



**Board Members**

**Mayor Stephen Kepley, Chair**

Charis Austin  
Mayor Katie Favale

Rick Baker  
Steven Gilbert  
Robert Postema

Mayor Rosalynn Bliss  
Andy Guy  
Terry Schweitzer

**David Bilardello, Vice-Chair**

Mayor Gary Carey  
Jack Hoffman  
Paul Troost

Tracie Coffman  
Mayor Steve Maas

**BOARD OF DIRECTORS MEETING**

**Wednesday, January 29, 2020 – 4 p.m.**

**Rapid Central Station Conference Room, 250 Grandville SW**

**AGENDA**

	<u>PRESENTER</u>	<u>ACTION</u>
1. PUBLIC COMMENT		
2. ELECTION OF OFFICERS	Mayor Kepley	
3. APPROVAL OF MINUTES – December 4, 2019 Board Meeting	Mayor Kepley	Approval
4. ACTION ITEMS		
a) FY 2019 Audit Approval	Linda Medina BDO Representatives	Approval
b) Purchase of up to 14 Remanufactured Bus Engines	Steve Clapp Mark Fedorowicz	Approval
5. STAFF REPORTS		
a) Financial Report – October and November 2019	Linda Medina	Information
b) Ridership & Productivity – October and November 2019		
1) Fixed Route Report	Max Dillivan	Information
2) Fixed Route FY 2020 Report Card Standards	Max Dillivan	Information
3) Paratransit Route Report	Jason Prescott	Information
c) Silver Line Schedule Revisions	Nick Monoyios Max Dillivan	Information
d) Planning Project Updates for the Laker Line, COA and TOD	Nick Monoyios	Presentation
6. CEO'S REPORT	Andrew Johnson	Information
7. CHAIR'S REPORT	Mayor Kepley	Information
8. COMMITTEE REPORTS – None to report		
9. ADJOURNMENT		

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**MISSION: *To create, offer and continuously improve a flexible network of public transportation options and mobility solutions.***

**Board Members**

**Mayor Stephen Kepley, Chair**

*Charis Austin  
Randy Gelderloos*

*Rick Baker  
Steven Gilbert  
Terry Schweitzer*

*Mayor Rosalynn Bliss  
Andy Guy  
Mayor Amna Seibold*

**David Bilardello, Vice-Chair**

*Mayor Gary Carey  
Jack Hoffman  
Paul Troost*

*Tracie Coffman  
Robert Postema*

**RAPID BOARD MEETING**

**Wednesday, December 4, 2019 – 4 p.m.**

**Rapid Central Station Conference Room, 250 Grandville SW**

**ATTENDANCE:**

Board Members Present:

Charis Austin, David Bilardello, Mayor Rosalynn Bliss, Mayor Gary Carey, Tracie Coffman, Andy Guy, Jack Hoffman, Mayor Stephen Kepley, Robert Postema, Terry Schweitzer, Mayor Amna Seibold, Paul Troost

Board Members Absent:

Rick Baker, Randy Gelderloos, Steven Gilbert

Staff Attendees:

Steve Clapp, Judy DeVries-Eppink, Max Dillivan, Mark Fedorowicz, Peggy Galt, Nancy Groendal, Julie Ilbrink, Andrew Johnson, Deron Kippen, Bill Kirk, Linda Medina, Nick Monoyios, Jason Prescott, Andy Prokopy, Dina Reed, Steve Schipper, Kevin Wisselink, Lisa Young

Other Attendees:

Steve Faber (Byrun & Fisk), Michael Groh (Sam Schwartz), Joe Iacobucci (Sam Schwartz), Laurel Joseph (GVMC), Hank Kelley (City of GR), Devery Krupchak (MV Transit), Laura St. Louis (Disability Advocates of Kent County), Chris Swank (GVSU)

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Mayor Kepley called the meeting to order at 4 p.m.

**1. PUBLIC COMMENT**

No public comments were presented.

**2. APPROVAL OF MINUTES – October 30, 2019 Board of Directors Meeting**

Mayor Kepley asked for corrections to the minutes. None were offered. The minutes from October 30, 2019 Board meeting were approved as written.

**PRESENTATION: Emerging Mobility from the COA**

Mr. Iacobucci from Sam Schwartz gave a presentation on “How Emerging Mobility Affects The Rapid”. This presentation will be attached with the minutes.

Mayor Seibold asked for clarification regarding the description of on-demand aerial vehicles. Mr. Iacobucci shared this is a future-facing concept such as air taxis and drones.

Mr. Iacobucci asked the members what excites or concerns them about emerging mobility.

- Mr. Hoffman asked if we are just recreating the suburban model with the emerging mobility concept. He also expressed excitement about the “last mile” services.
- Mayor Seibold shared an excitement about where we go next in the future, as there are some real possibilities with this plan.
- Mayor Carey shared that it solves problems for customers. He expressed concern that in the cases where we are trying something new that we do not give up too quick.
- Mayor Kepley pointed out that having a well thought-out implementation plan is a must for new services to be successful.
- Mr. Guy expressed that the more options we can put out there, the better. Emerging building space is dynamic space, and we need to be flexible and nimble if change happens.
- Mayor Bliss expressed excitement for potential of emerging options, suggesting that we try something in a smaller zone to experiment first. She would like to continue thinking holistically with how GR's innovations blend with The Rapid.
- Ms. Coffman shared that mobility options being tied into public transit is shift in culture in how residents look at public transportation.
- Mr. Schweitzer shared that this program adds to what we have, therefore it is important to develop partnerships with other agencies.
- Mr. Guy shared concern about access to services involving using a credit card, expensive phone, data package, etc. He inquired if research has been done with other communities to see how they deal with these challenges.

### 3. ACTION ITEMS

#### a. **Purchase of (15) 40-foot CNG Buses**

Mr. Clapp presented the request to purchase (15) 40-foot CNG buses.

Mr. Schweitzer asked how this purchase is incorporated into the capital plan as it appears to be more money than what we budgeted for. Mr. Clapp stated this purchase is budgeted for the 2020-2021 grants bus replacement budget.

The motion made by Mr. Schweitzer was supported by Mayor Bliss to purchase (15) 40-foot CNG buses. The motion passed unanimously.

#### b. **Replacement of six (6) Buses for Special Services**

Mr. Prescott presented the request to purchase six (6) replacement buses for Special Services.

Mr. Bilardello asked how the transit vehicles are powered. Mr. Prescott shared they are powered by gas. Mr. Schweitzer noted that the vehicles look smaller and more efficient. Mr. Prescott concurred.

The motion made by Mr. Bilardello was supported by Mr. Schweitzer to purchase six (6) buses for Special Services. The motion passed unanimously.

#### c. **FY 2020 Federal Transit Administration (FTA) Grant Application**

Mr. Wisselink presented the request to submit the FY 2020 Federal Transit Administration (FTA) Grant Application.

The motion made by Mr. Hoffman was supported by Mayor Bliss to submit the FY 2020 FTA Grant Application. The motion passed unanimously.

**d. FY 2021 Michigan Department of Transportation (MDOT) Grant Application**

Mr. Wisselink presented the request to submit the FY 2021 Michigan Department of Transportation (MDOT) Grant Application.

The motion made by Mayor Carey was supported by Ms. Coffman to submit the FY 2021 MDOT Grant Application. The motion passed unanimously.

**e. FY 2021 Specialized Services Grant Application**

Mr. Wisselink presented the request to submit the FY 2021 Specialized Services Grant Application.

The motion made by Ms. Austin was supported by Ms. Coffman to submit the FY 2021 Specialized Services Grant Application. The motion passed unanimously.

**4. STAFF REPORTS REVIEWED**

**a. Financial Report – September 2019**

There were no questions or comments.

**b. Fixed Routes – September 2019, 4<sup>th</sup> Quarter 2019, and Annual FY 2019**

There were no questions or comments.

**c. Paratransit Routes – September 2019, 4<sup>th</sup> Quarter 2019, and Annual FY 2019**

There were no questions or comments.

**d. Rideshare Report – 4<sup>th</sup> Quarter 2019**

There were no questions or comments.

**5. CEO's REPORT**

Mr. Johnson shared that the RCS Renovation Steering Committee has been working on finalizing the renovation budget, touring facilities for furniture options, and making decisions on the office space layout.

Mr. Johnson shared that the executive team visited the Laker Line Building on Freeman, and stated that construction is coming along nicely.

Mr. Johnson shared that Ms. Reed, Mr. Wisselink, and he will be travelling to Washington DC for the APTA Legislative meetings, a meeting with our lobbyist, and a meeting with the COO recruiter who is based in the city.

**6. CHAIR'S REPORT**

Mayor Kepley shared that there will be some transition among the Board of Director members due to recent election results and thus the CEO's objectives for 2020 will be sent out in January for Board review. As such, Mayor Kepley expressed his thanks to Mayor Seibold for her leadership, her service on the Board, and wishing her well in the future.

**7. COMMITTEE MEETING MINUTES AND REPORTS REVIEWED**

**a. Future Planning & Technology Committee**

There were no questions or comments.

**b. Present Performance & Service Committee**

There were no questions or comments.

**c. Finance Committee**

There were no questions or comments.


Additional Comments:

Many Board of Directors members expressed their thanks to Mayor Seibold for her service to the community.

**8. AJOURNMENT**

This meeting was adjourned at 4:55 p.m.  
Next meeting is scheduled for January 29, 2020.

Respectfully submitted,

  
\_\_\_\_\_  
Julie Ilbrink, Board Secretary

**Date:** January 22, 2020  
**To:** ITP Board  
**From:** Linda Medina, Finance Manager  
**Subject:** Financial Statements and Single Audit Reports Years Ended September 30, 2019 and 2018

**ACTION REQUESTED**

Attached for your review and approval are the Financial Statements and Single Audit Reports for fiscal years ended September 30, 2019 and 2018

**BACKGROUND**

The FY 2019 audit was completed by BDO USA in accordance with standards contained in Government Auditing Standards. The necessary financial statements along with any required supplemental information per State and Federal regulations are presented in the Financial Statements and Single Audit Reports.

The financial statements are prepared in conformity with general accepted accounting procedures (GAAP) on an accrual basis. Revenues are recognized in the period in which they are earned and expenses are recognized in the period they incurred.

BDO USA has issued an unmodified opinion on the report. This opinion confirms that the financial statements are fairly and appropriately presented and in compliance with GAAP. Below are the highlights for FY 2019:

- Total revenues increased from FY 2018 to FY 2019 by 6%. Fare revenue was lower in FY 2019, but non-operating revenue increased due to an increase in property taxes and contract services.
- Labor costs increased from FY 2018 to FY 2019 due to operators and maintenance staffing. Additional service was added at the end FY 2018 for Dash and Route 19, but operated for a full year in FY 2019 which caused labor costs to increase over FY 2018. Additionally, the Maintenance Department was understaffed the majority of FY 19 which increased overtime and contributed to the increase in FY 2019 labor costs.
- Fringe benefits increased because in FY 2018 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 adjustment. This FY 2018 expense reduction is driving the variance from FY 2019 to FY 2018. In FY 2019 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 FY 2018 to FY 2019 due to the non-capital enhancements for the Laker Line project. While funded with Laker Line project grant funds, these enhancements are categorized as operating expenses because they are not Rapid assets that can be depreciated as capital items. Such expenses include right away easements, traffic signals, pedestrian crosswalks, bus access ways, and communication infrastructure.
- Capital costs increased dramatically from FY 2018 to FY 2019 with the start of the Laker Line project in FY 2019. It is anticipated that the service will start at the end of FY 2020.

Also included in the report is information regarding the defined benefit pension plans. In FY 2019, a high range or a mid-range contribution was made to the pension plans. Both plans are PA202 compliant as the administration plan is 69% funded and the Union plan is 79% funded.

A representative from BDO USA and Watkins and Ross will be at the meeting to answer any questions or concerns.

Please feel free to contact me directly at (616) 774-1149 or [Imedina@ridetherapid.org](mailto:Imedina@ridetherapid.org) with any additional questions regarding the audit report.



**INTERURBAN TRANSIT PARTNERSHIP BOARD OF DIRECTORS**

**RESOLUTION No. 012920-1**

**Fiscal Year: 2019-2020**

Moved and supported to adopt the following resolution:

Approval of the Financial Statements and Single Audit Reports for fiscal years ended September 30, 2019 and 2018

BE IT RESOLVED that the ITP Board of Directors approves the FY 2019 Audit Report as written.

**CERTIFICATE**

The undersigned, duly qualified and acting secretary of the Interurban Transit Partnership Board, certifies that the foregoing is a true and correct copy of a resolution adopted at a legally convened meeting of the Interurban Transit Partnership Board.

\_\_\_\_\_  
Julie Ilbrink, Board Secretary

\_\_\_\_\_  
Date

**Date:** January 15, 2020  
**To:** ITP Board  
**From:** Steve Clapp, Fleet Maintenance Manager  
Mark Fedorowicz, Procurement Manager  
**Subject:** Purchase of up to 14 Remanufactured Bus Engines

**ACTION REQUESTED**

Staff is requesting authorization from the ITP Board to purchase up to 14 remanufactured bus engines as needed to replace engines as needed for mid-life replacements.

**BACKGROUND**

It is anticipated that over the course of FY2020 the ITP will need to replace up to 14 engines that are at the end of their useful life, prior to the bus itself reaching the end of its useful life. Using ICE (Independent Cost Estimate), we anticipate a cost of \$420,000 if all 14 engines are replaced. In order to expedite the procurement processes and enable cost savings due to economies of scale, the Rapid Purchasing Department issued a bid for these replacement engines for a 1 year period. An Invitation for Bid (IFB) was issued on November 27 and advertised on the Rapid website. Direct solicitations were sent to five local firms that were determined to be previously responsive and able to complete the work. Two bids were received from Cummins Engine and West Michigan International. Cummins Engine proved to be the low, responsive and responsible bidder.

**PROCUREMENT**

The Procurement was done as an IFB since price was the most important consideration in determining the best qualified firm. Additionally, a detailed scope of work was available along with an adequate bidders pool.

**PRICE ANALYSIS**

<b>FIRM:</b>	<b>TOTAL PRICE:</b>
Cummins	\$400,134.80
West Michigan International	\$451,318.30

**RECOMMENDATION**

Cummins Engine proved to be the low, responsive and responsible bidder.

**FUNDING**

Funding is available from State and Federal Grants. No local funds are required.



**INTERURBAN TRANSIT PARTNERSHIP BOARD OF DIRECTORS**

**RESOLUTION No. 012920-2**

**Fiscal Year: 2019-2020**

Moved and supported to adopt the following resolution:

Approval to execute a contract with Cummins Engines in an amount not to exceed \$400,134.80 to purchase up to 14 remanufactured bus engines for mid-life power train upgrades.

BE IT RESOLVED that the CEO is authorized to execute an agreement with Cummins Engines to purchase up to 14 remanufactured bus engines at a cost not to exceed \$400,134.80 based on information presented to the RAPID Board on February 29, 2020.

**CERTIFICATE**

The undersigned, duly qualified and acting secretary of the Interurban Transit Partnership Board, certifies that the foregoing is a true and correct copy of a resolution adopted at a legally convened meeting of the Interurban Transit Partnership Board.

\_\_\_\_\_  
Julie Ilbrink, Board Secretary

\_\_\_\_\_  
Date

**Date:** January 15, 2020  
**To:** ITP Board  
**From:** Linda Medina, Finance Manager  
**Subject:** NOVEMBER 2019 FINANCIAL REPORT

**OVERVIEW**

Please find attached the financial report for November 2019.

**BACKGROUND**

There are a few detailed line items in the report that have notable variances that are due to timing issues being compared to a straight line budget. This issue will be addressed with the addition of new reports comparing expenses to a projected budget rather than a straight line budget. The reports will be presented to the Finance Committee to get concurrence in February and to the full Board at the next board meeting.

Please feel free to reach out to me directly at (616) 774-1149 or [lmedina@ridetherapid.org](mailto:lmedina@ridetherapid.org) with any additional questions regarding the financial report.

Interurban Transit Partnership  
 Combined Operating Statement  
 Month Ended 11/30/19

	Adopted Budget	Amended Budget	Month To Date	Year To Date	Balance	Percent Target= 17%
Revenue & Operating Assistance						
1. Passenger Fares - Linehaul	5,718,144	5,718,144	472,577	883,681	4,834,463	15%
2. Passenger Fares - Paratransit	1,013,095	1,013,095	120,893	187,428	825,667	19%
3. Passenger Fares - Other	22,873	22,873	3,819	6,586	16,287	29%
4. Total Passenger Fares	6,754,112	6,754,112	597,289	1,077,695	5,676,417	16%
5. <u>CMH Contribution</u>	794,950	794,950	67,939	126,018	668,932	16%
6. Dash Contract	2,637,194	2,637,194	212,159	440,963	2,196,231	17%
7. Grand Valley State University	2,710,385	2,710,385	302,155	675,829	2,034,556	25%
8. Employment Transportation (Van Pool)	150,000	150,000	9,250	9,383	140,617	6%
9. Township Services	607,990	607,990	50,168	100,335	507,655	17%
10. Route 19	525,014	525,014	40,991	88,130	436,884	17%
11. Other	393,454	393,454	34,872	45,847	347,607	12%
12. Total Sale Of Transportation Services	7,818,987	7,818,987	717,534	1,486,505	6,332,482	19%
13. <u>State Operating</u>	14,978,651	14,978,651	1,549,871	2,888,246	12,090,405	19%
14. Property Taxes	16,588,984	16,588,984	1,382,415	2,764,831	13,824,153	17%
15. Advertising	165,000	165,000	0	0	165,000	0%
16. Interest & Miscellaneous	502,549	502,549	37,661	53,251	449,298	11%
17. Total Other Revenue & Support	32,235,184	32,235,184	2,969,947	5,706,328	26,528,856	18%
18. TOTAL REVENUE & OPERATING ASSISTANCE	46,808,283	46,808,283	4,284,770	8,270,528	38,537,755	18%
Expenditures Route Service & Demand Response						
19. <u>Administrative Salaries and Wages</u>	5,186,064	5,186,064	587,311	974,338	4,211,726	19%
20. Operators Wages	14,092,303	12,811,184	1,341,381	2,395,673	10,415,511	19%
21. Maintenance Wages	2,083,822	2,020,576	230,299	384,989	1,635,587	19%
22. Overtime Wages	0	1,344,365	339,431	456,018	888,347	34%
23. Total Labor	21,362,189	21,362,189	2,498,422	4,211,018	17,151,171	20%
24. <u>FICA/Medicare Tax</u>	1,634,208	1,634,208	181,007	306,824	1,327,384	19%
25. Pension	2,361,046	2,361,046	136,329	253,732	2,107,314	11%
26. Group Medical	4,246,500	4,246,500	360,227	1,312,266	2,934,234	31%
27. Unemployment Taxes	60,000	60,000	0	0	60,000	0%
28. Worker's Compensation	342,940	342,940	25,914	77,730	265,210	23%
29. Uniforms	134,876	134,876	16,316	18,810	116,066	14%

Interurban Transit Partnership  
 Combined Operating Statement  
 Month Ended 11/30/19

