II - Financial Statement Findings

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

Section III - Federal Awards Findings and Questioned Costs

There were no findings or questioned costs related to Federal awards.

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Interurban Transit Partnership

Financial Statements
and Single Audit Reports
Years Ended September 30, 2020 and 2019

Interurban Transit Partnership

Financial Statements and Single Audit Reports
Years Ended September 30, 2020 and 2019

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Interurban Transit Partnership

Contents

Independent Auditor's Report	5-9
Management's Discussion and Analysis	11-16
Basic Financial Statements	
Enterprise Fund:	
Statements of Net Position	19-20
Statements of Revenues, Expenses and Change in Net Position	22
Statements of Cash Flows	23-24
Fiduciary Funds:	
Statements of Fiduciary Net Position	25
Statements of Change in Fiduciary Net Position	26
Notes to Financial Statements	27-41
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability and Related Ratios - Administrative Plan	44
Schedule of Changes in the Net Pension Liability and Related Ratios - Non-Administrative Plan	45
Schedule of Contributions - Administrative Plan	46
Schedule of Contributions - Non-Administrative Plan	47
Combining Statements and Supplementary Information	
Pension Trust Funds:	
Combining Statement of Plan Net Position	50
Combining Statement of Changes in Plan Net Position	51
Schedule of Non-Operating Revenues - Local	52
Schedule of Non-Operating Revenues - State and Federal	53
Schedule of Operating Expenses by Function	54-57
Schedule of Expenses by Grant	58-60
Schedule of Regular Service Expenses by Function - Urban	61
Schedule of Regular Service Revenues - Urban	62
Schedule of Hours and Miles - Urban	63
Schedule of Operating Assistance Calculation	65-66
Schedule of Expenditures of Federal Awards	67
Notes to Schedule of Expenditures of Federal Awards	68
Schedule of Expenditures of State Awards	69-70
Additional Information	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	74-76
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	78-80
Schedule of Findings and Questioned Costs	82

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Independent Auditor's Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Interurban Transit Partnership (ITP) as of and for the years ended September 30, 2020 and 2019 (as of and for the years ended June 30, 2020 and 2019 for the Pension Trust Funds), and the related notes to the financial statements, which collectively comprise ITP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ITP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ITP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Partnership as of September 30, 2020 and 2019 (June 30, 2020 and 2019 for the Pension Trust Funds), and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 11-15 and the schedules of changes in ITP's net pension liability and related ratios and the schedules of contributions and actuarial assumptions on pages 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise ITP's basic financial statements. The accompanying combining statements, various schedules as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining statements, various schedules as listed in the table of contents and the schedule of expenditures of federal awards, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of ITP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ITP's internal control over financial reporting and compliance.

BDO USA, LLP

January 21, 2021

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Interurban Transit Partnership

Management's Discussion and Analysis

Year Ended September 30, 2020

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, 2020 and 2019.

Financial Highlights

- The state operating assistance rate for FY20 was 30.9848%, down from 32.04% in FY19, and 32.93% in FY18.
- ITP levied 1.45 mills in 2020 and 1.47 mills in both 2019 and 2018, as approved by the taxpayers, adjusted by MCL211.34d (Headlee adjustment).
- GASB 68 - *Accounting and Financial Reporting for Pensions* became effective for FY15. This pronouncement requires that ITP's net pension liability, as well as deferred outflows and inflows of resources related to pensions, be recorded in its financial statements. ITP recognized a net pension liability of \$4,015,145 and \$3,506,015 at September 30, 2020 and 2019, respectively.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements and notes to the financial statements, required supplementary information, 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 Position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of ITP are included in the Statements of Net Position.

The Statements of Net Position report the net position and how it has changed. Net position, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the financial health or position of ITP.

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Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

Financial Analysis of ITP

Net Position

ITP's net position increased by \$34.2 million during FY20, an increase of 26% from FY19 (see Table A-1).

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

<i>September 30,</i>	2020	2019	2018
Current assets	\$ 38,543	\$ 33,692	\$ 27,770
Capital assets, net	158,354	133,881	114,089
Total assets	196,897	167,573	141,859
Deferred outflows of resources	1,327	1,125	969
Current liabilities	8,566	13,638	7,633
Net pension liability	4,015	3,506	3,163
Deferred inflows of resources	21,149	21,235	21,506
Net position			
Investment in capital assets	158,354	133,881	114,089
Unrestricted	6,140	(3,562)	(3,563)
Total Net Position	\$ 164,494	\$ 130,319	\$ 110,526

Net position increased by \$34.2 million from FY19. In FY20, total assets increased by \$29.3 million primarily due to the Laker Line going into service in August. Current liabilities decreased by \$5.1 million, also due to the completion of the Laker Line project, which decreased the accounts payable liability in FY20.

The increase in net position during FY19 was due to the increase in current and capital assets, primarily due to the Laker Line project. The grant receivables are significantly higher than previous years.

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Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

Changes in Net Position

Net position increased by \$34.2 million from September 30, 2019 to September 30, 2020 (see Table A-2).

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

<i>Year ended September 30,</i>	2020	2019	2018
Operating revenues			
Passenger fares	\$ 4,075	\$ 6,590	\$ 7,018
Advertising	208	132	166
Total operating revenues	4,283	6,722	7,184
Operating expenses			
Salaries and fringe benefits	28,097	28,839	24,756
Supplies and other operating expenses	20,627	21,703	20,352
Depreciation and loss on disposal of assets	13,839	11,914	11,369
Total operating expenses	62,563	62,456	56,477
Operating loss	(58,280)	(55,734)	(49,293)
Non-operating revenues			
State and federal	31,052	20,247	17,974
Property taxes	16,791	16,238	16,067
Other local	6,300	7,335	6,230
Total non-operating revenues	54,143	43,820	40,271
Loss before capital contributions	(4,137)	(11,914)	(9,022)
Capital contributions	38,312	31,707	7,785
Change in net position	34,175	19,793	(1,237)
Net Position, beginning of year	130,319	110,526	111,763
Net Position, end of year	\$ 164,494	\$ 130,319	\$ 110,526

The change in total operating revenue from the prior year is mainly due to the reduction in service levels due to the majority of bus routes being shut down in April through June 2020 due to the COVID-19 pandemic. Non-operating revenues increased due to the execution of the CARES Act grant that assisted in the loss of revenue by reimbursing eligible operating expenses. Capital contributions increased by \$6.6 million in FY20 as the Laker Line project came to completion and started service in August. In 2019, as compared to 2018, capital contributions increased compared to the prior year due to the Laker Line project, resulting in an increase in net position.

Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

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

<i>Year ended September 30,</i>	2020	2019	Percentage Change
Labor	\$ 18,326	\$ 18,723	(2.1) %
Fringe benefits	9,770	10,116	(3.4)
Services	3,782	3,058	23.7
Materials and supplies consumed	3,967	6,696	(40.8)
Utilities	1,010	920	9.8
Casualty and liability costs	1,772	1,597	11.0
Purchased transportation	6,691	8,745	(23.5)
Miscellaneous	543	650	(16.5)

The main reason for changes from FY19 to FY20 is due to the reduction in the service levels, along with the addition of safety protocols due to the pandemic.

Services expenses increased from FY19 to FY20 as additional safety protocols were put in place to disinfect buses, additional cleanings of the building, etc.

The materials and supplies expenses decreased from FY19 to FY20 due mainly to reduction in fuel consumption and price.

Purchase transportation expenses decreased because of the reduction in service from FY19 to FY20.

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

<i>Year ended September 30,</i>	2019	2018	Percentage Change
Labor	\$ 18,723	\$ 17,420	7.5%
Fringe benefits	10,116	7,336	37.9
Services	3,058	3,327	(8.0)
Materials and supplies consumed	6,696	5,083	31.7
Utilities	920	924	(0.4)
Casualty and liability costs	1,597	1,454	9.8
Purchased transportation	8,745	8,526	2.6
Miscellaneous	650	1,037	(37.3)

Labor costs increased from FY18 to FY19 due to the operators and maintenance staffing. Route 19 and Dash increased service at the end of FY18, but was operated for a full in year FY19 which caused wages to increase over FY18. The maintenance department was understaffed the majority of the year, which caused overtime to increase.

Fringe benefits increased in FY19 because in FY18, there were significant plan changes to the defined benefit programs, resulting in a significant decrease in pension liability. The decrease in pension liability resulted in a material savings in expense of \$1.8 million, which is a one year

Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

adjustment. This FY18 expense reduction is driving the variance from FY19 to FY18. In FY19, no major plan changes were made. It is expected that going forward the liability adjustments will not have a material impact on the pension expense.

The materials and supplies expenses increased from FY18 to FY19 due to noncapital expenses for the Laker Line project. FY18 did not include any materials and supplies expenses, as the project started construction in FY19.

Capital Assets

As of September 30, 2020, ITP had invested \$260 million in capital assets including land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2020 totaled approximately \$158 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$24.5 million, or 18.3%, from September 30, 2019.

As of September 30, 2019, ITP had invested \$226 million in capital assets including land, land improvements, buildings, revenue equipment, and machinery and equipment. Net of accumulated depreciation, capital assets at September 30, 2019 totaled approximately \$134 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$19.8 million, or 17.5%, from September 30, 2018.

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Interurban Transit Partnership
Management's Discussion and Analysis
Year Ended September 30, 2020

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

<i>September 30,</i>	2020	2019	Percentage Change
Land	\$ 9,368	\$ 9,368	-
Artwork	368	368	-
Easements	55	55	-
Construction in progress	1,147	22,511	(94.9)
Land improvements	2,715	2,968	8.5
Facilities	87,855	53,214	65.1
Revenue vehicles	47,224	36,794	28.3
Support equipment	3,807	3,613	5.4
Information systems and technology	5,512	4,700	17.3
Software and software development	303	290	4.3
Total Net Capital Assets	\$ 158,354	\$ 133,881	18.3 %

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

<i>September 30,</i>	2019	2018	Percentage Change
Land	\$ 9,368	\$ 9,368	-%
Artwork	368	368	-
Easements	55	55	-
Construction in progress	22,511	5,478	310.9
Land improvements	2,968	3,220	(7.8)
Facilities	53,214	56,010	(5.0)
Revenue vehicles	36,794	29,909	23.0
Support equipment	3,613	3,757	(3.8)
Information systems and technology	4,700	5,566	(15.6)
Software and software development	290	358	(19.0)
Total Net Capital Assets	\$ 133,881	\$ 114,089	17.5%

Economic Factors and Next Year's Budget

There are many unknowns in FY21 due to the impact of COVID-19. Our focus remains on improving and increasing service and ridership, while maintaining safety and community trust.

With reduction in service levels, passenger fares and contract service revenue will be lower in FY21. Property tax revenue is anticipated to be stable, and the addition of CARES Act funding will assist with the loss of fare revenue. State operating assistance will be 31.6001% in FY21.

The health and safety of our customers and employees is a priority. Additional bus and facility cleanings, personal protective equipment, and other safety supplies are included in the FY21 budget. The conversion of the line haul fleet from diesel to CNG (compressed natural gas) is on track. In FY21, the fleet will be 50% diesel and 50% CNG.

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Basic Financial Statements

Interurban Transit Partnership

Statements of Net Position Enterprise Fund

<i>September 30,</i>	2020	2019
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 27,513,058	\$ 18,977,235
Property taxes receivable, net	1,730,862	2,268,505
Due from federal government	3,773,491	7,471,681
Due from State of Michigan	1,152,587	2,510,112
Billed receivables	3,766,690	1,660,555
Materials and supplies inventories	579,685	577,150
Prepaid expenses and deposits	26,625	226,625
Total Current Assets	38,542,998	33,691,863
Capital Assets (Note 3)		
Facilities	116,360,639	78,119,499
Revenue vehicles	87,165,968	73,298,797
Support equipment	16,237,255	15,719,161
Land and improvements	14,566,181	14,566,181
Information systems, technology and software	24,014,557	21,303,288
Other nondepreciable assets	423,470	423,470
Construction in progress	1,147,039	22,510,897
	259,915,109	225,941,293
Less accumulated depreciation	(101,560,892)	(92,059,724)
Net Capital Assets	158,354,217	133,881,569
Total Assets	196,897,215	167,573,432
Deferred Outflows of Resources		
Related to pensions (Note 4)	1,326,678	1,124,566

Interurban Transit Partnership

Statements of Net Position Enterprise Fund

<i>September 30,</i>	2020	2019
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,447,545	\$ 9,115,285
Accrued payroll	2,648,305	2,658,988
Unredeemed fares	305,665	176,076
Unearned revenues	271,481	298,748
Due to State of Michigan	1,893,152	1,388,723
Total Current Liabilities	8,566,148	13,637,820
Net Pension Liability (Note 4)	4,015,145	3,506,015
Total Liabilities	12,581,293	17,143,835
Deferred Inflows of Resources		
Property taxes received or receivable before the levy date	17,395,614	16,584,149
Related to pensions (Note 4)	3,752,808	4,651,093
Total Deferred Inflows of Resources	21,148,422	21,235,242
Net Position		
Investment in capital assets	158,354,217	133,881,569
Unrestricted	6,139,961	(3,562,648)
Total Net Position	\$ 164,494,178	\$ 130,318,921

See accompanying notes to financial statements.

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Interurban Transit Partnership
Statements of Revenues, Expenses and Change in Net Position
Enterprise Fund

<i>Year ended September 30,</i>	2020	2019
Operating Revenues		
Passenger fares	\$ 4,075,367	\$ 6,590,438
Advertising (Note 1)	207,249	131,890
Total operating revenues	4,282,616	6,722,328
Operating Expenses		
Salaries and fringe benefits	28,096,715	28,838,832
Supplies and other operating expenses	20,626,630	21,703,354
Depreciation and loss on disposal of assets	13,839,510	11,914,171
Total operating expenses	62,562,855	62,456,357
Operating loss	(58,280,239)	(55,734,029)
Non-Operating Revenues		
State	15,621,444	16,460,562
Federal	15,430,314	3,786,323
Property taxes	16,791,217	16,237,538
Other local	6,300,363	7,335,434
Total non-operating revenues	54,143,338	43,819,857
Loss before capital contributions	(4,136,901)	(11,914,172)
Capital Contributions	38,312,158	31,707,206
Change in net position	34,175,257	19,793,034
Net Position, beginning of year	130,318,921	110,525,887
Net Position, end of year	\$ 164,494,178	\$ 130,318,921

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2020	2019
Cash From (for) Operating Activities		
Receipts from customers	\$ 2,306,070	\$ 8,306,327
Payments to suppliers	(26,096,905)	(14,921,122)
Payments to employees and fringe benefits	(28,698,665)	(29,462,006)
Net cash for operating activities	(52,489,500)	(36,076,801)
Cash From Noncapital Financing Activities		
Federal grants received	15,434,023	3,786,325
State grants received	17,484,330	14,225,121
Local government assistance received	5,871,211	7,032,845
Property taxes	18,140,325	17,267,100
Other income	305,772	164,961
Net cash from noncapital financing activities	57,235,661	42,476,352
Cash From (for) Capital and Related Financing Activities		
Federal contributed capital	34,396,324	19,850,866
State contributed capital	7,657,077	6,341,441
Local contributed capital	(74,961)	74,961
Purchase of capital assets	(38,312,158)	(31,707,206)
Proceeds from sale of capital assets	49,991	69,778
Net cash from (for) capital and related financing activities	3,716,273	(5,370,160)
Cash From Investing Activity		
Interest received on investments	73,389	67,850
Net Increase in Cash and Investments	8,535,823	1,097,241
Cash and Investments, beginning of year	18,977,235	17,879,994
Cash and Investments, end of year	\$ 27,513,058	\$ 18,977,235