	Adopted Budget	Amended Budget	Month To Date	Year To Date	Balance	Percent Target= 17%
30. Fringe Benefits Distributed to Grants	15,240-	15,240-	737-	1,946-	13,294-	13%
31. Total Fringe Benefits	8,764,330	8,764,330	719,056	1,967,416	6,796,914	22%
32. <u>Audit, Legal, and Consultant</u>	337,000	337,000	3,592	19,592	317,408	6%
33. Contract Service: Janitor & Bus Cleaning	1,495,459	1,495,459	111,180	145,933	1,349,526	10%
34. Contract Service: Other	1,052,618	1,052,618	92,914	122,748	929,870	12%
35. Total Services	2,885,077	2,885,077	207,686	288,273	2,596,804	10%
36. <u>Fuel &amp; Lubricants</u>	2,774,173	2,774,173	181,875	331,398	2,442,775	12%
37. Tires & Tubes	45,130	50,130	5,827	7,620	42,510	15%
38. Office Supplies	62,402	62,502	2,848	3,577	58,925	6%
39. Printing	166,825	166,825	405	405	166,420	0%
40. Repair Parts	1,602,527	1,597,527	133,331	269,941	1,327,586	17%
41. Other Supplies	106,918	106,918	5,890	10,485	96,433	10%
42. Total Materials & Supplies	4,757,975	4,758,075	330,176	623,426	4,134,649	13%
43. <u>Electronic Communications</u>	110,993	110,993	20,503	25,912	85,081	23%
44. Gas Heat	180,000	180,000	475	475	179,525	0%
45. Electric	637,100	637,100	39,285	39,285	597,815	6%
46. Other	64,680	64,680	5,151	6,914	57,766	11%
47. Total Utilities	992,773	992,773	65,414	72,586	920,187	7%
48. <u>PL &amp; PD Insurance</u>	1,359,000	1,359,000	139,020	442,809	916,191	33%
49. Building & Other Insurance	299,908	299,908	228,786	246,210	53,698	82%
50. Total Casualty & Liability	1,658,908	1,658,908	367,806	689,019	969,889	42%

Interurban Transit Partnership  
 Combined Operating Statement  
 Month Ended 11/30/19

	Adopted Budget	Amended Budget	Month To Date	Year To Date	Balance	Percent Target= 17%
51. Dues & Subscriptions	102,259	102,259	1,536	32,012	70,247	31%
52. Professional Development	144,313	144,313	8,473	8,555	135,758	6%
53. Marketing & Promotion	40,700	40,700	2,928	3,013	37,687	7%
54. Community Outreach	40,100	40,100	10,938	10,938	29,162	27%
55. Office Equipment	7,475	7,475	443	443	7,032	6%
56. Shop Tools	45,200	45,200	1,907	3,431	41,769	8%
57. Miscellaneous	96,250	96,150	20,541	25,657	70,493	27%
58. Total Other	476,297	476,197	46,766	84,049	392,148	18%
59. Purchased Transportation	6,253,866	6,253,866	617,630	1,112,048	5,141,818	18%
60. Purchase Transp. - CMH	1,169,350	1,169,350	97,946	181,662	987,688	16%
61. Purchase Transp. - Other	318,000	318,000	31,821	58,320	259,680	18%
62. Purchase Transp. - Suburban Paratransit	169,518	169,518	19,313	33,678	135,840	20%
63. Transfer Out - Grant Budget	0	0	0	0	0	100%
64. Operating Expenses - Capitalized	2,000,000-	2,000,000-	0	0	2,000,000-	0%
65. TOTAL OPERATING EXPENDITURES	46,808,283	46,808,283	5,002,036	9,321,495	37,486,788	20%
66. Net Surplus	0	0	717,266-	1,050,967-	1,050,967	100%
	46,808,283	46,808,283	4,284,770	8,270,528	38,537,755	18%

Interurban Transit Partnership  
Grant Revenues & Expenditures  
Month Ended 11/30/19

	Adopted Budget	Amended Budget	Month To Date	Year To Date	Balance	Percent Target 17%
1. Federal Grant Assistance	41,524,302	41,524,302	1,100,852	1,188,172	40,336,130	3%
2. State Grant Assistance	10,381,076	10,381,076	275,213	297,043	10,084,033	3%
3. Transfer In - Operating Budget	0	0	0	0	0	100%
4. Use of Restricted Net Assets	0	0	0	0	0	100%
5. Other Local	0	0	0	0	0	100%
6. Total Grant Revenue	51,905,378	51,905,378	1,376,065	1,485,215	50,420,163	3%
7. Administrative Salaries	31,148	31,148	5,804	8,564	22,584	27%
8. Driver Wages	0	0	0	0	0	100%
9. Temporary Wages	0	0	0	0	0	100%
10. Fringe Benefit Distribution	12,395	12,395	789	2,040	10,355	16%
11. Total Labor	43,543	43,543	6,593	10,604	32,939	24%
12. Tires & Tubes	301,018	301,018	1,103	1,103	299,915	0%
13. Office Supplies	1,000	1,000	0	0	1,000	0%
14. Printing	1,000	1,000	90	90	910	9%
15. Total Material & Supplies	303,018	303,018	1,193	1,193	301,825	0%
16. Purchased Transportation	868,595	868,595	94,836	153,169	715,426	18%
17. Specialized Services	463,289	463,289	0	0	463,289	0%
18. Total Purchased Transportation	1,331,884	1,331,884	94,836	153,169	1,178,715	12%
19. Dues & Subscriptions	0	0	0	0	0	100%
20. Professional Development	39,325	39,125	0	17	39,108	0%
21. Miscellaneous	0	200	35	60	140	30%
22. Total Other Expenses	39,325	39,325	35	77	39,248	0%
23. Office Lease	0	0	0	0	0	100%
24. Transit Center Lease	0	0	0	0	0	100%
25. Storage Space Lease	0	0	0	0	0	100%
26. Total Leases	0	0	0	0	0	100%
27. Rolling Stock	18,017,922	18,017,922	0	0	18,017,922	0%
28. Facilities	21,019,968	21,019,968	636,963	636,963	20,383,005	3%
29. Equipment	981,963	981,963	824	1,774	980,189	0%
30. Other	7,298,758	7,298,758	557,453	601,819	6,696,939	8%
31. Total Capital	47,318,611	47,318,611	1,195,240	1,240,556	46,078,055	3%
32. Planning Services	868,997	868,997	78,168	79,616	789,381	9%
33. Capitalized Operating	2,000,000	2,000,000	0	0	2,000,000	0%
34. Total Expenditures	51,905,378	51,905,378	1,376,065	1,485,215	50,420,163	3%

PROFESSIONAL DEVELOPMENT REPORT  
 ALL EMPLOYEES  
 OCTOBER 2019

AMOUNT	PURPOSE	EMPLOYEE (s)	LOCATION
\$ 2,035.12	GSX Security Expo	M. Wieringa	Chicago, IL
\$ 989.02	MPTA Annual Meeting	A. Johnson, D. Reed, B. Pouget	Thompsonville, MI
\$ 1,190.00	RAIL-Volution Conference	A. Johnson, M. Dillivan	Vancouver, BC
\$ 1,687.93	APTA Tech Conference	M. Tubergen	Columbus, OH
\$ 2,905.32	Avail Technologies Conference	T. Divers, A. Prokopy, A. Lockwood	San Antonio, TX
\$ 1,950.00	APTA TRANSform Conference	A. Johnson, D. Reed	New York, NY
\$ 289.64	Dayton Purchasing Conference	M. Fedorowicz	Dayton, OH
<u>\$11,047.03</u>			

\*This total does not include incidental travel and meeting expenses such as mileage, parking, lunch meetings, etc.

**Date:** January 15, 2020  
**To:** ITP Board  
**From:** Nick Monoyois – Planning Manager  
 Maxwell Dillivan, AICP – Senior Planner  
**Subject:** FIXED ROUTE RIDERSHIP AND PRODUCTIVITY REPORT (OCTOBER AND NOVEMBER 2019)

**OVERVIEW**

October 2019 total ridership fell 5.1% compared to October 2018. This was primarily attributed to a decline in GVSU ridership due to a newly-implemented Fall Break in the university’s academic calendar. This break accounted for an estimated 22,000 lost rides on the four GVSU routes. Several fixed routes experienced increases compared to the same month the previous year, including Silver Line and Route 19.

November 2019 total ridership declined 5.1% compared to November 2018. Top performing routes for the month were Silver Line, Route 19 – Michigan Crosstown, and Route 1 – Division.

**BACKGROUND INFORMATION**

**Monthly Ridership**

	<b>October 2019</b>	<b>October 2018</b>	<b>% Change</b>
Routes 1 – 44 ( <i>non-contracted regular fixed routes, incl. 19</i> )	712,559	718,784	↓ 0.9%
Contracted/Specialized Service ( <i>GVSU, DASH, etc.</i> )	379,151	431,543	↓ 12.1%
Demand-Response ( <i>Go!Bus, PASS</i> )	31,313	32,436	↓ 3.5%
<b>Total Monthly Ridership</b>	<b>1,123,023</b>	<b>1,182,763</b>	<b>↓ 5.1%</b>

	<b>November 2019</b>	<b>November 2018</b>	<b>% Change</b>
Routes 1 – 44 ( <i>non-contracted regular fixed routes, incl. 19</i> )	592,888	612,096	↓ 3.1%
Contracted/Specialized Service ( <i>GVSU, DASH, etc.</i> )	304,071	333,072	↓ 8.7%
Demand-Response ( <i>Go!Bus, PASS</i> )	27,708	28,920	↓ 4.2%
<b>Total Monthly Ridership</b>	<b>924,667</b>	<b>974,088</b>	<b>↓ 5.1%</b>

### Daily Average Ridership

	<b>October 2019</b>	<b>October 2018</b>	<b>% Change</b>
Weekday Total	43,545	46,054	↓ 5.4%
Weekday Evening	5,910	6,205	↓ 4.7%
Saturday	15,858	15,053	↑ 5.3%
Sunday	6,639	7,719	↓ 13.4%

	<b>November 2019</b>	<b>November 2018</b>	<b>% Change</b>
Weekday Total	40,112	41,017	↓ 2.2%
Weekday Evening	5,264	5,388	↓ 2.3%
Saturday	13,343	14,063	↓ 5.1%
Sunday	6,999	6,891	↑ 1.6%

### Fiscal Year Ridership

	<b>October 2019</b>	<b>October 2018</b>	<b>% Change</b>
Routes 1 – 44 ( <i>non-contracted regular fixed routes, incl. 19</i> )	712,559	718,784	↓ 0.9%
Contracted/Specialized Service ( <i>GVSU, DASH, etc.</i> )	379,151	431,543	↓ 12.1%
Demand-Response ( <i>Go!Bus, PASS</i> )	31,313	32,436	↓ 3.5%
<b>Total Monthly Ridership YTD</b>	<b>1,123,023</b>	<b>1,182,763</b>	<b>↓ 5.1%</b>

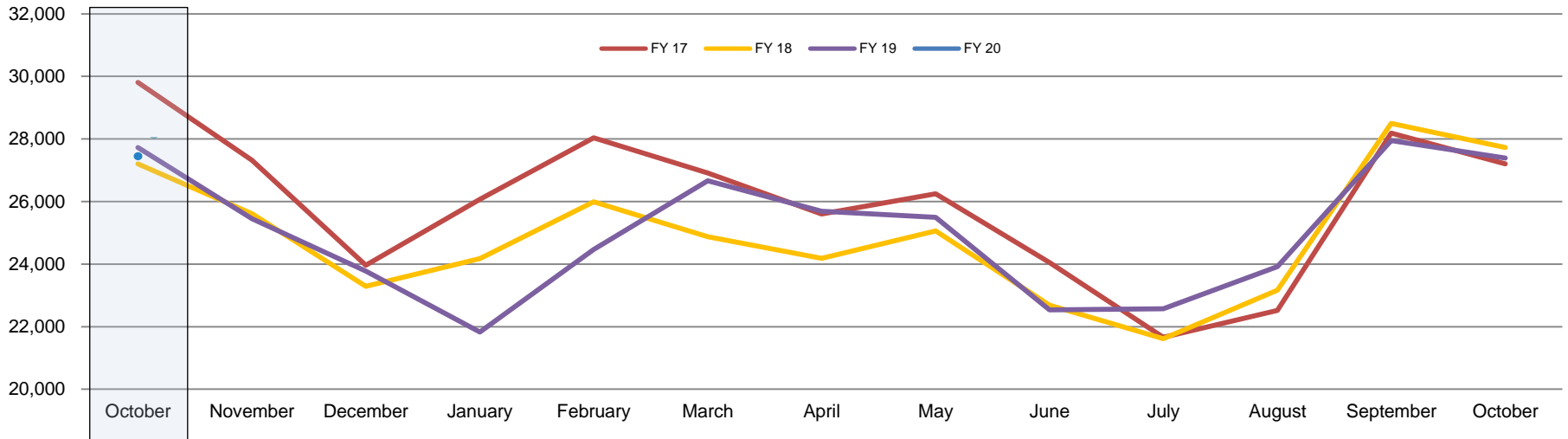
	<b>November 2019</b>	<b>November 2018</b>	<b>% Change</b>
Routes 1 – 44 ( <i>non-contracted regular fixed routes, incl. 19</i> )	1,305,447	1,330,880	↓ 1.9%
Contracted/Specialized Service ( <i>GVSU, DASH, etc.</i> )	683,222	764,615	↓ 10.6%
Demand-Response ( <i>Go!Bus, PASS</i> )	59,021	61,356	↓ 3.8%
<b>Total Monthly Ridership YTD</b>	<b>2,047,690</b>	<b>2,156,851</b>	<b>↓ 5.1%</b>

### Productivity Summary

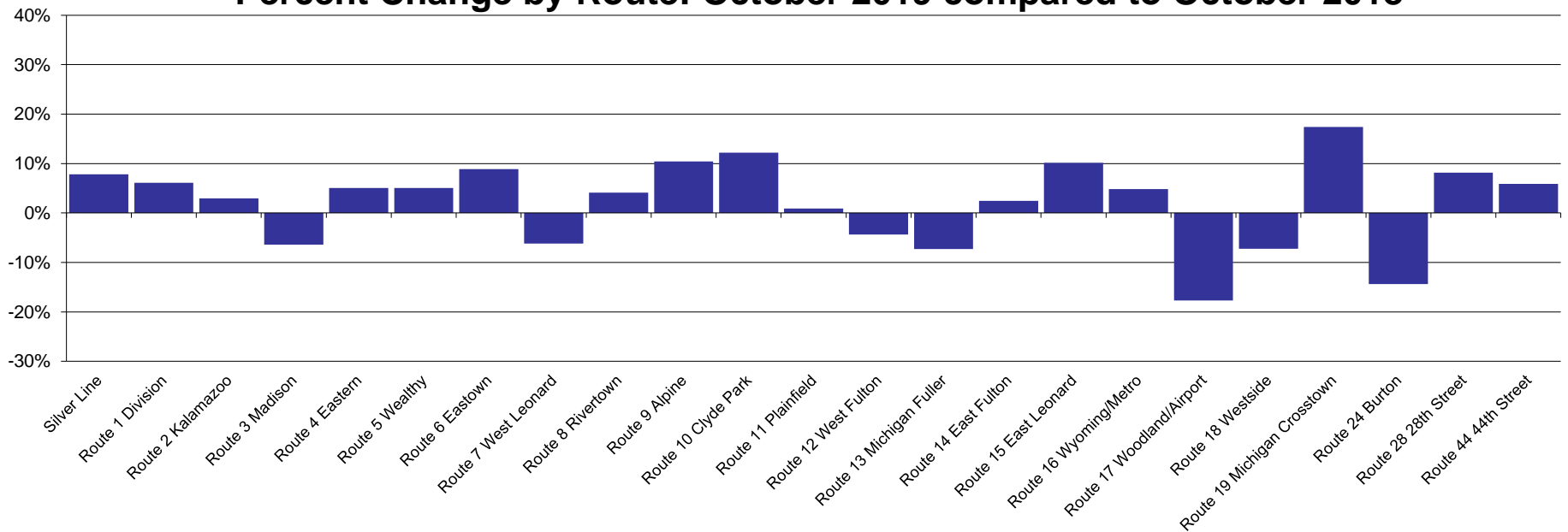
	<b>October 2019</b>	<b>October 2018</b>	<b>% Change</b>
Average passengers per hour per route	21.8	22.1	↓ 1.1%
Average passengers per mile per route	1.67	1.79	↓ 6.8%
Average farebox recovery percent per route	24.9%	28.0%	↓ 11.1%
Average daily passengers	22,435	22,653	↓ 1.0%

	<b>November 2019</b>	<b>November 2018</b>	<b>% Change</b>
Average passengers per hour per route	20.1	20.4	↓ 1.1%
Average passengers per mile per route	1.54	1.66	↓ 6.9%
Average farebox recovery percent per route	23.2%	25.8%	↓ 9.9%
Average daily passengers	19,998	20,648	↓ 3.1%

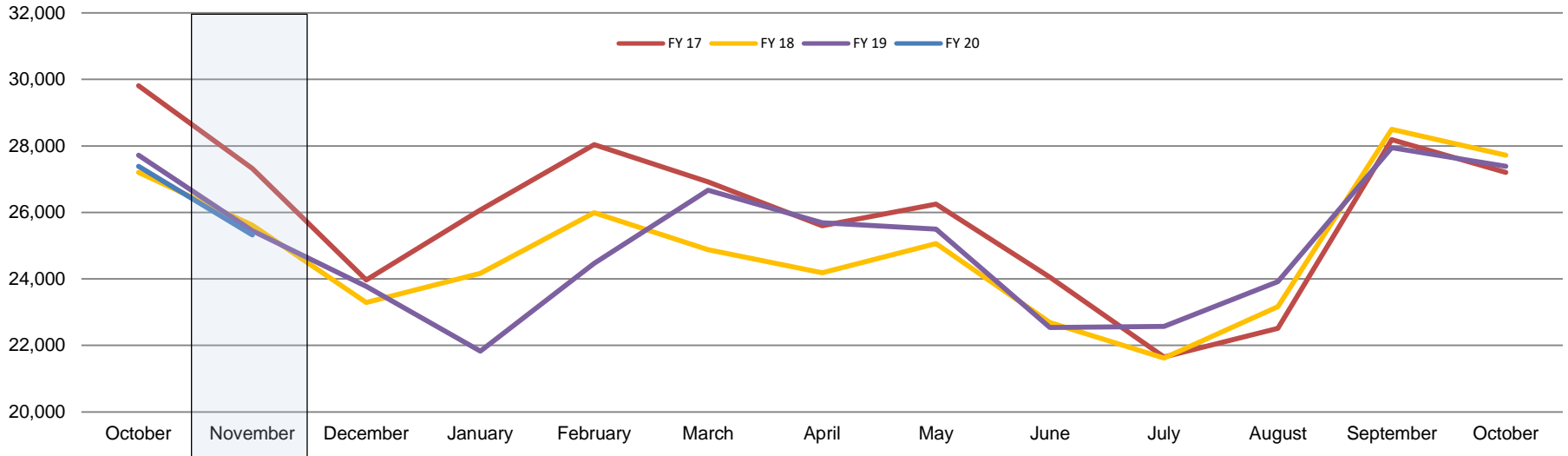
## Monthly Weekday Average Ridership History



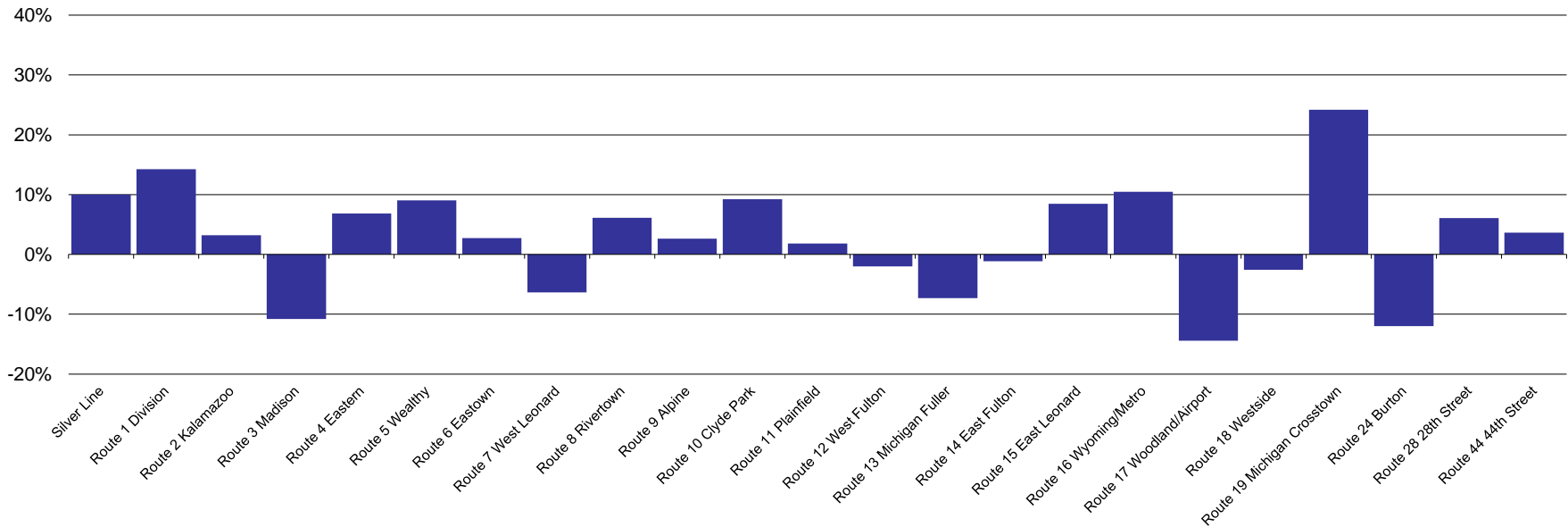
## Percent Change by Route: October 2019 compared to October 2018



## Monthly Weekday Average Ridership History



## Percent Change by Route: November 2019 compared to November 2018





**Date:** January 15, 2020  
**To:** ITP Board  
**From:** Nick Monoyois – Planning Manager  
Maxwell Dillivan, AICP – Senior Planner  
**Subject:** FY 2020 REPORT CARD STANDARDS & FY 2019 REPORT CARD

**OVERVIEW**

Staff is presenting the FY 2020 Report Card Standards to the ITP Board for their information. This item will update productivity measurement standards for fixed-route service. Staff will maintain the same standards as the previous year with the exception of incorporating quarterly adjustments for Fixed Route productivity measures to reflect seasonal ridership trends.