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2020	2019
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (58,280,239)	\$ (55,734,029)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation and loss on disposal of assets	13,839,510	11,914,171
Changes in assets and liabilities:		
(Increase) decrease in billed receivables	(2,106,135)	1,463,504
Increase in inventories	(2,535)	(8,011)
(Increase) decrease in prepaid expenses and deposits	200,000	(50,000)
Increase (decrease) in accounts payable	(5,667,740)	6,840,242
Increase (decrease) in accrued payroll	(10,683)	3,407
Increase in unredeemed fares	129,589	120,496
Decrease in pension-related items	(591,267)	(626,581)
Net Cash for Operating Activities	\$ (52,489,500)	\$ (36,076,801)

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Fiduciary Net Position
Fiduciary Funds

<i>June 30,</i>	Pension Trust Funds	
	2020	2019
Assets		
Cash and short-term investments (Note 2)	\$ 1,166,424	\$ 757,128
Receivables		
Interest and dividends receivable	50	466
Investments, at fair value (Note 2)		
Bond mutual funds	3,199,577	3,238,283
Equity mutual funds	8,009,798	7,915,045
Total investments, at fair value	11,209,375	11,153,328
Total Assets	12,375,849	11,910,922
Net Position Held in Trust for Pension Benefits	\$ 12,375,849	\$ 11,910,922

See accompanying notes to financial statements.

Interurban Transit Partnership
Statements of Change in Fiduciary Net Position
Fiduciary Funds

<i>Year ended June 30,</i>	Pension Trust Funds	
	2020	2019
Additions		
Employer and employee contributions	\$ 806,514	\$ 650,000
Investment income:		
Net appreciation	305,683	563,134
Interest	6,950	16,262
Dividends	280,966	291,978
Investment expense	(12,317)	(28,700)
Total investment income	581,282	842,674
Total additions	1,387,796	1,492,674
Deductions		
Benefits	883,235	3,963,272
Administrative expense	39,634	43,049
Total deductions	922,869	4,006,321
Change in net position	464,927	(2,513,647)
Net Position Held in Trust for Pension Benefits, beginning of year	11,910,922	14,424,569
Net Position Held in Trust for Pension Benefits, end of year	\$ 12,375,849	\$ 11,910,922

See accompanying notes to financial statements.

Interurban Transit Partnership

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Interurban Transit Partnership (ITP) was created in 2000 pursuant to the provisions of the Public Transit Authority Act of 1986, as amended. The six-member municipalities of East Grand Rapids, Grand Rapids, Grandville, Kentwood, Walker, and Wyoming each levy 1.47 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; expenses are recognized when incurred. Grants are recognized as revenue as soon as all eligibility requirements have been met.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expense generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues are passenger fares. Operating expense include salaries and benefits, supplies and operating expense and depreciation. All revenues not meeting this definition are reported as non-operating revenues.

Cash

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 in bond mutual funds and equities 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:

<i>Asset category</i>	Useful Life (in Years)
Facilities	20 - 40
Revenue vehicles	3 - 12
Support equipment	3 - 10
Land improvements	10 - 30
Information systems, technology and software	3 - 10

Unearned Revenues

Unearned 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 unearned revenue is removed from the statement of net position and revenue is recognized.

Deferred Outflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. ITP has pension-related items that qualify to be reported in this category. These amounts are expensed in the plan years in which it applies.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. ITP has two items that qualify for reporting in this category. First, ITP reports a deferred inflow of resources for property taxes received or receivable prior to the period for which they were levied. Second are the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of ITP's pension plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interurban Transit Partnership

Notes to Financial Statements

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position invested in capital assets is net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its 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 in the period for which they are levied, with proper allowances made for estimated uncollectible amounts. ITP levied 1.47 mills for FY20, as approved by the voters and adjusted by MCL211.34d (Headlee adjustment) in a prior year.

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.

Subsequent Events

Management has evaluated subsequent events through January 21, 2021, the date the financial statements were available to be issued.

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, 2020, the bank balances were \$28,334,561, of which \$27,584,561 was uninsured and uncollateralized.

Accounts Held by Government Depositors are Insured as Follows:

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

Investments

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

At September 30, 2020, ITP's Enterprise Fund had the following investment, which is measured at amortized cost:

Investment	Maturity	Amortized Cost
Kent County Investment Pool	Less than 1 year	\$ 378,774

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, 2020.

Interurban Transit Partnership

Notes to Financial Statements

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, 2020, ITP's investments had the following credit ratings and exposure:

Investment Type	Rating	Credit Exposure as a Percentage of Total Investments
Enterprise Fund		
Kent County Investment Pool	Not rated	100%
Pension Trust Funds		
Money market funds	Moody's A-mf	9.43
Bond mutual funds	Not rated	25.85

Fair Value Measurement

ITP is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3 - Prices determined using significant unobservable inputs. In situations where quoted prices are observable, inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect on ITP's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The following tables set forth by level within the fair value hierarchy the investment assets at fair value as of June 30, 2020 and 2019. As required by the fair value measurement standard, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Interurban Transit Partnership

Notes to Financial Statements

The balances of assets measured at fair value on a recurring basis are as follows:

<i>June 30, 2020</i>	Level 1	Level 2	Level 3	Total
Pension Trust Fund				
Cash and short-term investments	\$ 1,166,424	\$ -	\$ -	\$ 1,166,424
Equity mutual funds	8,009,797	-	-	8,009,797
Bond mutual funds	3,199,578	-	-	3,199,578
Investments, at fair value	\$ 12,375,799	\$ -	\$ -	\$ 12,375,799
<hr/>				
<i>June 30, 2019</i>	Level 1	Level 2	Level 3	Total
Pension Trust Fund				
Cash and short-term investments	\$ 757,128	\$ -	\$ -	\$ 757,128
Equity mutual funds	7,915,045	-	-	7,915,045
Bond mutual funds	3,238,283	-	-	3,238,283
Investments, at fair value	\$ 11,910,456	\$ -	\$ -	\$ 11,910,456

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Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2020 is as follows:

	Balance October 1, 2019	Additions	Transfers/ Deletions	Balance September 30, 2020
Capital Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 22,510,897	\$ -	\$ 21,363,858	\$ 1,147,039
Land	9,367,620	-	-	9,367,620
Artwork	368,470	-	-	368,470
Easements - intangible	55,000	-	-	55,000
Software in development	-	-	-	-
Capital assets being depreciated:				
Facilities	78,119,499	38,466,872	225,732	116,360,639
Revenue vehicles	73,298,797	17,116,074	3,248,903	87,165,968
Support equipment	15,719,161	1,373,141	855,047	16,237,255
Land improvements	5,198,561	-	-	5,198,561
Information systems and technology	18,152,222	2,526,480	2,201	20,676,501
Software - intangible	3,151,066	193,450	6,460	3,338,056
Total capital assets	225,941,293	59,676,017	25,702,201	259,915,109
Accumulated depreciation:				
Facilities	24,905,568	3,826,218	225,732	28,506,054
Revenue vehicles	36,503,867	6,667,243	3,229,359	39,941,751
Support equipment	12,106,339	1,179,162	855,047	12,430,454
Land improvements	2,231,165	252,157	-	2,483,322
Information systems and technology	13,451,970	1,714,263	2,203	15,164,030
Software - intangible	2,860,815	180,923	6,457	3,035,281
Total accumulated depreciation	92,059,724	13,819,966	4,318,798	101,560,892
Net Capital Assets	\$ 133,881,569	\$ 45,856,051	\$ 21,383,403	\$ 158,354,217

Please note the \$21,363,858 transfer amount in construction in progress was done to distribute prior year expenditures to the appropriate asset category when the Laker Line went into service.

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Interurban Transit Partnership

Notes to Financial Statements

Capital asset activity for the year ended September 30, 2019 is as follows:

	Balance October 1, 2018	Additions	Transfers/ Deletions	Balance September 30, 2019
Capital Assets				
Capital assets not being depreciated:				
Construction in progress	\$ 5,478,493	\$ 17,032,404	\$ -	\$ 22,510,897
Land	9,367,620	-	-	9,367,620
Artwork	368,470	-	-	368,470
Easements - intangible	55,000	-	-	55,000
Software in development	282,184	-	282,184	-
Capital assets being depreciated:				
Facilities	78,066,782	54,450	1,733	78,119,499
Revenue vehicles	65,718,670	12,863,458	5,283,331	73,298,797
Support equipment	14,846,288	1,015,468	142,595	15,719,161
Land improvements	5,198,561	-	-	5,198,561
Information systems and technology	17,799,200	652,397	299,375	18,152,222
Software - intangible	2,779,853	89,029	282,184	3,151,066
Total capital assets	199,961,121	31,707,206	5,727,034	225,941,293
Accumulated depreciation:				
Facilities	22,056,315	2,850,986	1,733	24,905,568
Revenue vehicles	35,810,158	5,798,047	5,104,338	36,503,867
Support equipment	11,089,396	1,159,538	142,595	12,106,339
Land improvements	1,978,871	252,294	-	2,231,165
Information systems and technology	12,233,127	1,518,218	299,375	13,451,970
Software - intangible	2,704,721	156,094	-	2,860,815
Total accumulated depreciation	85,872,588	11,735,177	5,548,041	92,059,724
Net Capital Assets	\$ 114,088,533	\$ 19,972,029	\$ 178,993	\$ 133,881,569

4. Pension and Retirement Plans

ITP has two single-employer defined benefit pension plans which provide retirement benefits to plan members and beneficiaries consisting of the Interurban Transit Partnership Pension Plan (Administrative Plan) and the Interurban Transit Partnership and Amalgamated Transit Union Pension Plan (Non-Administrative Plan).

Plan Description - Administrative Plan

ITP administers the Administrative Plan, a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. The plan is currently closed to new participants. Administrative employees were eligible to participate when they 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

Interurban Transit Partnership

Notes to Financial Statements

plan provided 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.

The financial statements of the plan are included in these financial statements as a Pension Trust Fund (a fiduciary fund).

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

	2020	2019
Retirees and beneficiaries currently receiving benefits	16	15
Terminated employees entitled to benefits but not yet receiving them	16	16
Active plan members	1	2
Total	33	33

Plan Description - Non-Administrative Plan

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

The financial statements of the plan are included in these financial statements as a Pension Trust Fund (a fiduciary fund).

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

	2020	2019
Retirees and beneficiaries currently receiving benefits	129	125
Terminated employees entitled to benefits but not yet receiving them	127	126
Active plan members	225	242
Total	481	493

Basis of Accounting

The financial statements of both plans 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 plans. Investments are reported at fair value.

Interurban Transit Partnership

Notes to Financial Statements

Funding Policy

The Administrative Plan was established and is being funded under the authority of ITP. Article 9, Section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. ITP retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. ITP is required to contribute the actuarially determined amount.

The Non-Administrative 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, 2017 to December 10, 2017, this rate is \$1.00 for each hour of service completed. ITP is required by the terms of the plan to contribute based on the negotiated rate. This fund is now closed.

Actuarial Assumptions

The total pension liability for both plans was determined by an actuarial valuation as of July 1, 2020 and the following actuarial assumptions, applied to all periods included in the measurement:

	Administrative Plan	Non-Administrative Plan
Inflation	2.50%	2.50%
Salary increases	0.00	0.00
Investment rate of return	3.50	4.00

Discount Rate

The discount rate used to measure the total pension liability for the Administrative Plan was 6.00% and 6.50% for the Non-Administrative Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, both plans' fiduciary net position was not projected to be sufficient to make all future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the depletion date), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate is used to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following tables present the pension plans' net pension liability, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.00%)	Current Rate (6.00%)	1% Increase (7.00%)
<i>Administrative Plan</i>			
Net Pension Liability	\$ 1,030,561	\$ 743,819	\$ 498,641

Interurban Transit Partnership

Notes to Financial Statements

<i>Non-Administrative Plan</i>	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 4,833,420	3,271,326	\$ 1,973,328

Long-Term Expected Rates of Return and Asset Allocation

The long-term expected rates of return of retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major asset class included in the retirement plan's investment policy.

<i>Asset Class</i>	Administrative Plan		Non-Administrative Plan	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	50%	6.0%	50%	6.50%
International equity	10	6.0	15	6.50
Fixed income	40	6.0	25	6.50
Real estate	0	0.0	10	6.50

Changes in the Net Pension Liability

The following table summarizes changes in the net pension liability related to the Administrative Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 2,759,802	\$ 1,907,376	\$ 852,426
Changes in pension liability			
Service cost			
Interest	166,683	-	166,683
Experience losses	70,045	-	70,045
Contributions - employer	-	419,186	(419,186)
Assumption change	139,623	-	139,623
Net investment income	-	79,677	(79,677)
Benefit payment	(185,757)	(185,757)	-
Administrative expenses	-	(13,905)	13,905
Net changes in pension liability	190,594	299,201	(108,607)
Balance, June 30, 2020	\$ 2,950,396	\$ 2,206,577	\$ 743,819

Interurban Transit Partnership

Notes to Financial Statements

The following table summarizes changes in the net pension liability related to the Non-Administrative Plan:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 12,657,135	\$ 10,003,546	\$ 2,653,589
Changes in pension liability			
Interest	800,046	-	800,046
Experience losses	43,263	-	43,263
Contributions - employer	-	387,328	(387,328)
Assumption change	637,632	-	637,632
Net investment income	-	501,605	(501,605)
Benefit payment	(697,478)	(697,478)	-
Administrative expenses	-	(25,729)	25,729
Net changes in pension liability	783,463	165,726	617,737
Balance, June 30, 2020	\$ 13,440,598	\$ 10,169,272	\$ 3,271,326

Deferred Inflows and Outflows of Resources Related to the Pension Plan

At September 30, 2020, ITP reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Administrative Plan		Non-Administrative Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 217,374	\$ -	\$ 209,038	\$ 261,931
Changes of assumptions	-	992	825,822	3,456,453
Investment earnings losses	74,444	-	-	33,432
Total	\$ 291,818	\$ 992	\$ 1,034,860	\$ 3,751,816

Deferred outflows of resources and deferred inflows of resources that are the result of differences in expected and actual experience with regard to economic and demographic factors, or from changes in assumptions regarding those factors, are amortized over a closed period equal to the average of the expected remaining period of service for all plan participants. Those time periods are five years for both plans. The differences between projected and actual investment earnings are amortized over five years.

Interurban Transit Partnership

Notes to Financial Statements

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year ending September 30,</i>	Administrative Plan	Non- Administrative Plan	Total
2021	\$ 228,082	\$ (566,129)	\$ (328,047)
2022	28,767	(507,744)	(478,977)
2023	24,699	(494,966)	(470,267)
2024	9,278	(475,081)	(465,803)
2025	-	(502,622)	(502,622)
Thereafter	-	(170,414)	(170,414)

Components of Pension Expense

For the year ended September 30, 2020, ITP recognized pension expense of \$480,715 for the Administrative Plan and \$(265,468) for the Non-Administrative Plan.