**METHODOLOGY**

**Ridership** – FY 2019 was the first year since 2014 where ridership experienced an increase (up 0.37% overall). This trend was particularly impressive given the major impact on ridership the severe winter weather experienced across the region in the beginning of 2019.

Staff continues to feel that a “green light” should be maintained at greater than 0% (ridership growth) and recommends a standard of **higher than 0% ridership change**.

**Preventable Accidents** – There were an average of 1.54 preventable accidents per 100,000 revenue miles in FY 2019, an increase from 1.22 in FY 2018. The Rapid is committed to maintaining high standards, particularly for preventable accidents, and staff recommends maintaining the standard for FY 2020 of **1.50 preventable accidents per 100,000 revenue miles**.

**Customer Service** – There were an average of 4.62 complaints per 100,000 passengers in FY 2019, only slightly higher than the standard of 4.50 complaints. This figure received a “yellow light” for the year and was a major improvement from the average of 5.53 complaints per 100,000 passengers received in FY 2018. Staff recommends maintaining the standard of **4.50 complaints per 100,000 passengers** for FY 2020.

In addition, there was an average of 0.51 commendations per 100,000 passengers, up from 0.31 for the previous year. Staff proposes the continued absence of a commendation standard.

**On Time Performance** – In FY 2013, staff began tracking on time performance with real-time GPS units on the buses for the first time and adopted a standard of 83% on-time performance. Actual performance for FY 2019 was 83.97% on-time. One of the priorities of the Comprehensive Operations Analysis is to identify strategies to improve reliability and on-time performance. For the time being, staff recommends maintaining an **on-time performance standard of 83.0% for FY 2020**.

**Cost Effectiveness** – Cost effectiveness is measured through Cost per Passenger and Passengers per Mile. Because most of the GVSU service is very productive, cost effectiveness performance for Total Service are generally better than for just Fixed Route Service.

Fixed Route – In FY 2019 Fixed Route Service (Routes 1-44 and the Silver Line) averaged a cost of \$4.11 per passenger (\$0.16 over the standard of \$3.95) and carried 1.61 passengers per mile (0.04 less than the standard of 1.65). Each of these metrics received “yellow lights” according to the standards set forth in the beginning of FY 2019. Staff and members of the board throughout the year noted and observed how cost effectiveness metrics followed seasonal trends. Therefore, **staff recommends incorporating quarterly adjustments to Fixed Route cost effectiveness metrics for FY 2020** similar to the quarterly adjustments utilized for Total Service. These quarterly adjustments are based on historical trends over the past three fiscal years.

Recommended quarterly benchmarks for FY 2020 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Average
Cost per Passenger	\$4.60	\$4.14	\$4.87	\$4.66	\$4.34
Passengers per Mile	1.49	1.46	1.41	1.39	1.45

Total Service – In FY 2019 Total Service (all line-haul buses including contracted services) averaged a cost of \$3.77 per passenger and carried 1.76 passengers per mile. Given the anticipated operating cost increases for FY 2020, staff recommends the Total Service standard of **a \$3.97 cost per passenger and carrying 1.58 passengers per mile for FY 2020.**

As with previous standards, staff recommends adjusting the Total Service standards quarterly based on historical trends, as Total Service productivity tends to fluctuate greatly due to seasonal changes in student ridership levels. The recommended quarterly levels are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Average
Cost per Passenger	\$4.06	\$3.71	\$4.89	\$4.38	\$3.97
Passengers per Mile	1.67	1.58	1.37	1.45	1.58

### FY 2019 Annual Report Card – Total Service

	<u>FY 2019 Annual</u>	<u>FY 2018 Annual</u>	<u>Total Change</u>	<u>Standard</u>	<u>FY 2019 – FY 2018 Difference</u>
<b><u>Productivity</u></b>					
<sup>1</sup> Total Fixed-Route Ridership	<b>10,114,882</b>	10,077,134	37,748	≥ <b>0.0%</b>	0.37%
<b><u>Safety</u></b>					
<sup>2</sup> Accidents per 100,000 Revenue Miles	<b>1.54</b>	1.22	0.32	≤ <b>1.50</b>	0.04
<b><u>Customer Service</u></b>					
<sup>3</sup> Complaints per 100,000 Passengers	<b>4.62</b>	5.53	-0.91	≤ <b>4.50</b>	0.12
<sup>4</sup> Commendations per 100,000 Passengers	<b>0.51</b>	0.31	0.21	<b>none</b>	n/a
<b><u>On Time Performance</u></b>					
<sup>5</sup> Percentage of On-Time Buses	<b>83.97%</b>	84.25%	-0.28%	≥ <b>83.0%</b>	0.97%
<b><u>Cost Effectiveness</u></b>					
<sup>6</sup> Cost per Passenger ( <i>fixed route only</i> )	<b>\$3.76</b>	\$3.56	\$0.20	≤ <b>\$3.65</b>	\$0.20
<sup>7</sup> Passengers per Revenue Mile	<b>1.76</b>	1.83	-0.07	≥ <b>1.83</b>	-0.07

### FY 2019 Annual Report Card – Fixed Route

	<u>FY 2019 Annual</u>	<u>FY 2018 Annual</u>	<u>Total Change</u>	<u>Standard</u>	<u>FY 2019 – FY 2018 Difference</u>
<b><u>Productivity</u></b>					
Total Fixed-Route Ridership	<b>7,301,569</b>	7,337,980	-36,411	≥ <b>0.0%</b>	-0.5%
<b><u>Cost Effectiveness</u></b>					
Cost per Passenger ( <i>fixed route only</i> )	<b>\$4.11</b>	\$3.95	-\$0.16	≤ <b>\$3.95</b>	\$0.16
Passengers per Revenue Mile	<b>1.61</b>	1.65	-0.04	≥ <b>1.65</b>	-0.04

### FY 2019 Annual Report Card – Contracted

	<u>Year-End FY 2019</u>	<u>Year-End FY 2018</u>	<u>Total Change</u>	<u>Percent Change</u>
Total Fixed-Route Ridership	<b>2,813,313</b>	2,739,154	74,159	2.7%
Cost per Passenger	<b>\$2.84</b>	\$2.51	\$0.37	13.2%
Passengers per Revenue Mile	<b>2.33</b>	2.58	0.18	-9.9%

*Note: There are no specific standards attached to Contracted Services*

## FY 2020 Report Card Standards Summary

Category	Measurement Standard			
<b><u>Productivity</u></b>				
<sup>1</sup> Total Ridership	Trending over past years	> 0.0%	≤ 0.0% and > -5.0%	≤ -5.0%
		> 0.0%	≤ 0.0% and > -5.0%	≤ -5.0%
<b><u>Preventable Accidents</u></b>				
<sup>2</sup> Preventable Accidents per 100,000 Miles	Trending over past years	≤ 1.5	>1.50 and < 1.75	≥ 1.75
<b><u>Customer Service</u></b>				
<sup>3</sup> Complaints per 100,000 Passengers	Trending over past years	≤ 4.50	> 4.50 and < 6.00	≥ 6.00
<sup>4</sup> Commendations per 100,000 Passengers	None	n/a	n/a	n/a
<b><u>On Time Performance</u></b>				
<sup>5</sup> Percentage of On-Time Buses	Fixed standard	≥ 83.0%	< 83.0% and > 80.0%	≤ 80.0%
<b><u>Cost Effectiveness</u></b>				
<sup>6</sup> Cost per Passenger (fixed route only)	Projected fixed-route operating expenses divided by ridership projection	≤ \$4.34	> \$4.34 and < \$4.70	≥ \$4.70
		≤ \$3.97	> \$3.97 and < \$4.33	≥ \$4.33
<sup>7</sup> Passengers per Mile	Projected ridership/route growth	≥ 1.45	< 1.45 and > 1.27	≤ 1.27
		≥ 1.58	< 1.58 and > 1.33	≤ 1.33

Fixed Route specific measures are in **BLUE** and total services specific measures are in **ORANGE**

<sup>1</sup> Total passengers carried on The Rapid line haul services (Regular fixed and contracted services excluding GO!Bus and vanpool).

<sup>2</sup> Total number of preventable accidents per 100,000 miles. "Preventable" is defined as any accident involving a company vehicle that results in property damage and/or personal injury in which the employee failed to exercise every reasonable precaution to prevent the accident.

<sup>3</sup> Registered complaints logged by customer service via phone, mail, walk-in or by email regarding the fixed-route system. Late bus complaints due to the weather conditions are not included.

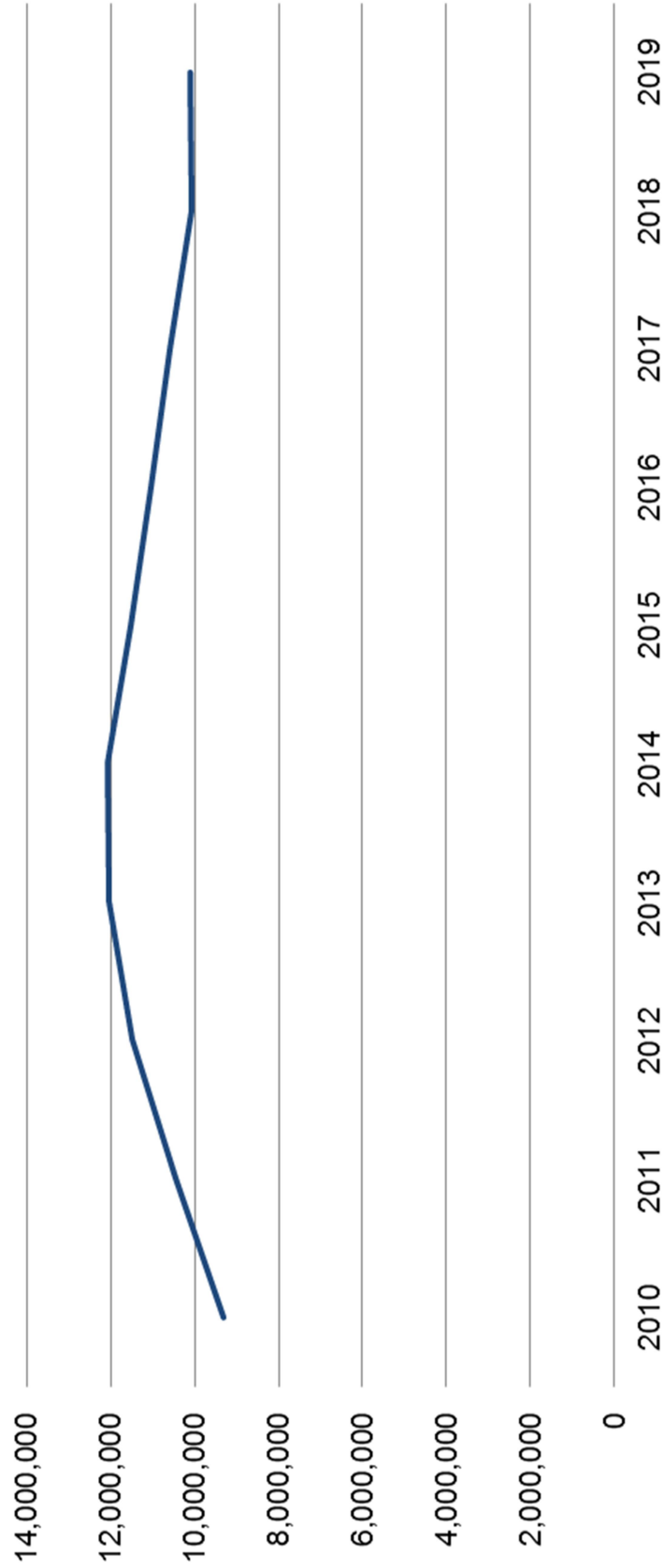
<sup>4</sup> Registered commendations logged by customer service via phone, mail, walk-in or by email regarding the fixed-route system.

<sup>5</sup> This category is based on Avail GPS data that track all fixed-route buses. "On-time" is defined as departing from zero minutes before to five minutes after scheduled departure time.

<sup>6</sup> Total line-haul operating expenses divided by total passengers carried. Capital expenses are 100% Federally and State funded and therefore are not included in operating expense calculations. Standards adjust quarterly based on averages from the previous 3 years.

<sup>7</sup> The number of passengers carried per revenue mile. "Revenue mileage" does not include miles traveled to/from the beginning/end of a route. Standards adjust quarterly based on averages from the previous 3 years.

### Annual Ridership FY 2010 - FY 2019



**Date:** January 14, 2020  
**To:** ITP Board  
**From:** Jason Prescott, Special Services Manager  
**Subject:** PARATRANSIT RIDERSHIP REPORT (OCTOBER AND NOVEMBER 2019)

**OVERVIEW**

Please provide a brief summary paragraph of what you've seen trending and where you anticipate this going.

**BACKGROUND**

**Paratransit Ridership Information**

	<b>October 2019</b>	<b>October 2018</b>	<b>% Change</b>
Total Paratransit Ridership	31,313	32,436	↓ 3.5%
ADA Ridership	24,011	23,968	↑ .2%
Non-Disabled Senior (NDS) Ridership	93	102	↓ 8.8%
PASS Ridership	659	588	↑ 12.1%
Network 180	233	286	↓ 18.5%
Cascade Township	699	722	↓ 3.18%

	<b>November 2019</b>	<b>November 2018</b>	<b>% Change</b>
Total Paratransit Ridership	27,720	28,920	↓ 4.2%
ADA Ridership	21,707	21,823	↓ 0.5%
Non-Disabled Senior (NDS) Ridership	82	80	↑ 2.5%
PASS Ridership	614	582	↑ 5.5%
Network 180	210	257	↓ 18.3%
Cascade Township	653	684	↓ 4.5%

**Ridership Averages**

	<b>October 2019</b>	<b>October 2018</b>	<b>% Change</b>
Weekday Ridership	1203	1004	↑ 19.8%
Saturday Ridership	343	345	↓ 0.6%
Sunday Ridership	370	345	↑ 7.2%

	<b>November 2019</b>	<b>November 2018</b>	<b>% Change</b>
Weekday Ridership	999	939	↑ 6.4%
Saturday Ridership	356	345	↑ 3.2%
Sunday Ridership	384	369	↑ 4.1%

**Other Performance Measures**

	<b>October 2019</b>	<b>October 2018</b>	<b>% Change</b>
On-Time Performance	95.00%	92.39%	↑ 2.8%
On-Time Drop-Off	94.84%	93.37%	↑ 1.5%
Average Cost Per Trip	\$25.83	\$24.29	↑ 6.3%

	<b>November 2019</b>	<b>November 2018</b>	<b>% Change</b>
On-Time Performance	94.49%	92.53%	↑ 2.1%
On-Time Drop-Off	93.94%	93.58%	↑ .38%
Average Cost Per Trip	\$25.68	\$24.86	↑ 3.3%

**Date:** January 15, 2020  
**To:** ITP Board  
**From:** Nick Monoyios, Planning Director  
Maxwell Dillivan, Senior Planner  
**Subject:** SILVER LINE SCHEDULE REVISIONS

## **OVERVIEW**

The purpose of this memo is to provide the ITP Board with information regarding upcoming schedule changes to Silver Line. These changes are anticipated to take effect in May 2020.

## **BACKGROUND**

Despite Silver Line being The Rapid's flagship route and most productive service, it struggles significantly with reliability and on-time performance issues. These issues have become even more apparent during the data collection phase of Mobility For All. Consultants' initial findings were providing false positives due to the high level of leapfrogging between buses, particularly during the afternoon peak.

For quite some time now and even prior to the start of the COA, Planning staff has been evaluating potential solutions to improve Silver Line's on-time performance. Due to the fixed nature of the route and FTA-required minimum operating hours, revenue-neutral options are limited.

The purpose of this memo is to provide Rapid Board of Directors information regarding upcoming schedule changes to Silver Line in May 2020.

## **EXISTING CONDITIONS**

Currently, Silver Line operates on weekdays every ten minutes from 6:00am to 9:00am and 3:00pm to 6:00pm. These peak service levels require eight (8) buses running on an 80-minute cycle. During the mid-day between 9:00am to 3:00pm, frequency drops to every 20 minutes and requires four (4) vehicles running on an 80-minute cycle.

## **PLANNED REVISIONS**

Silver Line will shift to a frequency of 15 minutes all day from 6:00am to 6:00pm utilizing six (6) buses on a 90-minute cycle. This proposal would reduce total operating hours (including deadhead) from 98h11m per weekday to 97h58m per weekday and save 55 minutes of operating time per week. The new schedule would allow for five (5) additional minutes in each direction for the route to navigate downtown, the most severely congested area, and allow for a more realistic schedule.

These revisions have been have been vetted and approved by all applicable departments, and the Communications Department is assisting with public outreach and external communications related to these changes.

## **BENEFITS**

- *Riders:* Weekday ridership on Silver Line is consistently high throughout the day despite the decrease in service during the mid-day. The new schedule would provide improved service to those utilizing Silver Line in the mid-day, as well as improved reliability. It is expected that more consistency in the schedule will be appealing to riders as well.
- *Drivers:* Currently, the four buses dispatched for the morning and afternoon peaks are “trippers” that are predominantly overtime work. Having six buses on the road throughout the day will enable more straight pieces to be cut and reduce overtime. The new schedule is also more realistic for drivers to maintain.
- *Maintenance:* As the Silver Line fleet continues to age, the Maintenance Department is under increasing pressure to keep eight of the ten vehicles on the road. Dispatch regularly has to resort to utilizing a fixed-route bus when three or more Silver Line vehicles are undergoing maintenance. This in turn causes confusion for riders and prohibits them from using Silver Line’s advertised amenities such as Wi-Fi and rear-door boarding. Reducing the Silver Line peak pull to six buses relieves a significant amount of strain on Maintenance staff as well as the demand placed on the fleet as a whole. In addition, the adjusted mileage would eliminate five (5) preventative maintenance checks for the Silver Line fleet per year.
- *Fare Enforcement:* No additional burden will be placed on fare enforcement efforts.