Below are the components of the total pension expense:

<i>Year ended September 30, 2020</i>	Administrative Plan	Non- Administrative Plan
Interest	\$ 166,683	\$ 800,046
Experience (gains) losses	226,140	(16,024)
Assumption change	142,489	(486,598)
Projected earnings on pension plan investments	(126,071)	(639,314)
Investment earnings losses	57,569	50,693
Administrative expenses	13,905	25,729
Total Pension Expense	\$ 480,715	\$ (265,468)

For the year ended September 30, 2020, actual cash payments made were \$419,186 and \$387,328 for the Administrative Plan and the Non-Administrative Plan, respectively.

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 9% of compensation paid during the month. ITP made contributions totaling \$423,761 for the year ended September 30, 2020.

Defined Contribution - Non-Administrative Plan

ITP has a contributory defined contribution benefit plan for its non-administrative employees. The plan had an initial effective date of August 1, 2018, with ITP contributions retroactive to the December 11, 2017 effective date of a new bargaining agreement. Non-administrative employees

Interurban Transit Partnership

Notes to Financial Statements

are eligible to participate after completion of a probationary period of 90 or 150 days. The plan provides 100% vesting after five years of service, with intermediate vesting levels for fewer years of service. Contributions are made bi-weekly and consist of 6% of eligible compensation, plus a match of participants' additional elective contributions up to 1% of eligible compensation. ITP made contributions totaling \$886,654 for the year ended September 30, 2020.

5. Risk Management

ITP is exposed to various risks of loss related to torts, theft of and damage to assets, errors and omissions, injuries to employees and natural disasters. ITP carries commercial insurance for most risks of loss, including employee life, health and accident insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. ITP participated in a public entity risk pool for property and liability coverage through November 30, 2009. ITP paid an annual premium to the pool, which is adjusted retroactively to reflect the actual cost. Each member is responsible for all losses falling within its selected retention level, plus its share of pool losses and administrative expenses, less its share of investment income. The agreement for formation of the Michigan Transit Pool (the Pool) provides that the Pool will be self-sustaining through member premiums and will provide property and liability coverage to its members for the first \$2,000,000 per occurrence. The Pool has purchased excess insurance for an additional \$3,000,000 per occurrence. In addition, ITP carried excess insurance for an additional \$5,000,000 per occurrence. The Pool publishes its own financial report which can be obtained from the Pool. ITP's participation in the Pool ended as of December 1, 2009 except with regard to known and unknown covered events occurring prior to December 1, 2009. ITP currently purchases commercial insurance for property and liability with coverage of \$5,000,000 per occurrence with a \$50,000 deductible and has excess coverage for an additional \$5,000,000. 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 2020 and 2019 of up to 50% of eligible expenses, based on actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$21,379,383 and \$22,771,743 in 2020 and 2019, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 30.9848% and 32.04%, respectively, totaled \$13,248,718 and \$14,591,040 in 2020 and 2019, 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 (20%). 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.

Interurban Transit Partnership

Notes to Financial Statements

Contingencies

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

7. Risks and Uncertainties

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

ITP's operations are heavily dependent on the ability to raise property taxes and charges for services. Additionally, access to grants and contracts from federal, state and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, ITP's financial condition and liquidity may be negatively impacted for FY21.

CARES Act

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. There is no assurance ITP is eligible for these funds or will be able to obtain them.

Also, as part of the CARES Act, ITP received a Section 5307 grant for operating and capital assistance. This grant was fully federal and did not require a local match. The grant award was \$28.4 million, of which ITP spent \$11.2 million as of September 30, 2020.

ITP continues to examine the impact that the CARES Act may have on its operations. Currently, ITP is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

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Required Supplementary Information

Interurban Transit Partnership

Schedule of Changes in the Net Pension Liability and Related Ratios - Administrative Plan

<i>Year ended June 30,</i>	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ 77,449
Interest	166,683	222,849	298,964	304,879	305,827
Changes of benefit terms	-	-	-	-	(271,192)
Difference between expected and actual experience	70,045	652,124	(17,596)	29,585	(472,647)
Change of assumptions	139,623	(2,976)	92,870	414,758	(793,053)
Benefit payments	(185,757)	(3,355,575)	(177,586)	(178,477)	(214,300)
Net Change in Total Pension Liability	190,594	(2,483,578)	196,652	570,745	(1,367,916)
Total Pension Liability - beginning	2,759,802	5,243,380	5,046,728	4,475,983	5,843,899
Total Pension Liability - ending (a)	2,950,396	2,759,802	5,243,380	5,046,728	4,475,983
Plan Fiduciary Net Position					
Contributions - employer	419,186	400,000	457,924	800,000	434,492
Net investment income	79,677	126,980	250,474	369,137	(226)
Benefit payments	(185,757)	(3,355,575)	(177,586)	(178,477)	(214,300)
Administrative expenses	(13,905)	(14,445)	(12,580)	(11,874)	(17,484)
Net Change in Fiduciary Net Position	299,201	(2,843,040)	518,232	978,786	202,482
Plan Fiduciary Net Position - beginning	1,907,376	4,750,416	4,232,184	3,253,398	3,050,916
Plan Fiduciary Net Position - ending (b)	2,206,577	1,907,376	4,750,416	4,232,184	3,253,398
Net Pension Liability - ending (a)-(b)	\$ 743,819	\$ 852,426	\$ 492,964	\$ 814,544	\$ 1,222,585
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.8%	69.1%	90.6%	83.9%	72.7%
Covered-employee payroll	\$ 205,047	\$ 210,141	\$ 707,023	\$ 703,623	\$ 725,494
Net Pension Liability as a Percentage of Covered-Employee Payroll	362.8%	405.6%	69.7%	115.8%	168.5%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, ITP presents information for those years for which information is available.

Interurban Transit Partnership

Schedule of Changes in the Net Pension Liability and Related Ratios - Non-Administrative Plan

Year ended June 30,	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	\$ -	\$ -	\$ 424,425	\$ 623,310	\$ 628,910
Interest	800,046	782,627	823,542	740,441	686,559
Changes in benefit terms	-	-	(1,612,940)	-	-
Difference between expected and actual experience	43,263	194,529	25,377	(261,781)	(51,400)
Change of assumptions	637,632	(56,593)	373,105	(2,723,243)	(465,876)
Benefit payments	(697,478)	(607,696)	(597,778)	(545,433)	(499,710)
Net Change in Total Pension Liability	783,463	312,867	(564,269)	(2,166,706)	298,483
Total Pension Liability - beginning	12,657,135	12,344,268	12,908,537	15,075,243	14,776,760
Total Pension Liability - ending (a)	13,440,598	12,657,135	12,344,268	12,908,537	15,075,243
Plan Fiduciary Net Position					
Contributions - employee	-	-	-	-	644,412
Contributions - employer	387,328	250,000	529,010	987,300	-
Net investment income	501,605	715,694	648,430	889,974	(36,996)
Benefit payments	(697,478)	(607,696)	(597,778)	(545,433)	(499,710)
Administrative expenses	(25,729)	(28,605)	(32,948)	(22,431)	(25,584)
Net Change in Fiduciary Net Position	165,726	329,393	546,714	1,309,410	82,122
Plan Fiduciary Net Position - beginning	10,003,546	9,674,153	9,127,439	7,818,029	7,735,907
Plan Fiduciary Net Position - ending (b)	10,169,272	10,003,546	9,674,153	9,127,439	7,818,029
Net Pension Liability - ending (a)-(b)	\$ 3,271,326	\$ 2,653,589	\$ 2,670,115	\$ 3,781,098	\$ 7,257,214
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.7%	79.0%	78.4%	70.7%	51.9%
Covered-employee payroll	n/a	n/a	n/a	n/a	n/a
Net Pension Liability as a Percentage of Covered-Employee Payroll	n/a	n/a	n/a	n/a	n/a

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, ITP presents information for those years for which information is available.