## **CONCLUSION**

While this change would reduce the peak frequency from 10-minute to 15-minute service, the impact this will have on improving service and consistency throughout the day, and will provide an overall increased performance result for this route.

**Date:** January 22, 2020  
**To:** ITP Board  
**From:** Nick Monoyios – Planning Manager  
Max Dillivan AICP – Senior Planner  
**Subject:** PLANNING PROJECTS UPDATE PRESENTATION

### **OVERVIEW**

Staff will give a slideshow presentation on updates for the status of the Comprehensive Operational Analysis (COA), Silver Line Transit Oriented Development (TOD) Study, and Laker Line BRT.

### **COA**

Staff will present an overall update and current status on the progress of the project. This includes an update on the overall project schedule, outcomes of the first phase of public engagement, the various stakeholder interviews, and expectations of the first draft of deliverables (the three preferred service scenarios).

### **SILVER LINE TOD PLANNING STUDY**

Staff will present a high-level orientation of the project. This includes identifying the project purpose, defining the tenets of TOD, introducing the Steering Committee, and status of the overall project schedule.

### **LAKER LINE BRT**

Staff will present the completion status of the project along with imagery of the current progress.



# Mobility For All Update

January 29, 2020





# PUBLIC ENGAGEMENT

- Received approximately **500 responses** to the Design Your Own System online survey
- Series of **stakeholder one-on-one interviews**
- Target date for public open houses: **week of February 26**

# STAKEHOLDER INTERVIEWS

## ■ **Municipal partners**

- **MobileGR**
- **City of Grand Rapids Planning**
- **City of Wyoming**
- **City of Kentwood**
- **City of Walker**
- **City of Grandville**
- **City of East Grand Rapids**
- **Alpine Township**
- **Byron Township**
- **Gaines Township**
- **Plainfield Township**
- **MDOT**

## ■ **Equity/Inclusion/Diversity partners**

- **Disability Advocates of Kent Co.**
- **ENTF**
- **Latino Community Coalition**
- **NAACP Chapter**
- **Urban League**
- **Hope Network**

## ■ **Economic partners**

- **Local First**
- **The Right Place**
- **Wyoming-Kentwood Chamber of Commerce**
- **Grandville-Jenison Chamber of Commerce**
- **Grand Rapids Area Chamber of Commerce**

## ■ **Education partners**

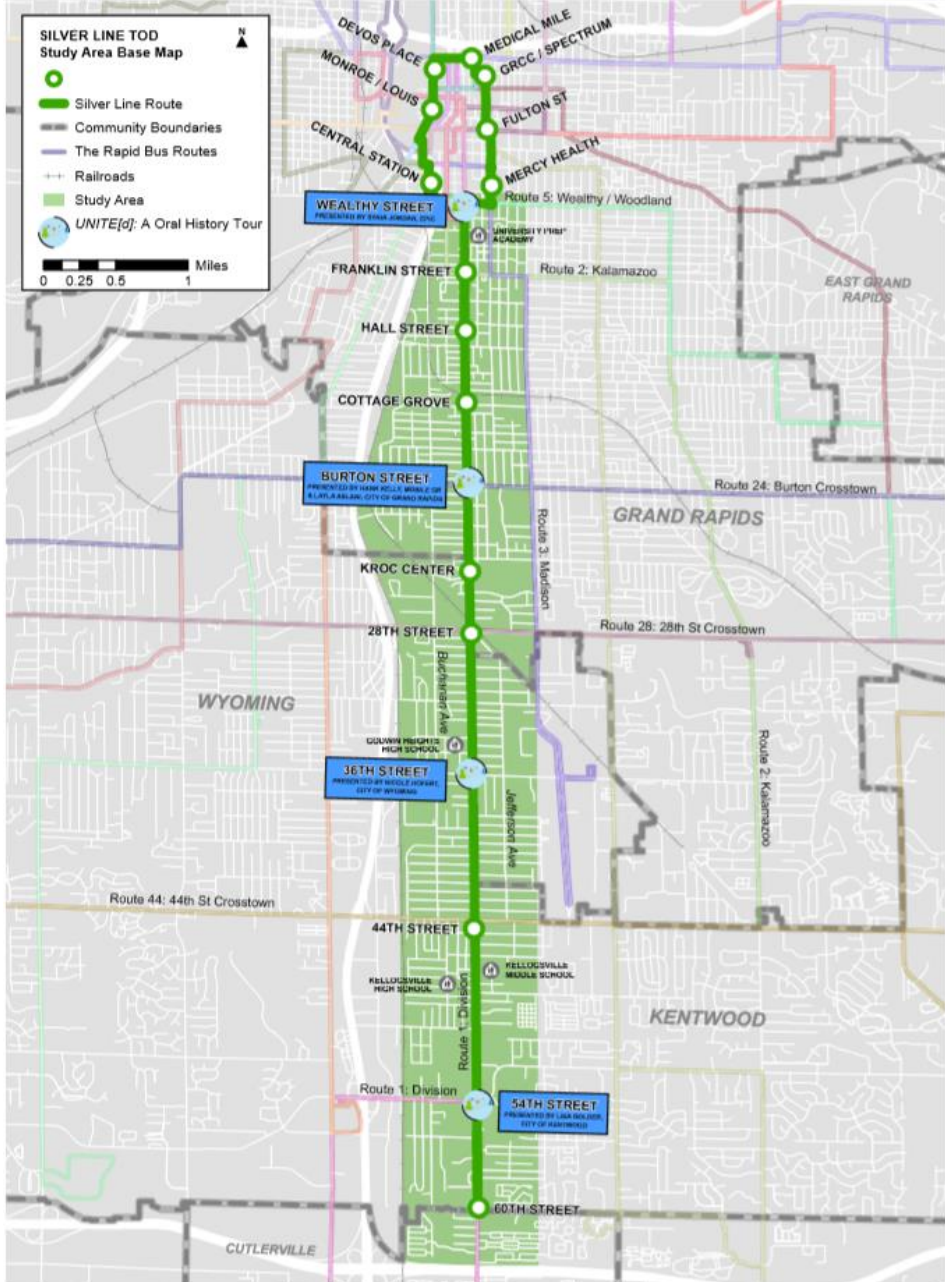
- **Calvin University**
- **Grand Rapids Public Schools**
- **Grand Valley State Univ.**
- **Grand Rapids Comm. College**
- **Kent ISD**

# DRAFT ALTERNATIVE SERVICE SCENARIOS

- Consultant team has produced **three draft service scenarios**
- Based on **data** and **feedback**
- Undergoing further **refinement**
- Presented during **February committee meetings**
- Consultants and Communications Dept. developing **key messaging**
- Public open houses: **week of February 26**
- Presentation of input: **March Board Meeting**

# QUESTIONS?

# SILVER LINE TOD PLANNING STUDY - PROJECT PURPOSE



The project purpose is to identify best ways to maximize the value of high-frequency transits service to ensure that as many people and jobs are accessible and near to major stations.

The Silver Line TOD and Multi-Modal Planning Study hopes to achieve the following:

- Assess the Corridor market conditions for housing, retail and employment uses
- Identify barriers to (and opportunities for) spurring Corridor economic development, prioritizing equitable development
- Develop planning policies, educational tools and initiatives that facilitate Corridor economic development
- Plan implementation of enhanced intermodal connectivity, with a focus on bus, bicycle and pedestrian facilities

# WHAT IS TOD

## What is Transit Oriented Development?



Hudson Yards, NYC



Bogota, Columbia



Cleveland, Ohio

**Transit-oriented development links transportation and land use—providing people with maximum choice in how to get around by intensifying activities near transit node.**

# WHAT IS TOD

## Different Scales of TOD



St. Louis, MO

# WHAT IS TOD



Dallas, TX

## What makes TOD successful?

- **Synergy between public sector and private sector**
  - Land use and entitlements, comprehensive strategy, dialogue between investors
- **Placemaking**
  - Urban design, public space, character and history, branding, parking strategy
- **Regional and local economics**
  - Regional market strength, financial incentives for development, assembled land
- **Transit system performance and quality**
  - Multi-modal connections, headways, ridership experience

# STEERING COMMITTEE

**The steering committee is composed of key stakeholders from the neighborhoods, Businesses, non-profit, Public, and lending/development communities that reflect a comprehensive range of perspectives that ensures the pursuit of a coherent and aligned implementation vision.**

NAME	AFFILIATION	SECTOR
Tim Mroz	The Right Place	Econ Dev.
Laurel Joseph	Grand Valley Metropolitan Council	Planning
Sarah Raniero	Michigan Economic Development Corporation	Econ Dev.
Valentina Garcia	Hispanic Chamber of Commerce/Latina Network	Business
Bob O'Callaghan	Wyoming/Kentwood Chamber of Commerce	Business
Jeremy DeRoo	LINC UP	Community Dev.
Peter Skornia	Bazzani	Development
Jen Schottke	Association of Builders & Contractors/GRPS	Public
Patrick Lonergan	5th/3rd Bank	Finance
Yili Bonarski	Residents and local business owners along corridor - Café Boba	Local Res./Business
Ted Bonarski		
Jerry DeGood	Division Avenue Business Association	Business
Minnie Morey	Asian Chamber of Commerce	Business
Eric Alorn	Kelloggsville Public Schools	Public
Ryan Schmidt	Inner City Christian Federation (ICCF)/Vista Development	Non-Profit/Development
Juan Rosario	West Michigan Works!	Econ Dev.
Jorge Gonzalez	Start Garden	Business
Levis Hakundwa	Bethany Christian Services	Non-Profit
Jonathan Thornton		
Cliff Alles-Curie		
Julio Cano	Latino Community Coalition/Spectrum Health/Invest Health GR	Public Health
Fran Dalton	Garfield Park Neighborhood Association	Community Rep.
Angelica Velazquez	Casa de La Cobija / Community Organizer	Community Rep.
Commissioner Kurt Reppart	City of Grand Rapids Commission	Elected Official
Leonard Van Drunen	Grandville Division CID	Econ Dev.
Josh Lunger	Grand Rapids Area Chamber of Commerce/Mobile GR Commission	Business
Sonali Allen	Mercantile Bank	Finance
Mayor Jack Poll	Mayor of Wyoming	Elected Official
Tyler Petersen	Opp Fund	Finance
Dilli Guatam	Bhutanese community / Grand Rapids Red Project	Community Rep.
Carla Moore	United Methodist Community House	Community Rep.
Dave Bulkowski	DAKC	Non-Profit
Eric Meister	Southtown CID	Econ Dev.

# STEERING COMMITTEE

It will be iterative and incorporate community feedback, so the outcome from the **Steering Committee's involvement will directly shape the TOD opportunities** within the Silver Line BRT Corridor.



# STEERING COMMITTEE

**This is not a  
planning  
process - It  
is a doing  
process.**



# PROJECT TEAM



DEVELOPMENT,  
URBAN DESIGN,  
TRANSPORTATION



DEVELOPMENT  
CODES



EQUITY &  
MOBILITY



STAKEHOLDER  
ENGAGEMENT  
& LAND USE

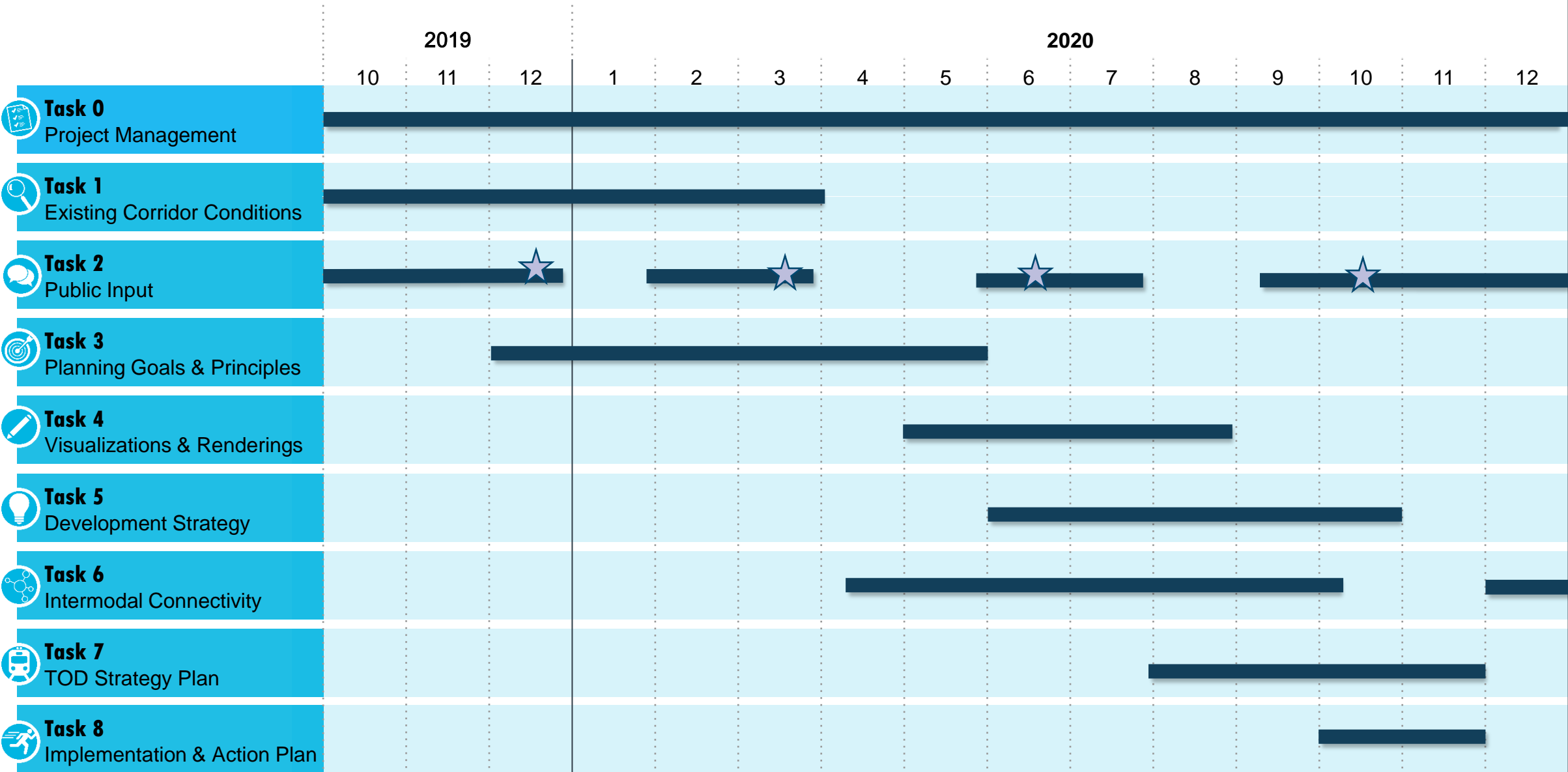


PLACEMAKING



NEIGHBORHOOD  
AMBASSADORS

# PROJECT SCHEDULE



★ Steering Committee Meetings

# ***Laker Line***

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## **PROJECT UPDATE – JANUARY 2020**

BRT PLATFORMS	–	83% COMPLETE
FACILITY	–	61% COMPLETE
<hr/>		
TOTAL PROJECT	–	74% COMPLETE

# Laker Line

**PROJECT UPDATE – JANUARY 2020**

BRT PLATFORMS	–	83% COMPLETE
FACILITY	–	61% COMPLETE
<hr/>		
TOTAL PROJECT	–	74% COMPLETE

**UNDER BUDGET &  
ON SCHEDULE**

**MAYNARD &  
FERNDALE**



**MAYNARD  
TRAFFIC  
SIGNAL**



3215



Laker Line  
Operations Center Concept Plan



Progressive AE 03.25.16



54/4  
↓

54/4

**DANGER**  
**DO NOT ENTER**  
CHRISTMAN SAFETY

DO NOT  
ENTER  
NO  
SMOKE  
NO  
OPEN  
FLAMES

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**PEW  
STATION**



**PEW  
STATION**





KIRKHOFF CENTER







# Interurban Transit Partnership Pension Plan

Actuarial Valuation Report

for the Plan Year Beginning July 1, 2019



WATKINS ROSS | 200 OTTAWA AVE N.W. | SUITE 600 | GRAND RAPIDS, MI 49503 | 616.456.9696

Report presented by:



October 2019

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## INTRODUCTION

This report contains much of the information about your organization's defined benefit pension plan that is required for ongoing operational compliance with federal regulations. It includes information about contributions, about the plan's current funded status, and about those individuals who are covered by the plan and their benefits.

Because your plan is a defined benefit plan, it states benefits in terms of providing a certain level of monthly income payable to employees when they retire. Even if your plan permits employees to elect a lump sum settlement in exchange for their promised retirement income, there is always an uncertainty about precisely how much money will be needed at a future date to fund their benefits. That uncertainty is the primary reason for conducting this actuarial valuation, to estimate the benefits that will ultimately be paid, and to establish a long-term plan to fund the benefits through regular annual contributions. Unfortunately, that process encompasses the theoretical and technical aspects of defined benefit plans, including actuarial mathematics, which frequently confuse and frustrate plan sponsors and employees who are covered by them.

Plan sponsors and participants are usually more interested in the practical aspect of their plans, such as current funding requirements, allocation of contributions to groups of employees, and the benefits earned to date. Some of that information is also presented in this report. It is important to understand, however, the distinction that exists between participants earning benefits in a defined benefit plan and the sponsor's funding of those benefits by making regular contributions. Employees earn **current** benefits based on specific personal data and fixed formulas defined by the plan. Contributions, on the other hand, are actuarially determined based on estimates of what **future** benefits might be. For that reason, contributions are not allocated to specific employees at the time they are made. Instead, they are pooled in a single account from which benefits are paid when individual employees terminate their employment. The necessary consequence of this timing difference is that plan assets will sometimes be more than the value of the benefits employees have earned to date, and sometimes less. This relationship between plan assets and benefits (plan liabilities) is often discussed in terms of "funded status."

Understanding this difference between benefits and contributions is key to understanding the nature of your defined benefit plan, and we trust that the information presented herein will help you to better understand how your plan operates and the benefits it provides.

## CERTIFICATION OF RESULTS

Plan Name: Interurban Transit Partnership Pension Plan  
Plan Year: July 1, 2019 through June 30, 2020

This report was prepared on behalf of **Interurban Transit Partnership** on the basis of employee data, asset statements and plan documents provided by the plan sponsor or its representatives. We relied upon the data as submitted, without formal audit. However, the data was tested for reasonableness, and we have no reason to believe that any other information which would have had a material effect on the results of this valuation was overlooked.

Therefore, to the best of our knowledge and belief, the information presented in this report is complete and accurate, and in our opinion, each assumption used represents our best estimate of anticipated experience under the plan. Furthermore, each assumption used (taking into account past experience and future expectations) is reasonable, or would in the aggregate result in a total contribution equivalent to that which would be determined if each assumption were reasonable.

**Prepared by:**



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Kayla Morrish  
Senior Pension Analyst

**Reviewed by:**



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Glen W. Bradley  
Senior Pension Analyst

**Certified by:**



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Troy A. Schnabel, ASA, MAAA  
Enrolled Actuary #17-06116

10/08/2019

Date

## EXECUTIVE SUMMARY

### Overview of Results

	07/01/2019	07/01/2018
<b>Present value of projected benefits</b>	\$ 3,031,578	\$ 5,243,380
<b>Accrued liability</b>	3,031,578	5,243,380
<b>Actuarial value of assets</b>	1,907,376	4,750,416
<b>Normal Cost</b>	14,400	12,600
<b>Employer Contribution Alternatives<sup>1</sup></b>		
Low-range contribution	\$ 104,611	\$ 55,559
Mid-range contribution	158,464	78,774
High-range contribution	419,186	192,821
<b>Funded Status – Lump Sum Basis</b>		
Value of vested benefits	\$ 3,449,117	\$ 6,323,336
Value of all accrued benefits	3,449,117	6,323,336
Market value of assets	1,907,376	4,750,416
Accrued benefit funded ratio	55.3%	75.1%
<b>Participant Data</b>		
Number of Participants:		
Active	2	7
Terminated vested and transferred	16	16
Retirees and beneficiaries	<u>15</u>	<u>15</u>
Total	33	38

<sup>1</sup> For 2018 and 2019, high-range, mid-range and low-range contributions were based on 20, 10 and 3-year amortizations, respectively.

## EXECUTIVE SUMMARY

### Analysis of Results

#### Contributions

The ultimate funding objective for any defined benefit plan is to accumulate, over time, sufficient funds to pay the benefits which participants earn. However, because it is impossible to know the exact ultimate liability of a defined benefit plan until the last benefit payment is made, current funding recommendations must be estimated by making projections as to future benefits with the use of assumptions about future events, including anticipated future investment earnings. An annual contribution should be viewed simply as a payment against a future contingent liability within the broader context of the other information presented in this report.

The current year recommended employer contribution is \$419,186, which is based on the current year's normal cost plus 3-year amortization of the unfunded.

As a governmental entity, you still have flexibility in the actual contribution amount (maximum deduction and minimum funding rules do not apply). We are providing a 3-year recommended contribution level in addition to contributions based on 20-year and 10-year amortization of the unfunded liabilities. In determining your actual contributions, consider the time period over which you want to "pay off" past service liabilities. You may also consider that the new accounting (GASB) rules, which require amortization of actuarial gains and losses over average future service (5 years for asset gains or losses) to be recognized as an expense. Although you are not required to make contributions on the same basis as the expense, it may be desirable to consider how your funding contributions relate to the expenses you record each year.

#### Funded Status

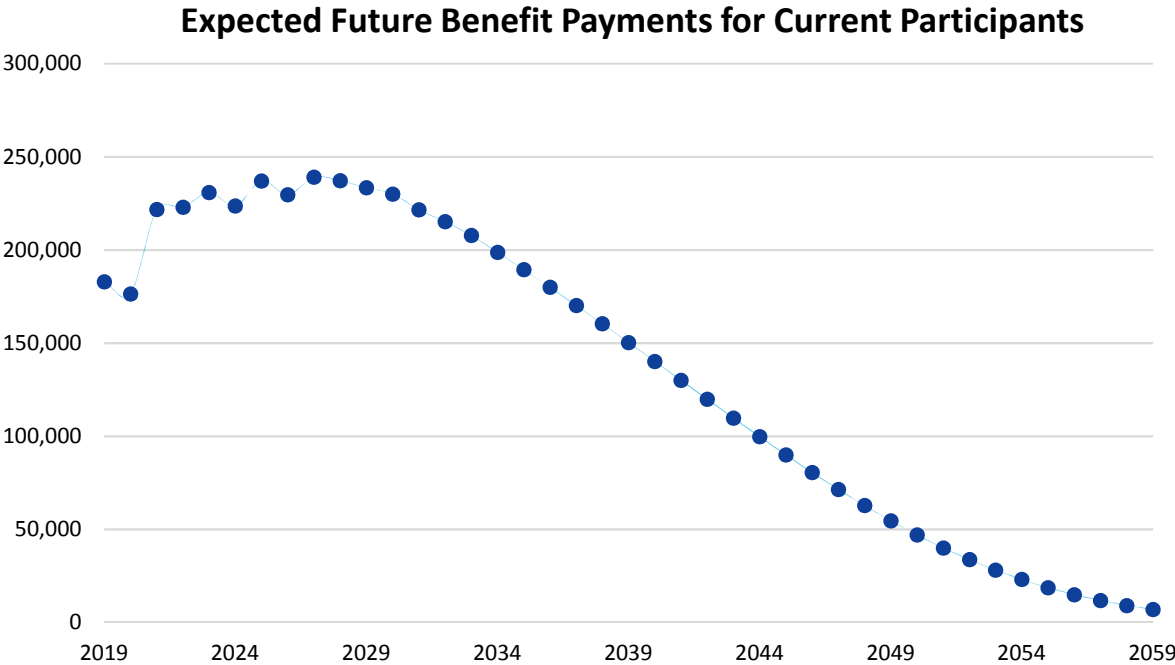
At the valuation date, the ratio of current market assets to present value of all accrued benefits was 55.3%. This ratio was computed on the basis that the plan was terminated on the valuation date and lump sum distributions were made to all eligible employees using interest rates that were in effect at that time. When this ratio is less than 100% it indicates that the plan was "underfunded" on a termination basis. This measure of funded status of your plan may change significantly from one year to the next, because the funded ratio depends on many variables, including how long the plan has been in effect, current interest rates, recent pay raises, contributions, investment experience or benefit distributions, etc. Thus, while it is useful to assess current status, a low (or high) ratio is not, by itself, indicative of long-term problems for an ongoing plan. Of greater importance is whether current assets and future anticipated contributions are sufficient to pay benefits when due.

The decrease in the accrued benefit funded ratio (last year was 75.1%) is due to lump sum payments to four participants in 2018-19.

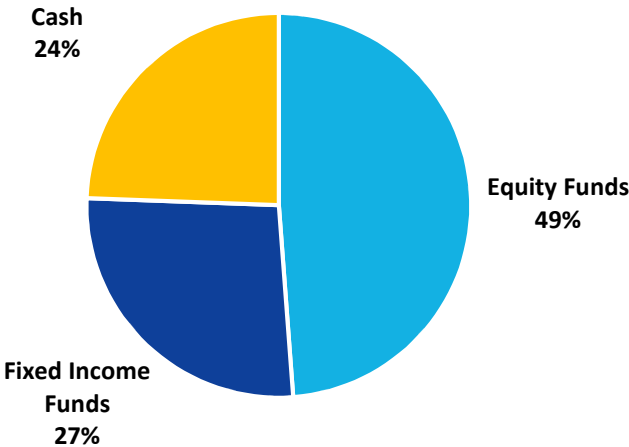
# EXECUTIVE SUMMARY

## Cash Flow Needs

As of July 1, 2019, there are 15 retirees, beneficiaries or alternate payees receiving monthly benefits totaling \$14,429 monthly, or \$173,148 annually. This graph assumes monthly annuity payments in 2019-20.



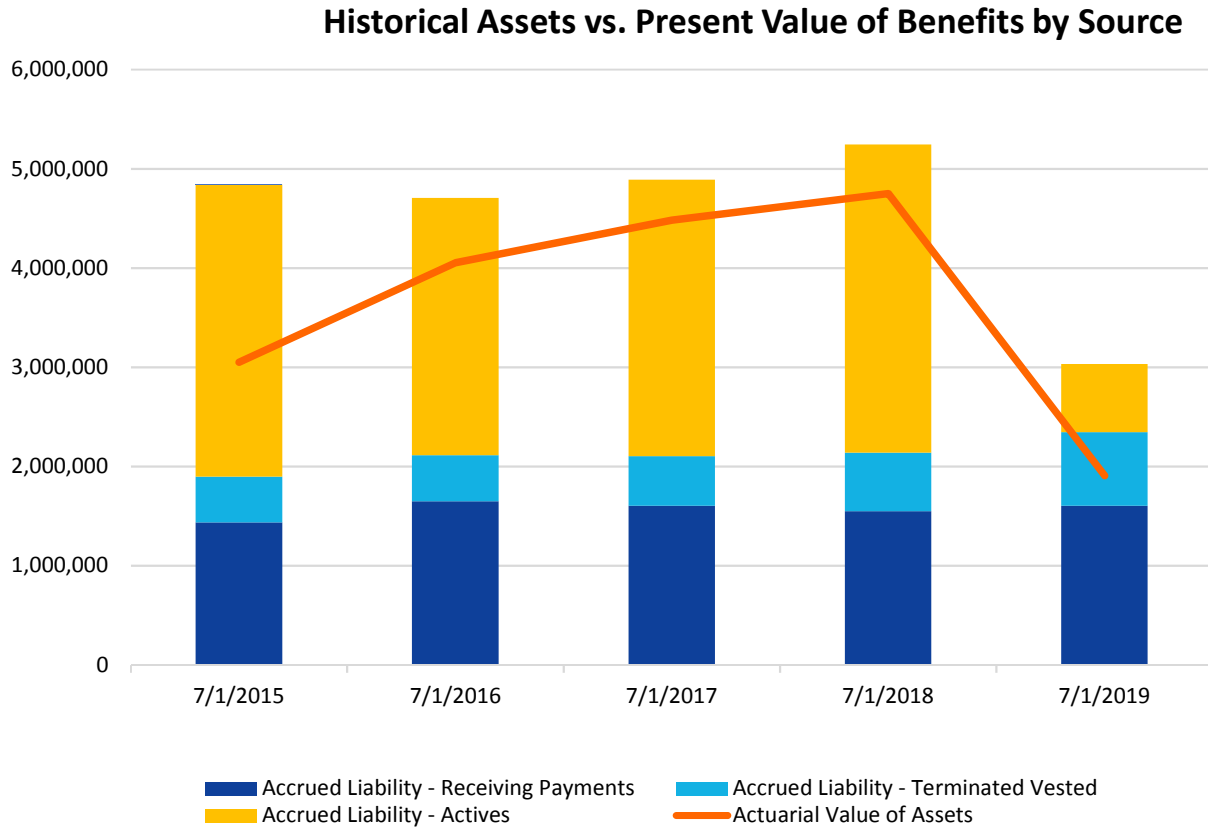
## Allocation of Plan Assets



## EXECUTIVE SUMMARY

### Additional Comments

The chart below shows a breakdown of the historical present values of accrued benefits by source compared to plan assets.



## DEVELOPMENT OF PLAN ASSETS

### Market Value of Assets

1. Assets at July 1, 2018, excluding accrued contributions		\$ 4,750,416
2. Income:		
a. Employer contributions		
(i) For prior year	\$ 0	
(ii) For current year	400,000	
b. Investment income	71,412	
c. Realized gain/(loss)	147,994	
d. Unrealized gain/(loss)	(83,336)	
e. Other income (net from prior trustee)	0	
f. Total income		536,070
3. Distributions:		
a. Monthly benefit payments	173,149	
b. Lump sum payments	3,182,426	
c. Investment management fees and trustee fees	9,090	
d. Administrative expenses	14,445	
e. Other Adjustments	0	
f. Total distributions		3,379,110
4. Assets at June 30, 2019, (1)+(2)-(3)		1,907,376
5. Accrued contributions		0
6. Market value as of July 1, 2019 (4)+(5)		1,907,376
7. Average market value		2,834,809
8. Return on assets, (2b)+(2c)+(2d)-(3c)		\$ 126,980
9. Time weighted rate of return, (8)÷(7)		4.48%

## VALUATION RESULTS

### Development of Actuarial Gains and Losses by Source

#### Development of Asset Gain of (Loss)

1. Current year's actuarial value of assets	\$ 1,907,376
2. Prior year's actuarial value of assets	4,750,416
3. Contributions for the plan year	400,000
4. Interest on contributions from date paid	465
5. Pension payments during plan year	3,355,576
6. Administrative expenses paid during plan year	14,445
7. Actual income on actuarial value of assets, (1)-(2)-(3)+(5)+(6)	126,981
8. Expected income on actuarial value of assets [6.25% x ((2)-((5)+(6)) x 0.5)] + (4)	192,053
9. Gain or (loss) on actuarial value of assets, (7)-(8)	(65,072)

#### Liability Gain or (Loss)

1. Prior year actuarial liability	5,243,380
2. Prior year normal cost for benefits	0
3. Benefits paid in prior year	3,355,576
4. Interest at prior year's interest rate 6.25% x [(1)+(2)-((3) x 0.5)]	222,850
5. Expected actuarial liability current year, (1)+(2)-(3)+(4)	2,110,654
6. Actual current year actuarial liability	3,031,578
7. Liability gain or (loss), (5)-(6)	(920,924)

#### Amount of Liability Gain or (Loss) Attributable to:

1. Plan amendments	N/A
2. Change in mortality assumptions	(2,976)
3. Change in interest assumption	(271,776)
4. Loss on lump sum payments	(660,950)
5. Other demographic changes	14,778
6. Total liability gain or (loss)	(920,924)

## VALUATION RESULTS

### Present Value of Projected Benefits and Normal Cost at Valuation Date

1. Present value of projected benefits:		
a. Active participants	\$ 687,930	
b. Retired participants	1,602,403	
c. Terminated vested participants	741,245	
d. Total present value		\$ 3,031,578
2. Present value of future normal costs		0
3. Actuarial Liability, (1)-(2)		3,031,578
4. Actuarial asset value		1,907,376
5. Unfunded Liability, (3)-(4)		1,124,202
6. Normal cost		\$ 14,400
a. For benefits	0	
b. For expenses	14,400	

## VALUATION RESULTS

### Contribution Alternatives

	Low-Range Contribution	Mid-Range Contribution	High-Range Contribution
1. Employer normal cost	14,400	14,400	14,400
2. Unfunded liability	1,124,202	1,124,202	1,124,202
3. Years in amortization	20	10	3
4. Amortization Payment	87,535	140,011	394,064
5. Preliminary Contribution, (1)+(4)	101,935	154,411	408,464
6. Interest on (5) mid- year to end of plan year	2,676	4,053	10,722
7. Anticipated employer contribution, (5)+(6)	104,611	158,464	419,186

## VALUATION RESULTS

### Present Value of Accumulated Plan Benefits (Lump Sum Basis)

	07/01/2019	07/01/2018
1. Present value of vested benefits:		
a. Active participants	\$ 791,364	\$ 3,752,002
b. Terminated vested participants	<u>863,826</u>	<u>758,442</u>
c. Subtotal	1,655,190	4,510,444
d. Participants receiving payments	<u>1,793,927</u>	<u>1,812,892</u>
e. Total	3,449,117	6,323,336
2. Present value of non-vested benefits	0	0
3. Present value of accumulated benefits, (1)+(2)	3,449,117	6,323,336
4. Assets available for benefits	1,907,376	4,750,416
5. Unfunded present value of vested benefits, (1)-(4)	1,541,741	1,572,920
6. Unfunded present value of accumulated benefits, (3)-(4)	\$ 1,541,741	\$ 1,572,920
7. Funded Ratio, (4)÷(3)	55.3%	75.1%
Segment interest rates used to value benefits <sup>1</sup>		
a. Segment 1 (years 0-5)	2.72%	3.08%
b. Segment 2 (years 5-20)	3.76%	4.19%
c. Segment 3 (years 20 and after)	4.33%	4.58%

Applicable Mortality Tables

Applicable Table from IRC §417(e)  
effective in valuation year

Lump sum values are calculated as if the plan had terminated at the valuation date and all participants were permitted to and had elected to receive a lump sum payment of their benefits, based on the assumptions shown above. All other assumptions were the same as those used in the funding valuation.

<sup>1</sup> 417(e) rates are used for lump sum cash-outs and are used as an estimate of the purchase prices of annuities in case of plan termination.

## ADDITIONAL INFORMATION

### Reconciliation of Participant Data

This section provides detailed information about plan participants who were included in the current valuation.

	Terminated			Beneficiaries	Total
	Active	Vested/Transferred	Retired	In Pay	
<b>Participants included in the 07/01/2018 valuation</b>	<b>7</b>	<b>16</b>	<b>12</b>	<b>3</b>	<b>38</b>
Data Corrections	0	0	0	0	0
Terminated Vested	0	0	-	-	0
Retired	(5)	0	5	-	0
Died with Beneficiary	0	0	0	0	0
Died without Beneficiary	0	0	0	0	0
Lump Sum	0	0	(5)	0	(5)
Terminated non-vested	0	-	-	-	0
Transfer from Union	0	0	-	-	0
New Participants	0	-	-	-	0
<b>Participants included in the 7/1/2019 valuation</b>	<b>2</b>	<b>16</b>	<b>12</b>	<b>3</b>	<b>33</b>

### Participant Summaries

#### Active Participant Summary

Total participants	2
Average current age	62
Average past service	18
Average projected monthly benefit at normal retirement	\$ 2,638
Average accrued monthly benefit	\$ 2,638

#### Inactive Participant Summary

	Participants Entitled to:	
	Deferred Benefits	Current Benefits
Total participants	16	15
Average current age	59	74
Average monthly benefit	\$ 421	\$ 963

## ADDITIONAL INFORMATION

### Age, Service and Compensation Summary

Age	Under 1	1 – 4	5 – 9	10 – 14	15 - 19	20 - 24	25 & Up	Total
0 – 24								
25 – 29								
30 – 34								
35 – 39								
40 – 44								
45 – 49								
50 – 54								
55 – 59								
60 – 64					2			2
65 & Up								
Total					2			2

## ADDITIONAL INFORMATION

### Historical Perspectives

Plan Year Begun On	Present Value of Benefits	Actuarial Value of Assets <sup>1</sup>	Market Value of Assets <sup>1</sup>	Recommended Employer Contribution	Actual Contributions	Benefits Paid	Expenses Paid	Market Rate of Return <sup>2</sup>	Actuarial Rate of Return
July 1, 2005	4,021,249	1,949,924	1,949,924	380,000	501,076	152,007	22,393	10.9	10.9
July 1, 2006	4,964,353	2,496,589	2,496,589	350,720	589,929	514,720	25,074	16.9	16.9
July 1, 2007	5,121,671	2,979,136	2,979,136	299,212	350,720	288,589	27,522	(3.5)	(3.5)
July 1, 2008	5,225,864	2,911,069	2,911,069	341,366	299,212	656,959	32,826	(23.7)	(23.7)
July 1, 2009	4,904,179	1,899,000	1,899,000	446,749	341,366	353,181	26,455	11.1	11.1
July 1, 2010	4,845,608	2,092,892	2,092,892	415,960	415,960	152,243	24,565	20.4	20.4
July 1, 2011	5,058,680	2,785,626	2,785,626	352,603	415,960	362,254	25,934	(1.1)	(1.1)
July 1, 2012	5,110,303	2,798,356	2,798,356	366,554	352,603	690,012	29,952	10.1	10.1
July 1, 2013	4,886,196	2,709,950	2,709,950	434,492	211,902	143,467	27,975	12.8	12.8
July 1, 2014	5,168,676	3,116,094	3,116,094	424,648	434,492	485,609	30,321	(0.06)	(0.06)
July 1, 2015	5,085,634	3,050,916	3,050,916	495,013	1,234,492	214,300	17,484	(0.01)	(0.01)
July 1, 2016	4,705,957	4,053,398	4,053,398	207,924	250,000	178,477	11,874	9.83	9.83
July 1, 2017	4,890,397	4,482,184	4,482,184	131,060	207,924	177,586	12,580	5.70	5.70
July 1, 2018	5,243,380	4,750,416	4,750,416	192,821	400,000	3,355,576	14,445	4.48	4.48
July 1, 2019	3,031,578	1,907,376	1,907,376	419,186					

<sup>1</sup> Value at beginning of year.

<sup>2</sup> Time-weighted.

## ACTUARIAL COST METHODS AND ASSUMPTIONS

These are the assumptions used for the ongoing valuation calculations, unless otherwise noted.