Interurban Transit Partnership

Schedule of Contributions - Administrative Plan

<i>Fiscal year ended September 30,</i>	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 419,186	\$ 192,821	\$ 52,414	\$ 74,018	\$ 216,577
Actual contribution	419,186	400,000	457,924	800,000	434,492
Contribution (excess)	\$ -	\$ (207,179)	\$ (405,510)	\$ (725,982)	\$ (217,915)
Covered payroll	\$ 205,047	\$ 210,141	\$ 707,023	\$ 703,623	\$ 725,494
Actual contribution as % of covered payroll	204.4%	190.3%	64.8%	113.7%	59.9%

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2020
Actuarial cost method	Unit Credit
Asset valuation method	Market value
Retirement age	Age 65
Interest rate	6.00% per year
Mortality tables:	
Pre-retirement	None
Post-retirement	Pub-2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with modified MP-2018 improvement factors
Turnover rates	None
Salary scale	None
Ancillary benefits values	None
Administrative experience	Prior year, rounded to nearest \$100
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross
Changes since prior valuation	Mortality updated to public pension tables; interest rate changed to 6.00%
Cost of living adjustments after retirement	None

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, ITP presents information for those years for which information is available.

Interurban Transit Partnership

Schedule of Contributions - Non-Administrative Plan

<i>Fiscal year ended September 30,</i>	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 387,328	\$ 376,920	\$ 735,101	\$ 775,392	\$ 746,846
Actual contribution	387,328	250,000	529,010	987,300	644,412
Contribution deficiency (excess)	\$ -	\$ 126,920	\$ 206,091	\$ (211,908)	\$ 102,434
Covered payroll	n/a	n/a	n/a	n/a	n/a
Actual contribution as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2020
Actuarial cost method	Unit Credit
Asset valuation method	75% of expected assets plus 25% of market value of assets, including contributions accrued for hours worked through the valuation date, but not less than 80%, nor more than 120% of market value
Retirement age	10% of active employees are assumed to retire at age 62 (if eligible for early retirement) and all remaining at age 65 (or current age if older); terminated vested participants are assumed to retire at age 65
Interest rate	6.50%
Mortality table	Public Plan Mortality Table for Blue-Collar Employees with MP-2019 Improvement Scale
Post-disablement mortality rates	Disabled retirees receiving benefits who have not attained age 65 are valued with applicable mortality rates from IRS Rev. Rul. 96-7 and 1964 OASDI rates of mortality
Turnover rates	Crocker-Sarason-Straight T-5
Ancillary benefits values	Vesting and pre-retirement death
Normal cost expenses (non-investment related)	Estimated expense is calculated as the average of prior two years' non-investment related expenses paid from the trust, rounded to the nearest \$1,000
Date and form of data	All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross
Changes since prior valuation	The mortality tables updated to public mortality tables
Cost of living adjustments after retirement	None

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, ITP presents information for those years for which information is available.

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Combining Statements and Supplementary Information

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

<i>June 30, 2020</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 691,285	\$ 475,139	\$ 1,166,424
Receivables			
Interest and dividends receivable	35	15	50
Investments, at fair value			
Bond mutual funds	544,363	2,655,214	3,199,577
Equity mutual funds	970,894	7,038,904	8,009,798
Total investments, at fair value	1,515,257	9,694,118	11,209,375
Total Assets	2,206,577	10,169,272	12,375,849
Net Position Held in Trust for Pension Benefits	\$ 2,206,577	\$ 10,169,272	\$ 12,375,849

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

<i>Year ended June 30, 2020</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer and employee contributions	\$ 419,186	\$ 387,328	\$ 806,514
Investment income (loss):			
Net appreciation	38,282	267,401	305,683
Interest	5,429	1,521	6,950
Dividends	38,027	242,939	280,966
Investment expense	(2,061)	(10,256)	(12,317)
Total investment income	79,677	501,605	581,282
Total additions	498,863	888,933	1,387,796
Deductions			
Benefits	185,757	697,478	883,235
Administrative expense	13,905	25,729	39,634
Total deductions	199,662	723,207	922,869
Change in net position	299,201	165,726	464,927
Net Position Held in Trust for Pension Benefits, beginning of year	1,907,376	10,003,546	11,910,922
Net Position Held in Trust for Pension Benefits, end of year	\$ 2,206,577	\$ 10,169,272	\$ 12,375,849

Interurban Transit Partnership

Schedule of Non-Operating Revenues - Local

Year ended September 30, 2020

Local Revenue

Property taxes	\$	16,791,217
Grand Valley State University		2,282,372
Network180		390,640
DASH - City of Grand Rapids		2,058,507
Route 19		248,366
Van pool		57,302
Ferris State University		69,991
Grand Rapids Community College		69,845
Amtrak		43,275
Alpine Township		82,998
Byron Township		61,400
Cascade Township		379,738
Gaines Township		46,257
Other local services		80,520

Total local revenue		22,662,428
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Other Income

Gain on sale of property		49,991
Sale of wave cards		30,467
Retail lease		37,270
Family First Coronavirus Response Act (FFCRA)		124,253
Interest income		73,389
Miscellaneous		9,270
Ride project coordination		50,764
Vending machine		31,676
Billboard lease		22,072

Total other income		429,152
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Total Non-Operating Revenues - Local	\$	23,091,580
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Interurban Transit Partnership
Schedule of Non-Operating Revenues - State and Federal

Year ended September 30, 2020

State of Michigan Grants

General operating assistance	\$ 13,849,041
Capital assistance	825,744
Preventive maintenance (operating)	11,360
Planning and miscellaneous project assistance	408,002
Specialized services	527,297

Total State of Michigan grants 15,621,444

Federal Government Grants

Capital assistance	3,437,567
CARES Act assistance	11,137,090
Preventive maintenance (operating)	45,437
Planning and miscellaneous project assistance	810,220

Total federal government grants 15,430,314

Total Non-Operating Revenues - State and Federal **\$ 31,051,758**

Interurban Transit Partnership
Schedule of Operating Expenses by Function

<i>Year ended September 30, 2020</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 10,286,500	\$ -
Other salaries and wages	3,146,403	2,451,423
Dispatchers' salaries and wages	300,779	-
Total labor	13,733,682	2,451,423
Fringe Benefits		
Pension - defined benefit (actual paid)	562,338	98,452
Pension - defined benefit (GASB adjustment)	(517,097)	(95,560)
Pension - defined contribution	986,698	176,249
Other fringe benefits	6,102,167	1,082,511
Total fringe benefits	7,134,106	1,261,652
Services		
Audit fees	-	-
Other services	404,251	1,406,939
Total services	404,251	1,406,939
Materials and Supplies Consumed		
Fuel and lubricants	1,689,995	-
Tires and tubes	-	41,458
Other materials and supplies	85,693	1,497,219
Total materials and supplies consumed	1,775,688	1,538,677
Utilities		
Other	133,796	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	1,486,059	-
Other insurance	-	-
Total casualty and liability costs	\$ 1,486,059	\$ -

Interurban Transit Partnership
Schedule of Operating Expenses by Function

Operations				Total
Administration	Total	Grants	System	
\$ -	\$ 10,286,500	\$ -	\$ 10,286,500	
2,106,781	7,704,607	34,416	7,739,023	
-	300,779	-	300,779	
2,106,781	18,291,886	34,416	18,326,302	
145,724	806,514	-	806,514	
21,390	(591,267)	-	(591,267)	
147,468	1,310,415	-	1,310,415	
1,050,026	8,234,704	10,047	8,244,751	
1,364,608	9,760,366	10,047	9,770,413	
48,175	48,175	-	48,175	
785,532	2,596,722	1,136,802	3,733,524	
833,707	2,644,897	1,136,802	3,781,699	
-	1,689,995	-	1,689,995	
-	41,458	209,385	250,843	
155,976	1,738,888	287,322	2,026,210	
155,976	3,470,341	496,707	3,967,048	
875,944	1,009,740	-	1,009,740	
-	1,486,059	-	1,486,059	
285,982	285,982	-	285,982	
\$ 285,982	\$ 1,772,041	\$ -	\$ 1,772,041	