**Valuation date** July 1, 2019

### Actuarial methods:

Cost method Unit Credit

Asset valuation method Market value

### Actuarial assumptions:

Retirement age Age 65

Interest rates: 5.25% per year

Mortality tables:

Pre-retirement None

Post-retirement IRC Sec. 417(e)(3) Applicable 2019 Mortality Table

Turnover rates None

Salary scale None

Ancillary benefits valued None

Administrative experience Prior year, rounded to nearest \$100

### Data collection:

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 2019 table; interest rate changed to 5.25% in anticipation of lump sum payments in 2019-20 plan year

## SUMMARY OF PLAN PROVISIONS

<b>Plan name</b>	Interurban Transit Partnership Pension Plan	
<b>Plan effective date</b>	July 1, 1977	
<b>Most recent amendment effective date (execution date)</b>	July 1, 2016 (June 20, 2016)	
<b>Eligibility provisions:</b>		
Participation	Age 21 and 12 consecutive months of employment in which 1,000 hours worked; participation frozen after July 1, 2000	
Normal retirement	Later of age 65 or 5th anniversary of participation	
Early retirement	Age 55 with 10 years of benefit service	
Special early retirement windows (2002, 2003, 2012 and 2016)	<p>In 2002 and 2003, enhanced early retirement incentives were provided for eligible electing employees</p> <p>In 2012, unreduced early retirement benefits were provided to eligible electing employees under the 2012 Early Retirement Incentive Plan</p> <p>In 2016, unreduced early retirement benefits were provided to eligible electing employees under the 2016 Early Retirement Incentive Plan</p>	
Late retirement	Retirement after normal retirement date	
Vesting schedule	5 years, 100% vested or if at least 3 years vesting service as of December 10, 1997:	
	<b>Years of Vested Service</b>	<b>Vesting Percent</b>
	3	20%
	4	40
	5 or more	100
Disability	Totally disabled	
Pre-retirement death:		
Annuity to surviving spouse	Death after becoming eligible for a non-forfeitable benefit	
Lump sum	Death after becoming eligible for a non-forfeitable	

## SUMMARY OF PLAN PROVISIONS

### Benefit amounts:

Normal retirement:	50% of final average monthly compensation; benefit frozen July 30, 2016
Maximum benefit	IRC Section 415 limits
Early retirement	Accrued benefit payable at normal retirement date; or a benefit reduced by 0.25% for each complete calendar month by which the benefit commencement date precedes age 65, if commenced prior to such date
Special early retirement window	<p>The 2002 early retirement window benefit was the accrued benefit without reduction for early commencement (if qualified); the 2003 early retirement window benefit was the normally reduced benefit plus a temporary monthly benefit of \$1,000 (or the primary Social Security if less)</p> <p>The 2012 early retirement window benefit was the accrued retirement amount unreduced for early commencement</p> <p>The 2016 early retirement window benefit was the accrued retirement amount unreduced for early commencement</p>
Late retirement	Greater of accrued benefit based on service to actual retirement date or actuarial equivalent of the normal retirement benefit
Vested termination	Applicable percentage of accrued benefit payable at normal retirement date
Disability	Applicable percentage accrued normal retirement benefit payable the first day of the month immediately following disability certification
Pre-retirement death:	
Annuity to spouse	50% of the benefit that would have been payable to the participant at the participant's early retirement age under the Joint and 50% Survivor form of payment, had the participant terminated employment the day before death occurred
Lump sum	Present value of the participant's accrued benefit (determined as of the day before the participant's death)

## SUMMARY OF PLAN PROVISIONS

### Definitions:

Accrued benefit	An amount equal to the normal retirement benefit multiplied by a fraction, the numerator being accrued benefit service, and the denominator being total service if participant continues service to date of normal retirement; accrued benefits frozen June 30, 2016
Actuarial equivalence:	
Annuity	Unisex Pension - 1984 Table; 6% interest
Lump sums	Applicable mortality table and applicable interest rate under IRC §417(e)(3); interest rate is specified as the annual rate published by IRS for the May before the plan year of distribution
Average compensation	Total compensation averaged over the 5 highest paid consecutive years during 10 years preceding termination of employment (frozen June 30, 2016)
Entry dates	January 1 and July 1 following date of eligibility
Years of service for:	
Eligibility purposes	12 months in which 1,000 hours worked
Vesting purposes	Plan year in which 1,000 hours
Benefit purposes	Plan year in which 1,000 hours worked (union service is counted; union benefit offsets benefit in this plan); benefit service frozen June 30, 2016
Unreduced payment form	Life annuity
Optional payment forms	Joint and 50% Survivor, Joint and 100% Survivor, Joint and 66-2/3% Survivor, Period Certain and lump sum
<b>Changes since prior valuation</b>	None
<b>Other qualified retirement plans</b>	Interurban Transit Partnership Union Pension Plan Interurban Transit Partnership Defined Contribution Plan

## GLOSSARY

A number of special terms and concepts are used in connection with pension plans and the actuarial valuation report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

**Accrued Benefit** - Each participant has an accrued benefit under the plan. This is the amount of monthly benefit already earned. It is based on past employment with the plan sponsor and is payable at normal retirement.

**Actuarial Cost Method** - This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

**Actuarial Gain or Loss** - The dollar value of the variations of past experience from the actuarial assumptions. For example, an actuarial gain will result if investment income is greater than expected income, or if employee turnover is greater than expected, or if salary increases are lower than expected salary increases. Expectations are expressed in the form of actuarial assumptions.

**Accrued Liability** - For active employees, this represents the excess of the present value of projected benefits over the present value of future normal costs. For retired or terminated vested employees, it represents the present value of all future benefit payments. The actuarial liability is compared to the valuation assets of the plan to determine the unfunded actuarial liability.

**Actuarial Value of Assets** - The amount of assets recognized for actuarial valuation purposes. Recent changes in the market value of assets may be partially recognized.

**Amortization** - Whenever the assets or the accrued liability change due to an actuarial gain or loss or a change in the plan or actuarial assumptions, that change is amortized over a period of future years. The amortization can be handled much as a mortgage is repaid, with fixed annual deposits or by including the gain or loss as part of all future normal costs. The method of treatment is determined by the actuarial method which is being used.

**Market Value of Assets** - The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

**Normal Cost** - That portion of the total present value of projected benefits which is allocated to the current year by the specific actuarial cost method being used.

**Present Value** - The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

**Present Value of Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current accrued benefits.

## GLOSSARY

**Present Value of Future Normal Costs** - The discounted value of all future normal costs.

**Present Value of Projected Benefits** - The discounted value of all future monthly benefits which are expected to be paid from the plan. It includes the value of benefits expected to be earned for future periods of employment.

**Present Value of Vested Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current vested benefits.

**Projected Benefit** - The estimated monthly benefit which will become payable at normal retirement date, assuming that the participant continues working full time until then.

**Vested Benefit** - A percentage of the accrued benefit. It may range from zero up to the full accrued benefit, based upon past service with the employer and the vesting schedule in the plan.

# Interurban Transit Partnership and Amalgamated Transit Union Pension Plan

Actuarial Valuation Report

for the Plan Year Beginning July 1, 2019



WATKINS ROSS | 200 OTTAWA AVE N.W. | SUITE 600 | GRAND RAPIDS, MI 49503 | 616.456.9696

Report presented by:



October 2019

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## INTRODUCTION

This report contains much of the information about your organization's defined benefit pension plan that is required for ongoing operational compliance with federal regulations. It includes information about contributions, about the plan's current funded status, and about those individuals who are covered by the plan and their benefits.

Because your plan is a defined benefit plan, it states benefits in terms of providing a certain level of monthly income payable to employees when they retire. Even if your plan permits employees to elect a lump sum settlement in exchange for their promised retirement income, there is always an uncertainty about precisely how much money will be needed at a future date to fund their benefits. That uncertainty is the primary reason for conducting this actuarial valuation, to estimate the benefits that will ultimately be paid, and to establish a long-term plan to fund the benefits through regular annual contributions. Unfortunately, that process encompasses the theoretical and technical aspects of defined benefit plans, including actuarial mathematics, which frequently confuse and frustrate plan sponsors and employees who are covered by them.

Plan sponsors and participants are usually more interested in the practical aspect of their plans, such as current funding requirements, allocation of contributions to groups of employees, and the benefits earned to date. Some of that information is also presented in this report. It is important to understand, however, the distinction that exists between participants earning benefits in a defined benefit plan and the sponsor's funding of those benefits by making regular contributions. Employees earn **current** benefits based on specific personal data and fixed formulas defined by the plan. Contributions, on the other hand, are actuarially determined based on estimates of what **future** benefits might be. For that reason, contributions are not allocated to specific employees at the time they are made. Instead, they are pooled in a single account from which benefits are paid when individual employees terminate their employment. The necessary consequence of this timing difference is that plan assets will sometimes be more than the value of the benefits employees have earned to date, and sometimes less. This relationship between plan assets and benefits (plan liabilities) is often discussed in terms of "funded status."

Understanding this difference between benefits and contributions is key to understanding the nature of your defined benefit plan, and we trust that the information presented herein will help you to better understand how your plan operates and the benefits it provides.

## CERTIFICATION OF RESULTS

Plan Name: Interurban Transit Partnership and Amalgamated Transit Union Pension Plan  
Plan Year: July 1, 2019 through June 30, 2020

This report was prepared on behalf of **Interurban Transit Partnership** on the basis of employee data, asset statements and plan documents provided by the plan sponsor or its representatives. We relied upon the data as submitted, without formal audit. However, the data was tested for reasonableness, and we have no reason to believe that any other information which would have had a material effect on the results of this valuation was overlooked.

Therefore, to the best of our knowledge and belief, the information presented in this report is complete and accurate, and in our opinion, each assumption used represents our best estimate of anticipated experience under the plan. Furthermore, each assumption used (taking into account past experience and future expectations) is reasonable, or would in the aggregate result in a total contribution equivalent to that which would be determined if each assumption were reasonable.

**Prepared by:**



Kayla Morrish  
Senior Pension Analyst

**Reviewed by:**



Glen W. Bradley  
Senior Pension Analyst

**Certified by:**



Troy A. Schnabel, ASA, MAAA  
Enrolled Actuary #17-06116

10/02/2019

Date

## EXECUTIVE SUMMARY

### Overview of Results

	07/01/2019	07/01/2018
<b>Present value of projected benefits</b>	\$ 12,657,135	\$ 12,344,268
<b>Accrued liability</b>	12,657,135	12,344,268
<b>Actuarial value of assets</b>	10,022,395	9,802,014
<b>Normal Cost</b>	31,000	33,000
<b>Employer Contribution Alternatives</b>		
Low-range contribution	\$ 241,416	\$ 236,130
Mid-range contribution	387,328	376,920
High-range contribution	646,669	627,158
<b>Funded Status – Lump Sum Basis</b>		
Value of vested benefits	\$ 18,998,202	\$ 17,895,583
Value of all accrued benefits	19,334,196	18,379,534
Market value of assets	10,003,546	9,674,153
Accrued benefit funded ratio	51.7%	52.6%
<b>Participant Data</b>		
Number of Participants:		
Active	242	256
Terminated vested	126	124
Retirees and beneficiaries <sup>1</sup>	<u>125</u>	<u>115</u>
Total	493	495

<sup>1</sup> Excludes Alternate Payee(s) receiving benefits per a QDRO

## EXECUTIVE SUMMARY

### Analysis of Results

#### Contributions

The ultimate funding objective for any defined benefit plan is to accumulate, over time, sufficient funds to pay the benefits which participants earn. However, because it is impossible to know the exact ultimate liability of a defined benefit plan until the last benefit payment is made, current funding recommendations must be estimated by making projections as to future benefits with the use of assumptions about future events, including anticipated future investment earnings. An annual contribution should be viewed simply as a payment against a future contingent liability within the broader context of the other information presented in this report.

The current year recommended employer contribution is \$387,328, which is based on the current year's normal cost plus 10-year amortization of the unfunded. The normal cost consists of annual plan expenses paid from plan assets and additional benefit accruals. The actual rate of return on plan assets was 6.40% compared to 6.50% assumed return.

As a governmental entity, you still have flexibility in the actual contribution amount (maximum deduction and minimum funding rules do not apply). We are providing three alternative contribution levels based on 25-year, 10-year, and 5-year amortization of the unfunded liabilities. In determining your actual contributions, consider the time period over which you want to "pay off" past service liabilities. You may also consider that the new accounting (GASB) rules, which require amortization of actuarial gains and losses over average future service (5 years for asset gains or losses) to be recognized as an expense. Although you are not required to make contributions on the same basis as the expense, it may be desirable to consider how your funding contributions relate to the expenses you record each year.

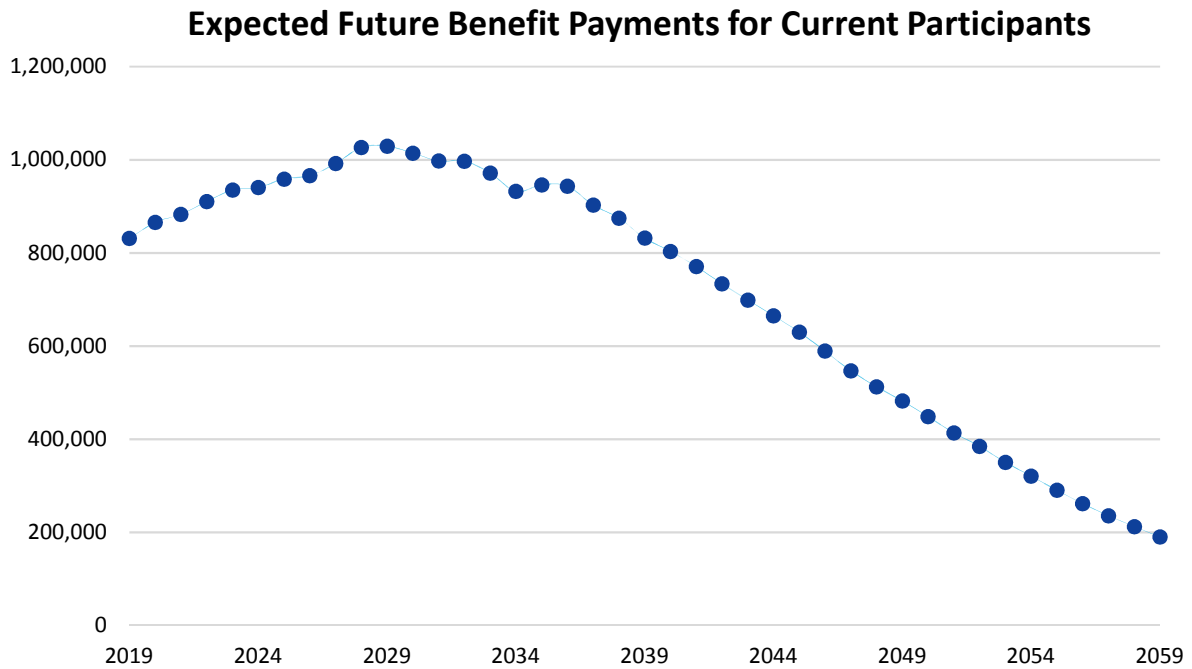
#### Funded Status

At the valuation date, the ratio of current market assets to present value of all accrued benefits was 51.7%. This ratio was computed on the basis that the plan was terminated on the valuation date and lump sum distributions were made to all eligible employees using interest rates that were in effect at that time. When this ratio is less than 100% it indicates that the plan was "underfunded" on a termination basis. This measure of funded status of your plan may change significantly from one year to the next, because the funded ratio depends on many variables, including how long the plan has been in effect, current interest rates, recent pay raises, contributions, investment experience or benefit distributions, etc. Thus, while it is useful to assess current status, a low (or high) ratio is not, by itself, indicative of long-term problems for an ongoing plan. Of greater importance is whether current assets and future anticipated contributions are sufficient to pay benefits when due.

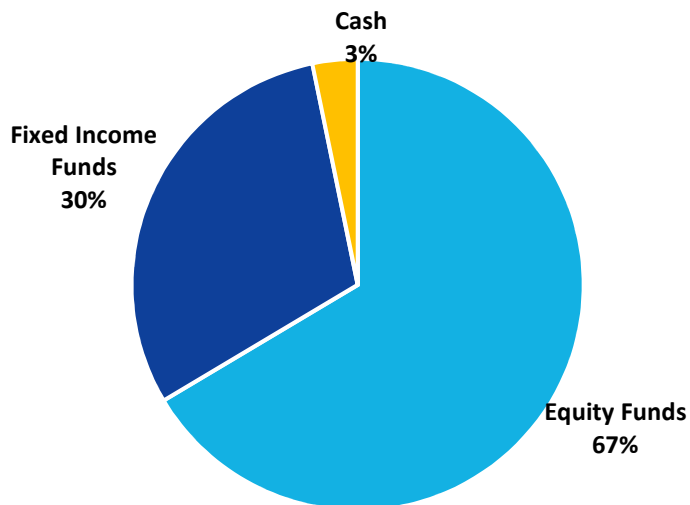
## EXECUTIVE SUMMARY

### Cash Flow Needs

As of July 1, 2019, there are 126 retirees, beneficiaries or alternate payees receiving monthly benefits totaling \$54,065 monthly, or \$648,778 annually.



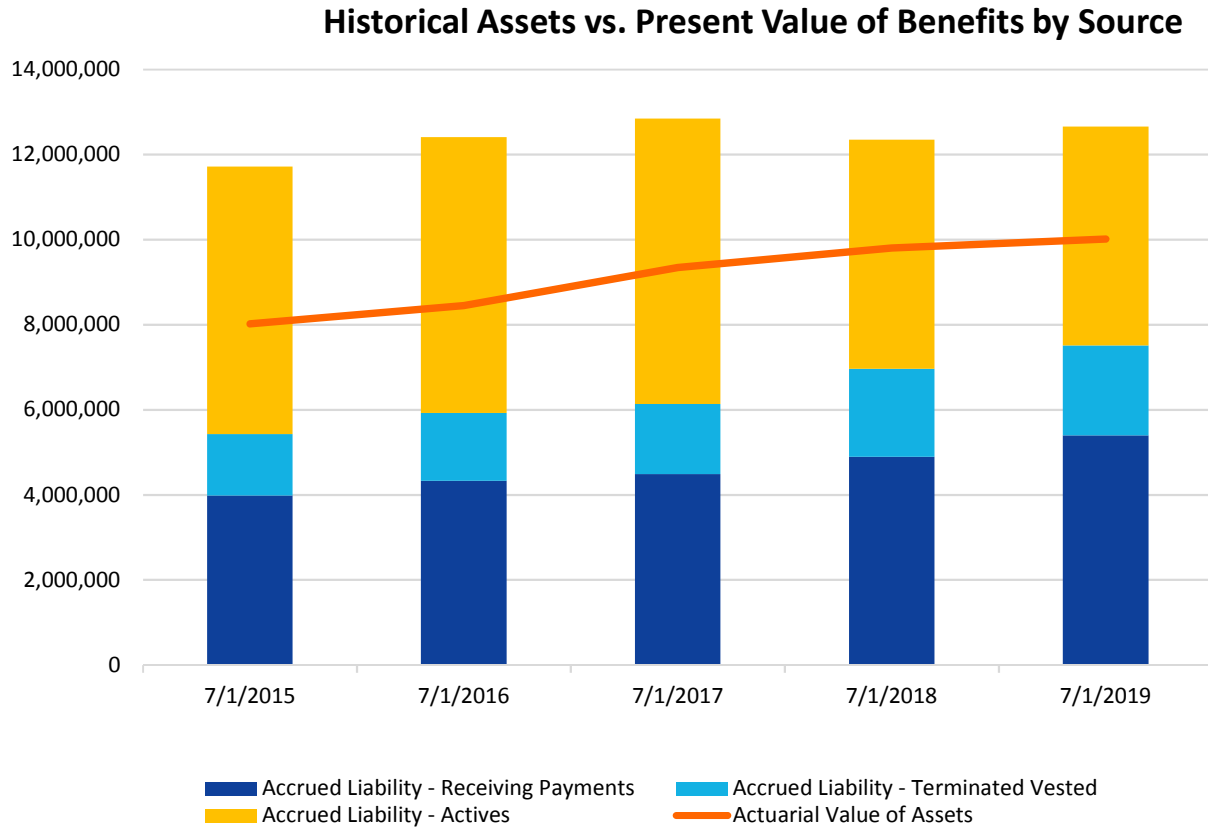
### Allocation of Plan Assets



## EXECUTIVE SUMMARY

### Additional Comments

The chart below shows a breakdown of the historical present values of accrued benefits by source compared to plan assets.



## DEVELOPMENT OF PLAN ASSETS

### Market Value of Assets

1. Assets at July 1, 2018, excluding accrued contributions		\$ 9,474,153
2. Income:		
a. Employer contributions		
(i) For prior year	\$ 200,000	
(ii) For current year	250,000	
b. Investment income	236,828	
c. Realized gain/(loss)	498,075	
d. Unrealized gain/(loss)	402	
e. Other income (net from prior trustee)	0	
f. Total income		1,185,305
3. Distributions:		
a. Monthly benefit payments	607,696	
b. Lump sum payments	0	
c. Investment management fees and trustee fees	19,610	
d. Administrative expenses	28,606	
e. Other Adjustments	0	
f. Total distributions		655,912
4. Transfers (to)/from another plan		0
5. Assets at June 30, 2019, (1)+(2)-(3)		10,003,546
6. Accrued employer discretionary contributions		0
7. Accrued employer contractual contributions		0
8. Market value as of July 1, 2019, (5)+(6)+(7)		10,003,546
9. Average market value		9,302,380
10. Return on assets, (2c)+(2d)+(2e)+(2e)-(3c)+(4)		\$ 715,695
11. Time weighted rate of return, (10)÷(9)		7.69%

## DEVELOPMENT OF PLAN ASSETS

### Actuarial Value of Assets

1. Actuarial value at July 1, 2018, excluding accrued contributions		\$ 9,602,014
2. Income:		
Employer contributions		
(i) For prior year	\$ 200,000	
(ii) For current year	250,000	
Total contributions		450,000
3. Expenses, including benefit payments, but not investment-related fees		636,302
4. Average actuarial value		9,430,241
5. Expected income 6.5% x (4)		612,966
6. Expected actuarial value, (1)+(2)-(3)+(5)		10,028,678
7. Market value at June 30, 2019		10,003,546
8. Market value excess/(shortfall), (7)-(6)		(25,132)
9. Recognition of excess/(shortfall), 25% x (8)		(6,283)
10. Actuarial value as of July 1, 2019, (6)+(9), but not more than 120% x (7), nor less than 80% x (7)		10,022,395
11. Accrued contributions		0
12. Actuarial value as of July 1, 2019, (10)+(11)		10,022,395
13. Return on Actuarial Value of Assets, (12)-(11)-(1)-(2)+(3)		606,683
14. Time weighted rate of return, (13)÷(4)		6.4%

## VALUATION RESULTS

### Development of Actuarial Gains and Losses by Source

#### Development of Asset Gain of (Loss)

1. Current year's actuarial value of assets	\$ 10,022,395
2. Prior year's actuarial value of assets	9,802,014
3. Contributions for the plan year	250,000
4. Interest on contributions from date paid	302
5. Pension payments during plan year	607,696
6. Administrative expenses paid during plan year	28,605
7. Actual income on actuarial value of assets, (1)-(2)-(3)+(5)+(6)	606,682
8. Expected income on actuarial value of assets [6.5% x ((2)-((5)+(6)) x 0.5)] + (4)	616,753
9. Gain or (loss) on actuarial value of assets, (7)-(8)	(10,071)

#### Liability Gain or (Loss)

1. Prior year actuarial liability	12,344,268
2. Prior year normal cost for benefits	0
3. Benefits paid in prior year	607,696
4. Interest at prior year's interest rate 6.5% x [(1)+(2)-((3) x 0.5)]	782,627
5. Expected actuarial liability current year, (1)+(2)-(3)+(4)	12,519,199
6. Actual current year actuarial liability	12,657,135
7. Liability gain or (loss), (5)-(6)	(137,936)

#### Amount of Liability Gain or (Loss) Attributable to:

1. Plan amendment	N/A
2. Change in mortality assumptions	56,593
3. New participants	N/A
4. Other demographic changes	(194,529)
5. Total liability gain or (loss)	(137,936)

## VALUATION RESULTS

### Present Value of Projected Benefits and Normal Cost at Valuation Date

1. Present value of projected benefits:		
a. Active participants	\$ 5,144,094	
b. Retired participants	5,397,180	
c. Terminated vested participants	2,115,861	
d. Total present value		\$ 12,657,135
2. Present value of future normal costs		0
3. Actuarial Liability, (1)-(2)		12,657,135
4. Actuarial asset value		10,022,395
5. Unfunded Liability, (3)-(4)		2,634,740
6. Normal cost		\$ 31,000
a. For benefits	0	
b. For expenses	31,000	

## VALUATION RESULTS

### Contribution Alternatives

	Low-Range Contribution	Mid-Range Contribution	High-Range Contribution
1. Employer normal cost	31,000	31,000	31,000
2. Unfunded liability	2,634,740	2,634,740	2,634,740
3. Years in amortization	25	10	5
4. Amortization Payment	202,817	344,136	595,314
5. Preliminary Contribution, (1)+(4)	233,817	375,136	626,314
6. Interest on (5) mid- year to end of plan year	7,599	12,192	20,355
7. Anticipated employer contribution, (5)+(6)	241,416	387,328	646,669

## VALUATION RESULTS

### Present Value of Accumulated Plan Benefits (Lump Sum Basis)

	07/01/2019	07/01/2018
1. Present value of vested benefits:		
a. Active participants	\$ 7,848,602	\$ 7,885,266
b. Terminated vested participants	<u>3,444,849</u>	<u>3,177,854</u>
c. Subtotal	11,293,451	11,063,120
d. Participants receiving payments	<u>7,704,751</u>	<u>6,832,463</u>
e. Total	18,998,202	17,895,583
2. Present value of non-vested benefits	335,994	483,951
3. Present value of accumulated benefits, (1)+(2)	19,334,196	18,379,534
4. Assets available for benefits	10,003,546	9,674,153
5. Unfunded present value of vested benefits, (1)-(4)	8,994,656	8,768,144
6. Unfunded present value of accumulated benefits, (3)-(4)	\$ 9,330,650	\$ 9,252,095
7. Funded Ratio, (4)÷(3)	51.7%	52.6%
Segment interest rates used to value benefits <sup>1</sup>		
a. Segment 1 (years 0-5)	2.72%	3.08%
b. Segment 2 (years 5-20)	3.76%	4.19%
c. Segment 3 (years 20 and after)	4.33%	4.58%

Applicable Mortality Tables

Applicable Table from IRC §417(e)  
effective in valuation year

Lump sum values are calculated as if the plan had terminated at the valuation date and all participants were permitted to and had elected to receive a lump sum payment of their benefits, based on the assumptions shown above. All other assumptions were the same as those used in the funding valuation.

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<sup>1</sup> 417(e) rates are used for lump sum cashouts (less than \$5,000) and are used as an estimate of the purchase prices of annuities in case of plan termination.

## ADDITIONAL INFORMATION

### Reconciliation of Participant Data

This section provides detailed information about plan participants who were included in the current valuation.

	Active	Terminated Vested/Transferred	Retired	Beneficiaries In Pay	Total
<b>Participants included in the 07/01/2018 valuation</b>	<b>256</b>	<b>124</b>	<b>99</b>	<b>16</b>	<b>495</b>
Data Corrections	0	0			0
Terminated Vested	(7)	7	-	-	0
Retired	(6)	(5)	11	-	0
Died with Beneficiary	0	(1)	(1)	2	0
Died without Beneficiary	0	0	(1)	(1)	(2)
Lump Sum					
Terminated non-vested	0	-	-	-	0
Transfer out of Union	(1)	1	-	-	0
New Participants	0	-	-	-	0
<b>Participants included in the 7/1/2019 valuation</b>	<b>242</b>	<b>126</b>	<b>108</b>	<b>17</b>	<b>493</b>

### Participant Summaries

#### Active Participant Summary

Total participants	242
Average current age	51
Average past service	8
Average projected monthly benefit at normal retirement	\$ 294
Average accrued monthly benefit	\$ 294

#### Inactive Participant Summary

	Participants Entitled to:	
	Deferred Benefits	Current Benefits
Total participants	126	125
Average current age	53	72
Average monthly benefit	\$265	\$429

## ADDITIONAL INFORMATION

### Age, Service and Compensation Summary

Age	Under 1	1 – 4	5 – 9	10 – 14	15 - 19	20 - 24	25 & Up	Total
0 – 24								0
25 – 29	3	2						5
30 – 34	2	7	6					15
35 – 39	8	7	5	1	2			23
40 – 44	5	5	6	1	3			20
45 – 49	4	8	9	8	3			32
50 – 54	2	10	11	2	5	2		32
55 – 59	3	19	19	9	9		1	60
60 – 64	1	5	10	15	5	3	2	41
65 & Up		2	1	3	3	1	4	14
<b>Total</b>	28	65	67	39	30	6	7	242

## ADDITIONAL INFORMATION

### Historical Perspectives

Plan Year Begun On	Present Value of Benefits	Actuarial Value of Assets <sup>1</sup>	Market Value of Assets <sup>1</sup>	Recommended Employer Contribution	Actual Contributions	Benefits Paid	Expenses Paid	Market Rate of Return <sup>2</sup>	Actuarial Rate of Return
July 1, 2005	6,978,400	3,536,535	3,361,472	254,571	301,045	183,385	32,137	9.5	6.9
July 1, 2006	6,519,547	3,887,464	3,769,406	292,798	305,562	209,726	34,889	15.7	8.9
July 1, 2007	7,380,211	4,317,746	4,425,728	318,429	334,936	239,659	35,645	(4.1)	5.5
July 1, 2008	8,352,085	4,634,693	4,305,385	365,813	428,938	272,143	38,267	(10.7)	.1
July 1, 2009	8,760,764	4,778,864	3,982,387	473,378	410,117	316,701	42,237	11.8	4.0
July 1, 2010	9,288,706	5,124,284	4,531,195	476,311	444,095	326,790	43,851	21.1	7.8
July 1, 2011	9,858,352	5,621,032	5,590,154	475,705	505,357	349,588	47,260	(.50)	5.7
July 1, 2012	11,883,935	6,081,674	5,697,925	488,712	552,202	366,639	50,532	10.31	6.8
July 1, 2013	12,953,430	6,667,325	6,456,024	564,196	578,632	396,118	56,615	13.25	8.4
July 1, 2014	14,031,841	7,391,567	7,476,399	623,782	644,907	441,394	60,806	1.05	6.2
July 1, 2015	14,637,053	8,020,446	7,735,907	795,496	644,412	499,710	66,204	(.50)	3.9
July 1, 2016	15,468,656	8,450,644	7,818,029	828,038	987,300	545,433	65,453	11.43	5.6
July 1, 2017	15,515,992	9,345,845	9,127,439	769,777	529,010	597,778	32,948	7.19	6.0
July 1, 2018	12,344,268	9,802,014	9,674,153	376,920	250,000	607,696	28,606	7.69	6.5
July 1, 2019	12,657,135	10,022,395	10,003,546	387,328					

<sup>1</sup> Value at beginning of year.

<sup>2</sup> Time-weighted.

## ACTUARIAL COST METHODS AND ASSUMPTIONS

These are the assumptions used for the ongoing valuation calculations, unless otherwise noted.

**Valuation date** July 1, 2019

### Actuarial methods:

Cost method Entry Age Normal (level dollar amount)

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

### Actuarial assumptions:

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 later); terminated vested participants are assumed to retire at age 65

Interest rate 6.5% per year

Mortality table RP-2014 adjusted to 2006 base mortality rates (separate annuitant and non-annuitant tables), projected from the valuation date with improvement scale MP-2017 (projection period is 8 years for males, 9 years for females, increased by 1 year for each year below age 80 and decreased by 1/3 year for each year above 80)

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 valued Vesting and pre-retirement death

Normal cost expenses (non-investment related) Estimated expense is calculated as the average of prior two year's non-investment related expenses paid from the trust, rounded to the nearest \$1,000

### Data collection:

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 2019 tables

## SUMMARY OF PLAN PROVISIONS

<b>Plan name</b>	Interurban Transit Partnership and Amalgamated Transit Union Pension Plan
<b>Plan effective date</b>	June 7, 1946
<b>Most recent restatement effective date (execution date)</b>	Amended and restated effective July 1, 2013 (January 31, 2014)
<b>2018-1 Amendment</b>	Effective December 11, 2017
<b>Eligibility provisions:</b>	
Participation	60 days after full-time active employment with transit authority and member of union (Division No. 836, amalgamated transit union); participation frozen December 10, 2017
Normal retirement	Age 65; current formula applicable to employees retiring after December 31, 2003
Unreduced early retirement	Age 62 with 15 years of vesting service
Early retirement	Age 60 with 10 years of vesting service
Late retirement	Retirement after normal retirement date
Vesting schedule	5 years, 100% vested
Disability	10 years of vesting service
Pre-retirement death:	
Annuity to surviving spouse	Death after becoming eligible for a non-forfeitable benefit
Lump sum	Employees contributed during years required (prior to July 1, 1984)
<b>Benefit amounts:</b>	
Normal retirement:	
Termination after December 31, 2005	\$34.00 multiplied by total years of benefit service, consistent with the current collective bargaining agreement

## SUMMARY OF PLAN PROVISIONS

Prior formula (termination through December 31, 2003)	Accrued benefit based on sum of: (a) \$200, multiplied by the ratio (not to exceed 1.0) which the years of benefit service bears to 15 years or if greater, total years to age 65 (b) \$5.45 multiplied by years of benefit service earned after July 1, 1983 and prior to July 1, 1988 (c) \$25.00 multiplied by benefit service earned after July 1, 1988
Minimum benefit	Accrued benefit under prior formula as of December 31, 2003
Maximum benefit	IRC Section 415 limits
Unreduced early retirement	Accrued benefit payable immediately
Early retirement (if reduction applies)	Accrued benefit payable at normal retirement date; or a benefit reduced by 0.5% for each complete calendar month by which the benefit commencement date precedes age 65, if commenced prior to such date
Late retirement	Greater of accrued benefit based on service to actual retirement date or actuarial equivalent of the normal retirement benefit
Vested termination	Applicable percentage of accrued benefit payable at normal retirement date
Disability	Accrued normal retirement benefit payable the first day of the month immediately following disability certification
Pre-retirement death:	
Annuity to spouse	50% of the benefit that would have been payable to the participant at the participant's early retirement age under the Joint and 50% Survivor form of payment, had the participant terminated employment the day before death occurred (the joint benefit is 86% of the accrued normal retirement benefit where such percentage is increased by 1% up to a maximum of 98% for each 12 months the spouse's age exceeds the participant's age, and decreased by 1% for each 12 months the spouse's age is less than the participant's age)

## SUMMARY OF PLAN PROVISIONS

Lump sum	Amount equal to employee contributions plus interest; if paid, the monthly annuity to the spouse is reduced accordingly
<b>Definitions:</b>	
Accrued benefit	An amount equal to the normal retirement benefit calculated using benefit service at date of determination; accrued benefit frozen December 10, 2017
Actuarial equivalence:	
General	Unisex Pension - 1984 Table; 6% interest (set back 3 years for beneficiaries)
Entry dates	1st of month following 60 days of eligibility service
Years of service for:	
Eligibility purposes	60 days after full-time employment as union member
Vesting purposes	Employment in any plan year as full-time union member (elapsed time method); 1/12 year for each 30-day period
Benefit purposes	Employment in any plan year as full-time union member (elapsed time method); 1/12 year for each 30-day period; benefit service frozen December 10, 2017
Unreduced payment form	Life annuity
Optional annuity payment forms	Joint and 50% Survivor
<b>Changes since prior valuation</b>	Plan participation and benefit accruals frozen effective December 2017
<b>Employer contribution rates</b>	Collectively bargained contributions will go into the Defined Contribution plan effective 2018

## GLOSSARY

A number of special terms and concepts are used in connection with pension plans and the actuarial valuation report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

**Accrued Benefit** - Each participant has an accrued benefit under the plan. This is the amount of monthly benefit already earned. It is based on past employment with the plan sponsor and is payable at normal retirement.

**Actuarial Cost Method** - This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

**Actuarial Gain or Loss** - The dollar value of the variations of past experience from the actuarial assumptions. For example, an actuarial gain will result if investment income is greater than expected income, or if employee turnover is greater than expected, or if salary increases are lower than expected salary increases. Expectations are expressed in the form of actuarial assumptions.

**Accrued Liability** - For active employees, this represents the excess of the present value of projected benefits over the present value of future normal costs. For retired or terminated vested employees, it represents the present value of all future benefit payments. The actuarial liability is compared to the valuation assets of the plan to determine the unfunded actuarial liability.

**Actuarial Value of Assets** - The amount of assets recognized for actuarial valuation purposes. Recent changes in the market value of assets may be partially recognized.

**Amortization** - Whenever the assets or the accrued liability change due to an actuarial gain or loss or a change in the plan or actuarial assumptions, that change is amortized over a period of future years. The amortization can be handled much as a mortgage is repaid, with fixed annual deposits or by including the gain or loss as part of all future normal costs. The method of treatment is determined by the actuarial method which is being used.

**Market Value of Assets** - The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

**Normal Cost** - That portion of the total present value of projected benefits which is allocated to the current year by the specific actuarial cost method being used.

**Present Value** - The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

**Present Value of Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current accrued benefits.

## GLOSSARY

**Present Value of Future Normal Costs** - The discounted value of all future normal costs.

**Present Value of Projected Benefits** - The discounted value of all future monthly benefits which are expected to be paid from the plan. It includes the value of benefits expected to be earned for future periods of employment.

**Present Value of Vested Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current vested benefits.

**Projected Benefit** - The estimated monthly benefit which will become payable at normal retirement date, assuming that the participant continues working full time until then.

**Vested Benefit** - A percentage of the accrued benefit. It may range from zero up to the full accrued benefit, based upon past service with the employer and the vesting schedule in the plan.

# Interurban Transit Partnership

## AUDIT WRAP-UP

September 30, 2019



The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors) and, if appropriate, ITP, and is not intended and should not be used by anyone other than these specified parties.

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Tel: 616-774-7000  
Fax: 616-776-3680  
www.bdo.com

200 Ottawa Avenue NW, Suite 300  
Grand Rapids, MI 49503

January 19, 2020

Members of the Board of Directors  
Interurban Transit Partnership  
Grand Rapids, Michigan

Professional standards require us to communicate with you regarding matters related to the audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On September 30, 2019, we presented an overview of our plan for the audit of the financial statements of Interurban Transit Partnership (ITP) as of and for the year ended September 30, 2019, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of ITP's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the ITP and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, LLP

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# Discussion Outline

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# Status of Our Audit

We have completed our audit of the financial statements and federal awards as of and for the year ended September 30, 2019. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements whether due to error or fraud.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We have issued an unmodified opinion on the financial statements and released our report on January 19, 2020.
- ▶ We have issued an unmodified opinion on compliance requirements that could have a direct and material effect on each major federal program.
- ▶ Our responsibility for other information in documents containing the ITP's audited financial statements management's discussion and analysis, schedules of changes in ITP's net pension liability and related ratios, and the schedules of contributions and actuarial assumptions does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the ITP and considered whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of ITP personnel throughout the course of our work.