Interurban Transit Partnership
Schedule of Operating Expenses by Function

	General	
<i>Year ended September 30, 2020</i>	Operations	Maintenance
Purchased Transportation	\$ 5,326,226	\$ -
Miscellaneous		
Travel and meetings	3,919	899
Advertising/promotion media	-	-
Dues and subscriptions	1,471	-
Other miscellaneous	150	38,390
Total miscellaneous	5,540	39,289
Depreciation and Loss on Disposal of Assets	-	-
Non Rapid Enhancements	-	-
Preventive Maintenance	-	-
Total Expenses	\$ 29,999,348	\$ 6,697,980

Interurban Transit Partnership
Schedule of Operating Expenses by Function

Operations				Total
Administration	Total	Grants	System	
\$ -	\$ 5,326,226	\$ 1,365,227	\$ 6,691,453	
59,792	64,610	3,843	68,453	
60,184	60,184	212,660	272,844	
93,897	95,368	24,074	119,442	
43,920	82,460	-	82,460	
257,793	302,622	240,577	543,199	
13,839,510	13,839,510	-	13,839,510	
-	-	2,804,654	2,804,654	
-	-	56,796	56,796	
\$ 19,720,301	\$ 56,417,629	\$ 6,145,226	\$ 62,562,855	

Interurban Transit Partnership

Schedule of Expenses by Grant

<i>Year ended September 30, 2020</i>	Total	001 General Operations	530 MI-2016-X009 12-0104-P12 FY16 Section 5307
Expenses			
Labor	\$ 18,326,302	\$ 18,291,886	\$ -
Fringe benefits	9,770,413	9,760,365	-
Services	3,781,699	2,644,897	35,865
Materials and supplies consumed	3,967,048	3,549,942	-
Utilities	1,009,740	1,009,740	-
Casualty and liability costs	1,772,041	1,772,041	-
Purchased transportation	6,691,453	5,326,226	-
Miscellaneous	543,199	302,621	88,707
Depreciation and loss on disposal of assets	13,839,510	13,839,510	-
Nonrapid enhancements	2,804,654	-	-
Preventive maintenance	56,796	-	-
Total Expenses	\$ 62,562,855	\$ 56,497,228	\$ 124,572

ITP 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 specialized services, there was no review of the methodology for capturing nonfinancial information for such programs.

Interurban Transit Partnership

Schedule of Expenses by Grant

540 MI-2017-X023 12-0070-P3 FY17 Section 5307	550 MI-16-X009 FY18 Section 5307	560 FY19 Section 5307	771 MI-2016-013 12-0104-P17 FY16 Section 5307	796 17-0070-P11 Specialized Services	870 MI-2017-015 FY17 Section 5339
\$ -	\$ -	\$ -	\$ 19,021	\$ -	\$ -
-	-	-	9,802	-	-
72,195	19,609	312,065	-	-	488
170,115	46,566	709	105	-	199,611
-	-	-	-	-	-
-	-	-	-	-	-
-	110,819	589,181	-	527,297	-
1,095	-	23,399	105,647	-	21,730
-	-	-	-	-	-
-	-	-	-	-	2,804,654
56,796	-	-	-	-	-
\$ 300,201	\$ 176,994	\$ 925,354	\$ 134,575	\$ 527,297	\$ 3,026,483

Interurban Transit Partnership

Schedule of Expenses by Grant

986 2017-0070-P10 MI Mobility Grant	987 MI-2019-010 TOD Grant
\$ 15,395	\$ -
246	-
51,876	644,704
-	-
-	-
-	-
137,930	-
-	-
-	-
-	-
-	-
<hr/>	<hr/>
\$ 205,447	\$ 644,704

Interurban Transit Partnership

Schedule of Regular Service Expenses by Function - Urban

<i>Year ended September 30, 2020</i>	Operations	Maintenance	Administration	Total
Labor				
Operators' salaries and wages	\$ 10,286,500	\$ -	\$ -	\$ 10,286,500
Other salaries and wages	3,146,403	2,451,423	2,106,781	7,704,607
Dispatchers' salaries and wages	300,779	-	-	300,779
Total labor	13,733,682	2,451,423	2,106,781	18,291,886
Fringe Benefits				
Pension - defined benefit	562,338	98,452	145,724	806,514
Pension - defined benefit (GASB)	(517,097)	(95,560)	21,390	(591,267)
Pension - defined contributions	986,698	176,249	147,468	1,310,415
Other fringe benefits	6,102,167	1,082,511	1,050,026	8,234,704
Total fringe benefits	7,134,106	1,261,652	1,364,608	9,760,366
Services				
Audit fees	-	-	48,175	48,175
Other services	404,251	1,406,939	785,532	2,596,722
Total services	404,251	1,406,939	833,707	2,644,897
Materials and Supplies Consumed				
Fuel and lubricants	1,689,995	-	-	1,689,995
Tires and tubes	-	41,458	-	41,458
Other materials and supplies	85,693	1,497,219	155,976	1,738,888
Total materials and supplies consumed	1,775,688	1,538,677	155,976	3,470,341
Utilities				
Other	133,796	-	875,944	1,009,740
Total utilities	133,796	-	875,944	1,009,740
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	1,486,059	-	-	1,486,059
Other insurance	-	-	285,982	285,982
Total casualty and liability costs	1,486,059	-	285,982	1,772,041
Purchased Transportation	5,326,226	-	-	5,326,226
Miscellaneous				
Travel and meetings	3,919	899	59,792	64,610
Advertising/promotion media	-	-	60,184	60,184
Dues and subscriptions	1,471	-	93,897	95,368
Other miscellaneous	150	38,390	43,920	82,460
Total miscellaneous	5,540	39,289	257,793	302,622
Depreciation and Loss on Disposal of Assets	-	-	13,839,510	13,839,510
Total Expenses	\$ 29,999,348	\$ 6,697,980	\$ 19,720,301	\$ 56,417,629

Interurban Transit Partnership
Schedule of Regular Service Revenues - Urban

Year ended September 30, 2020

Operating Revenues

Passenger fares	\$	4,075,367
Advertising		207,249

Total operating revenues		4,282,616
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Non-Operating Revenues

State and federal assistance		31,051,758
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Local Revenue

Property taxes		16,791,217
Grand Valley State University		2,282,372
Network180		390,640
DASH - City of Grand Rapids		2,058,507
Route 19		248,366
Van pool		57,302
Ferris State University		69,991
Grand Rapids Community College		69,845
Amtrak		43,275
Alpine Township		82,998
Byron Township		61,400
Cascade Township		379,738
Gaines Township		46,257
Other local services		80,520

Total local revenue		22,662,428
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Other Income

Gain on sale of property		49,991
Sale of wave cards		30,467
Retail lease		37,270
Family First Coronavirus Response Act (FFCRA)		124,253
Interest income		73,389
Miscellaneous		9,270
Ride project coordination		50,764
Vending machine		31,676
Billboard lease		22,072

Total other income		429,152
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Total Revenues	\$	58,425,954
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Interurban Transit Partnership

Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2020</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	322,158	32,385	15,697	370,240
Revenue hours - linehaul	309,760	31,431	15,113	356,304
Total vehicle hours - bus rapid transit	21,509	2,390	1,970	25,869
Revenue hours - bus rapid transit	20,832	2,324	1,893	25,049
Total vehicle hours - demand response	111,930	8,665	7,960	128,555
Revenue hours - demand response	97,274	7,538	6,920	111,732
Total vehicle miles - linehaul	4,234,299	410,558	200,118	4,844,975
Revenue miles - linehaul	4,041,914	394,601	189,796	4,626,311
Total vehicle miles - bus rapid transit	287,311	30,096	25,108	342,515
Revenue miles - bus rapid transit	272,868	28,581	23,278	324,727
Total vehicle miles - demand response	1,769,235	120,360	105,934	1,995,529
Revenue miles - demand response	1,379,596	104,056	89,945	1,573,597

The methodology used for compiling non-financial data on OAR schedules is an adequate and reliable methodology.

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Interurban Transit Partnership
Schedule of Operating Assistance Calculation

<i>Year ended September 30, 2020</i>	State Operating Assistance Urban
General Operating Expenses	\$ 62,562,855
Add Eligible Expenses	
Reverse GASB entry to pension to reflect actual paid pension expenses	591,267
Less Ineligible Expenses	
Depreciation expense and loss on disposal of assets	13,839,510
Capital funds used for operating expenses	6,145,227
Amtrak - billed directly to the State of Michigan	128,299
Non-transportation revenue	126,997
APTA and MPTA dues	7,528
Preventive maintenance	56,796
Other (lobbying fees)	91,000
	19,804,090
Eligible Operating Expenses	\$ 42,758,765
Maximum State Operating Assistance (50%)	\$ 21,379,383
State Operating Assistance Accrual (30.9848%)	\$ 13,248,718

Notes to the Schedule of Operating Assistance Calculation

ITP has deducted all known ineligible expenses in completing this calculation of state operating assistance. Any refunds or rebates are deducted from the appropriate expense item when received. Any expenses related to miscellaneous revenue were netted against said revenue. ITP had no "other" post-employment benefits. No such expense was accrued or paid during fiscal year 2019 and, therefore, there are no applicable issues regarding calculation of eligible operating expenses or the related assistance from the State of Michigan. ITP did not apply for non-urban assistance for fiscal year 2020; therefore, schedules for urban and non-urban expenses are not included.

The following are statements of assurances for the state:

Cost Allocation Plan - ITP charges only direct costs to its grant programs; therefore, no Office of Passenger Transportation (OPT) approved cost allocation plans are required, and none were used in the preparation of financial statements.

Nonfinancial Methodology Plan - The method used for compiling miles for linehaul and demand response service has been reviewed, and the recording method has been found to be adequate and reliable.

Interurban Transit Partnership

Schedule of Operating Assistance Calculation

Capital Funds Used to Pay for Operating - Operating expenses of \$6,145,227 were paid for with capital funds. This amount was subtracted out as ineligible expense. No other operating expenses were paid for with capital funds. Ineligible expenses are identified according to the definition in the revenue and expense manual.

Depreciation - The depreciation expense is identified as an ineligible expense and subtracted from expenses. Therefore, the depreciation assurance regarding approval of useful life is not required.

Expenses associated with auxiliary transportation revenue - There are no costs associated with this revenue in eligible operating expenses, because advertising and concessions are outsourced and the contracting agency is responsible for any related expenses.

Retirement Benefits - ITP offers two types of pension compensation plans: defined benefit and defined contribution for administrative and non-administrative staff. The defined contribution expenses paid this year for the administrative staff is \$423,761 and non-administrative staff is \$886,654. The entire sum of \$1,310,415 was expensed on the books and paid with out-of-pocket funds.

The defined benefit plan expenses paid this year for the administrative plan is \$419,186 and the non-administrative plan is \$387,338. The entire sum of \$806,514 was expensed on the books and paid with out-of-pocket funds. The defined benefit plan is calculated pursuant to the GASB 68 Implementation Guide. The GASB adjustment recognized as required is a decrease of \$591,267 to the pension expense which is reflected on page 54, an increase of \$61,529 to the administration plan and a reduction of \$652,796 to the union plan. Therefore, the \$806,504 is an eligible expense and was added to the total operating expense for the calculation of state operating assistance.

\$11,137,090 was received in CARES Act funding in FY 20 to reimburse eligible operating expenses through September 30, 2020. These expenses are included in the Schedule of Operating Expenses by Function under General Operations.

Interurban Transit Partnership

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through	Pass-Through Federal Grantor Number	Passed Through to Subrecipients	Total Federal Expenditures
Federal Transit Cluster					
Federal Transit Formula Grants	20.507	Direct	MI-2016-X009	\$ -	\$ 767,801
Federal Transit Formula Grants	20.507	Direct	MI-2017-X023	-	1,367,610
Federal Transit Formula Grants	20.507	Direct	MI-2018-011	-	592,411
Federal Transit Formula Grants	20.507	Direct	MI-2019-023	-	4,657,506
Federal Transit Formula Grants	20.507	Direct	MI-2016-013	-	284,410
Federal Transit Formula Grants	20.507	Direct	MI-2019-024	-	180,919
Federal Transit Formula Grants (CARES Act)	20.507	Direct	MI-2020-016	-	11,163,863
Bus and Bus Facilities Formula Program	20.526	Direct	MI-2019-023	-	1,100,200
Federal Transit Capital Investment Grants	20.500	Direct	MI-2017-015	-	25,514,879
Federal Transit Capital Investment Grants	20.500	Direct	MI-2019-010	-	455,795
Total Federal Awards				\$ -	\$ 46,085,394

Interurban Transit Partnership

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of ITP under programs of the federal government for the year ended September 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of ITP, it is not intended to and does not present the financial position, changes in net assets or cash flows of ITP.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

ITP has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

Interurban Transit Partnership
Schedule of Expenditures of State Awards

<i>Year ended September 30, 2020</i>	State Grantor Number	Grantee Number	Accrued (Unearned) Revenue October 1, 2019	Receipts
Program				
Section 5307	MI-2016-x009	530	\$ 137,273	\$ 313,584
Section 5307	MI-2017-023	540	402,058	720,392
Section 5307	MI-2018-011	550	107,620	246,495
Section 5307	MI-2019-023	560	22,499	408,854
Section 5307	MI-2016-013	771	10,233	9,893
Section 5307	MI-2016-013	772	-	-
Specialized Services	2017-0070-P8	795	115,823	115,823
Specialized Services	2017-0070-P11	796	-	271,184
Section 5339	MI-2019-023	846	-	-
Section 5309	MI-2017-015	870	1,633,551	6,964,785
Section 5303	2017-0070-P10	986	86,437	291,884
Section 5303	MI-2019-010	987	(12,461)	81,591
Total State Assistance			\$ 2,503,033	\$ 9,424,485

Interurban Transit Partnership
Schedule of Expenditures of State Awards

Expenditures Capital	Expenditures Other	Accrued (Unearned) Revenue September 30, 2020
\$ 167,036	\$ 24,914	\$ 15,639
281,862	60,041	23,569
112,704	35,398	9,227
979,306	185,072	778,023
37,459	-	37,799
45,230	-	45,230
-	-	-
-	527,297	256,113
275,050	-	275,050
5,758,431	545,325	972,522
-	205,447	-
-	188,909	94,857
\$ 7,657,078	\$ 1,772,403	\$ 2,508,029

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Additional Information

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Independent Auditor's 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*

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited, in accordance with the 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, the financial statements of Interurban Transit Partnership (ITP) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise ITP's basic financial statements and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ITP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ITP's internal control. Accordingly, we do not express an opinion on the effectiveness of ITP's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ITP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ITP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

January 21, 2021

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

We have audited Interurban Transit Partnership's (ITP) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of ITP's major federal programs for the year ended September 30, 2020. ITP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of ITP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ITP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ITP's compliance.

Opinion on Each Major Federal Program

In our opinion, Interurban Transit Partnership complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

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Report on Internal Control Over Compliance

Management of ITP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ITP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ITP's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

January 21, 2021

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Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness(es) identified? no

Significant deficiency(ies) identified? none reported

Noncompliance material to financial statements noted? no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? no

Significant deficiency(ies) identified? none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
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20.500, 20.507 and 20.526	Federal Transit Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes

Section II - Financial Statement Findings

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

Section III - Federal Awards Findings and Questioned Costs

There were no findings or questioned costs related to Federal awards.

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