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# Results of Our Audit

## ACCOUNTING PRACTICES, POLICIES, AND ESTIMATES

The following summarizes the more significant required communications related to our audit concerning ITP's accounting practices, policies, and estimates:

ITP's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- ▶ There were no changes in significant accounting policies and practices during 2019.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. ITP's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the notes of the financial statements.

- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2019.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

## QUALITY OF ITP'S FINANCIAL REPORTING

A discussion was held regarding the quality of the ITP's financial reporting, which included the following:

- ▶ Qualitative aspects of significant accounting policies and practices
- ▶ Our conclusions regarding significant accounting estimates
- ▶ Significant unusual transactions
- ▶ Financial statement presentation
- ▶ New accounting pronouncements
- ▶ Alternative accounting treatments

---

# Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing and in a timely manner, to those charged with governance all material weaknesses and significant deficiencies that have been identified in ITP’s internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
<b>Deficiency in Internal Control</b>	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.
<b>Significant Deficiency</b>	A deficiency or 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.
<b>Material Weakness</b>	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of ITP’s financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

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# Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to ITP:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the ITP's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about significant accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent accountants on the application of generally accepted accounting principles.
Our evaluation of ITP's relationships and transactions with related parties and their impact on the financial statements	We have evaluated ITP's process to identify, authorize and approve, account for, and disclose its relationships and transactions with related parties and noted no significant issues.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to ITP's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Other matters significant to the oversight of ITP's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of ITP's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter.

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# Independence Communication

Our engagement letter to you dated July 17, 2019 describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* with regard to independence and the performance of our services. This letter also stipulates the responsibilities of ITP with respect to independence as agreed to by ITP. Please refer to that letter for further information.

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# GASB Standards Effective in 2020

## **GASB STATEMENT NO. 87, LEASES**

- ▶ This standard will require recognition of certain lease assets and liabilities for leases that are currently classified as operating leases.
- ▶ New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period in an exchange or exchange-like transaction.
- ▶ Eliminates the distinction between operating and capital leases.
- ▶ Excludes short-term leases.
- ▶ Excludes leases that transfer ownership and service concession arrangements that are covered by GASB Statement No. 60.
- ▶ Lessees would recognize a lease liability and an intangible right-to-use lease asset which would be amortized in a systematic and reasonable manner over the shorter of the lease term or the useful life of the underlying asset.
- ▶ Lessors would recognize lease receivable and deferred inflow of resources which would be recognized as revenue in a systematic and rational manner over the term of the lease.

## **GASB STATEMENT NO. 89, ACCOUNTING FOR INTEREST COST INCURRED BEFORE THE END OF A CONSTRUCTION PERIOD**

- ▶ Upon implementation, in financial statements using the economic resources measurement focus (business-type activities and enterprise funds) interest incurred during construction should be recognized as an expense of the period.
- ▶ Interest costs on construction-in-progress will be capitalized only to the implementation date of this Statement. The provisions of this Statement are to be applied prospectively and will therefore not require a restatement of any balances.
- ▶ In financial statements using the current financial resources measurement focus, interest incurred during construction should be recognized as an expenditure (no change).
- ▶ If a government has regulated operations as defined by paragraph 476 of GASB Statement No. 62, this Statement does not eliminate or remove the requirement to capitalize qualifying interest costs as a regulatory asset.

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# Cybersecurity

The board’s role in the oversight of organizational risk is increasingly complicated by cybersecurity concerns. Trustees need to maintain continual knowledge about evolving cyber issues and management’s plans for allocating resources and otherwise responding to cyber risks. Such knowledge helps boards assess the priorities and investment decisions made by management in critical areas. Often, particularly in smaller organizations, those charged with governance oversee and monitor management’s strategy for protecting its digital assets.

In April 2017, the AICPA published the new [Cybersecurity Risk Management Reporting Framework](#) to its website—also known as “SOC (System and Organization Controls) for Cybersecurity”—that provides entities with a proactive approach for designing a risk management program and communicating about its effectiveness to their senior management teams, boards, and external stakeholders. The Board of Directors is urged to refer to BDO’s [SOC for Cyber](#) resources to learn more about attestation serves with respect to management programs.

Here are recent tools/materials for use by those charged with governance in this area:

Recommended Resources	Release Date
BDO Webinar: <a href="#">Cybersecurity - Resources Boards Want to Know About</a>	August 22, 2018 September 27, 2018
CAQ’s <a href="#">Cybersecurity Risk Management Oversight : A Tool for Board Members</a>	April 2018
<a href="#">BDO Archived Webinar: What’s on the Minds of Boards?</a>	November 2017
<a href="#">Are You Cyber Aware?: 10 Cybersecurity Questions for Senior Executives?</a>	October 2017
<a href="#">Cyber Risk Management: What You Need to Know Now</a>	October 2017
<a href="#">2017 BDO Cyber Governance Survey</a>	September 2017
<a href="#">Breaking Down the Equifax Data Breach</a>	September 2017
<a href="#">BDO Knows Cybersecurity: Petya Cyber Attack</a>	June 2017
<a href="#">BDO Highlights Important DHS - FBI Cyber Alert on North Korea - Hidden Cobra</a>	June 2017
<a href="#">Introducing SOC for Cybersecurity: Translating Cyber Risk For Every Stakeholder</a>	June 2017

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# Interurban Transit Partnership

Financial Statements  
and Single Audit Reports  
Years Ended September 30, 2019 and 2018



## **Interurban Transit Partnership**

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Financial Statements and Single Audit Reports  
Years Ended September 30, 2019 and 2018

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# Interurban Transit Partnership

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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, 2019 and 2018 (as of and for the years ended June 30, 2019 and 2018 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, 2019 and 2018 (June 30, 2019 and 2018 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 44-47 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 19, 2020 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 19, 2020

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# Interurban Transit Partnership

## Management's Discussion and Analysis

### Year Ended September 30, 2019

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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, 2019 and 2018.

#### Financial Highlights

- The state operating assistance rate for FY19 was 32.04%, down from 32.93% in FY18 and 32.78% in FY17.
- ITP levied 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 \$3,506,015 and \$3,163,079 at September 30, 2019 and 2018, 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, 2019**

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**Financial Analysis of ITP**

***Net Position***

ITP's net position increased by \$20.0 million during FY19, an increase of 18% from FY18 (see Table A-1).

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

<i>September 30,</i>	2019	2018	2017
Current assets	\$ 33,692	\$ 27,770	\$ 27,336
Capital assets, net	133,881	114,089	117,672
<b>Total assets</b>	<b>167,573</b>	<b>141,859</b>	<b>145,008</b>
Deferred outflows of resources	1,125	969	1,024
Current liabilities	13,638	7,633	7,203
Net pension liability	3,506	3,163	4,596
Deferred inflows of resources	21,235	21,506	22,471
Net position			
Investment in capital assets	133,881	114,089	117,672
Unrestricted	(3,562)	(3,563)	(5,909)
<b>Total Net Position</b>	<b>\$ 130,319</b>	<b>\$ 110,526</b>	<b>\$ 111,763</b>

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, 2019**

***Changes in Net Position***

Net position increased by \$20.0 million from September 30, 2018 to September 30, 2019 (see Table A-2).

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

<i>Year ended September 30,</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Operating revenues			
Passenger fares	\$ 6,590	\$ 7,018	\$ 7,431
Advertising	132	166	156
<b>Total operating revenues</b>	<b>6,722</b>	<b>7,184</b>	<b>7,587</b>
Operating expenses			
Salaries and fringe benefits	28,839	24,756	23,925
Supplies and other operating expenses	21,703	20,352	19,558
Depreciation and loss on disposal of assets	11,914	11,369	11,132
<b>Total operating expenses</b>	<b>62,456</b>	<b>56,477</b>	<b>54,615</b>
<b>Operating loss</b>	<b>(55,734)</b>	<b>(49,293)</b>	<b>(47,028)</b>
Non-operating revenues			
State and federal	20,247	17,974	15,853
Property taxes	16,238	16,067	15,769
Other local	7,335	6,230	6,598
<b>Total non-operating revenues</b>	<b>43,820</b>	<b>40,271</b>	<b>38,220</b>
<b>Loss before capital contributions</b>	<b>(11,914)</b>	<b>(9,022)</b>	<b>(8,808)</b>
<b>Capital contributions</b>	<b>31,707</b>	<b>7,785</b>	<b>20,605</b>
<b>Change in net position</b>	<b>19,793</b>	<b>(1,237)</b>	<b>11,797</b>
<b>Net Position, beginning of year</b>	<b>110,526</b>	<b>111,763</b>	<b>99,966</b>
<b>Net Position, end of year</b>	<b>\$ 130,319</b>	<b>\$ 110,526</b>	<b>\$ 111,763</b>

Capital contributions increased compared to the prior year due to the Laker Line project, resulting in an increase in net position. Operating loss has elevated from the prior year, as explained in more detail in Table A-3 on page 14.

**Interurban Transit Partnership**  
**Management's Discussion and Analysis**  
**Year Ended September 30, 2019**

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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 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, 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, 2019**

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)
<b>Total Net Capital Assets</b>	<b>\$ 133,881</b>	<b>\$ 114,089</b>	<b>17.5%</b>

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

As ITP converts its line haul bus fleet to CNG (compressed natural gas) over the next several years, ITP's federal and state funded CNG fueling station should impact ITP's fuel costs in a significant way. In addition to fuel savings, CNG fueled buses benefit fleet maintenance, and the Local Environment Tax increases aimed at benefiting Michigan's various transportation services (road, bridge, public transit, etc.) have begun to impact ITP positively.

The state's operating assistance decreased, moving from 32.07% for FY19 to 30.98% for FY20.

The Laker Line project started construction in FY19 with service to start in August 2020. It is anticipated that the Laker Line BRT will increase ridership on the alignment because of the nature of the enhanced mode with larger vehicles, as well as provide a faster connection from GVSU to downtown Grand Rapids. The increase in ridership is expected to increase farebox recovery (non-GVSU) riders. The service will improve access for residents and businesses throughout The Rapid's service area.

The Wave smart card was launched in FY19. The new features include shortening boarding time by simply tapping the wave card to the reader as you board, the card can be reloaded anywhere by using The Wave website, and a fare capping system. The effects of fare capping have not been fully analyzed to date, but it is anticipated that there will be a decrease in revenue, but an increase in the rider's experience and eventually ridership.

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## **Basic Financial Statements**

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# Interurban Transit Partnership

## Statements of Net Position Enterprise Fund

<i>September 30,</i>	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments (Note 2)	\$ 18,977,235	\$ 17,879,994
Property taxes receivable, net	2,268,505	2,754,625
Due from federal government	7,471,681	1,956,782
Due from State of Michigan	2,510,112	1,308,986
Billed receivables	1,660,555	3,124,059
Materials and supplies inventories	577,150	569,139
Prepaid expenses and deposits	226,625	176,625
<b>Total Current Assets</b>	<b>33,691,863</b>	<b>27,770,210</b>
<b>Capital Assets (Note 3)</b>		
Facilities	78,119,499	78,066,782
Revenue vehicles	73,298,797	65,718,670
Support equipment	15,719,161	14,846,288
Land and improvements	14,566,181	14,566,181
Information systems, technology and software	21,303,288	20,579,053
Other nondepreciable assets	423,470	705,654
Construction in progress	22,510,897	5,478,493
	225,941,293	199,961,121
Less accumulated depreciation	(92,059,724)	(85,872,588)
<b>Net Capital Assets</b>	<b>133,881,569</b>	<b>114,088,533</b>
<b>Total Assets</b>	<b>167,573,432</b>	<b>141,858,743</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	1,124,566	969,006

# Interurban Transit Partnership

## Statements of Net Position Enterprise Fund

<i>September 30,</i>	2019	2018
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 9,115,285	\$ 2,275,042
Accrued payroll	2,658,988	2,655,581
Unredeemed fares	176,076	55,580
Unearned revenues	298,748	223,787
Due to State of Michigan	1,388,723	2,423,036
<b>Total Current Liabilities</b>	<b>13,637,820</b>	<b>7,633,026</b>
<b>Net Pension Liability</b>	<b>3,506,015</b>	<b>3,163,079</b>
<b>Total Liabilities</b>	<b>17,143,835</b>	<b>10,796,105</b>
<b>Deferred Inflows of Resources</b>		
Property taxes received or receivable before the levy date	16,584,149	16,040,707
Related to pensions	4,651,093	5,465,050
<b>Total Deferred Inflows of Resources</b>	<b>21,235,242</b>	<b>21,505,757</b>
<b>Net Position</b>		
Investment in capital assets	133,881,569	114,088,533
Unrestricted	(3,562,648)	(3,562,646)
<b>Total Net Position</b>	<b>\$ 130,318,921</b>	<b>\$ 110,525,887</b>

*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>	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>		
Passenger fares	\$ 6,590,438	\$ 7,017,867
Advertising (Note 1)	131,890	165,865
<b>Total operating revenues</b>	<b>6,722,328</b>	<b>7,183,732</b>
<b>Operating Expenses</b>		
Salaries and fringe benefits	28,838,832	24,756,258
Supplies and other operating expenses	21,703,354	20,351,614
Depreciation and loss on disposal of assets	11,914,171	11,369,540
<b>Total operating expenses</b>	<b>62,456,357</b>	<b>56,477,412</b>
<b>Operating loss</b>	<b>(55,734,029)</b>	<b>(49,293,680)</b>
<b>Non-Operating Revenues</b>		
State and federal	20,246,885	17,974,144
Property taxes	16,237,538	16,066,929
Other local	7,335,434	6,229,849
<b>Total non-operating revenues</b>	<b>43,819,857</b>	<b>40,270,922</b>
<b>Loss before capital contributions</b>	<b>(11,914,172)</b>	<b>(9,022,758)</b>
<b>Capital Contributions</b>	<b>31,707,206</b>	<b>7,785,486</b>
<b>Change in net position</b>	<b>19,793,034</b>	<b>(1,237,272)</b>
<b>Net Position, beginning of year</b>	<b>110,525,887</b>	<b>111,763,159</b>
<b>Net Position, end of year</b>	<b>\$ 130,318,921</b>	<b>\$ 110,525,887</b>

*See accompanying notes to financial statements.*

# Interurban Transit Partnership

## Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	<b>2019</b>	<b>2018</b>
<b>Cash From (for) Operating Activities</b>		
Receipts from customers	\$ 8,306,327	\$ 6,911,010
Payments to suppliers	(14,921,122)	(19,613,738)
Payments to employees and fringe benefits	(29,462,006)	(26,466,316)
<b>Net cash for operating activities</b>	<b>(36,076,801)</b>	<b>(39,169,044)</b>
<b>Cash From Noncapital Financing Activities</b>		
Federal grants received	3,786,325	2,743,007
State grants received	14,225,121	16,686,057
Local government assistance received	7,032,845	5,960,919
Property taxes	17,267,100	14,996,188
Other income	164,961	133,664
<b>Net cash from noncapital financing activities</b>	<b>42,476,352</b>	<b>40,519,835</b>
<b>Cash From (for) Capital and Related Financing Activities</b>		
Federal contributed capital	19,850,866	6,228,386
State contributed capital	6,341,441	1,557,100
Local contributed capital	74,961	-
Purchase of capital assets	(31,707,206)	(7,785,485)
Proceeds from sale of capital assets	69,778	63,194
<b>Net cash from (for) capital and related financing activities</b>	<b>(5,370,160)</b>	<b>63,195</b>
<b>Cash From Investing Activity</b>		
Interest received on investments	67,850	72,072
<b>Net Increase in Cash and Investments</b>	<b>1,097,241</b>	<b>1,486,058</b>
<b>Cash and Investments, beginning of year</b>	<b>17,879,994</b>	<b>16,393,936</b>
<b>Cash and Investments, end of year</b>	<b>\$ 18,977,235</b>	<b>\$ 17,879,994</b>

# Interurban Transit Partnership

## Statements of Cash Flows Enterprise Fund

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<i>Year ended September 30,</i>	2019	2018
<b>Reconciliation of Operating Loss to Net Cash for Operating Activities</b>		
Operating loss	\$ (55,734,029)	\$ (49,293,680)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation and loss on disposal of assets	11,914,171	11,369,540
Changes in assets and liabilities:		
(Increase) decrease in billed receivables	1,463,504	(258,717)
Increase in inventories	(8,011)	(4,519)
(Increase) decrease in prepaid expenses and deposits	(50,000)	124,990
Increase in accounts payable	6,840,242	617,405
Increase in accrued payroll	3,407	636,722
Increase (decrease) in unredeemed fares	120,496	(14,005)
Decrease in other liabilities	(626,581)	(2,346,780)
<b>Net Cash for Operating Activities</b>	<b>\$ (36,076,801)</b>	<b>\$ (39,169,044)</b>

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*See accompanying notes to financial statements.*

**Interurban Transit Partnership**  
**Statements of Fiduciary Net Position**  
**Fiduciary Funds**

<i>June 30,</i>	Pension Trust Funds	
	2019	2018
<b>Assets</b>		
Cash and short-term investments (Note 2)	\$ 757,128	\$ 357,713
Receivables		
Employer contributions	-	200,000
Interest and dividends receivable	466	465
<b>Total receivables</b>	<b>466</b>	<b>200,465</b>
Investments, at fair value (Note 2)		
Bond mutual funds	3,238,283	2,924,364
Equity mutual funds	7,915,045	8,191,117
Alternative investment funds	-	1,495,339
Real asset funds	-	1,255,571
<b>Total investments, at fair value</b>	<b>11,153,328</b>	<b>13,866,391</b>
<b>Total Assets</b>	<b>11,910,922</b>	<b>14,424,569</b>
<b>Net Position Held in Trust for Pension Benefits</b>	<b>\$ 11,910,922</b>	<b>\$ 14,424,569</b>

*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	
	2019	2018
<b>Additions</b>		
Employer and employee contributions	\$ 650,000	\$ 986,934
Investment income (loss):		
Net appreciation	563,134	495,608
Interest	16,262	4,483
Dividends	291,978	475,722
Investment expense	(28,700)	(76,909)
Total investment income	842,674	898,904
Total additions	1,492,674	1,885,838
<b>Deductions</b>		
Benefits	3,963,272	775,364
Administrative expense	43,049	45,528
Total deductions	4,006,321	820,892
Change in net position	(2,513,647)	1,064,946
Net Position Held in Trust for Pension Benefits, beginning of year	14,424,569	13,359,623
Net Position Held in Trust for Pension Benefits, end of year	\$ 11,910,922	\$ 14,424,569

*See accompanying notes to financial statements.*

# Interurban Transit Partnership

## Notes to Financial Statements

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### 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, and 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. Alternative investments and real assets, if any, are recorded at their net asset value (NAV) in accordance with Government Accounting Standards Board (GASB) Statement 72.

#### *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

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

	Years
Facilities	20 - 40
Revenue vehicles	3 - 12
Support equipment	3 - 10
Land improvements	10 - 30
Information systems, technology and software	3 - 10

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### ***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

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### ***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 for, with proper allowances made for estimated uncollectible amounts. ITP levied 1.47 mills for FY19, 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.

### ***Reclassifications***

Certain reclassifications have been made in the September 30, 2018 financial statements to conform to the classifications in the September 30, 2019 financial statements. Such reclassifications had no impact on the previously reported statement of cash flow.

# Interurban Transit Partnership

## Notes to Financial Statements

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### *Subsequent Events*

Management has evaluated subsequent events through January 19, 2020, the date the financial statements were available to be issued.

## **2. Cash and Investments**

### *Deposits*

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

### *Custodial Credit Risk Related to Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, ITP's deposits might not be recovered. ITP minimizes custodial credit risk by pre-qualifying financial institutions. At September 30, 2019, the bank balances were \$18,635,772, of which \$17,885,772 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, 2019, ITP's Enterprise Fund had the following investment, which is measured at amortized cost:

<u>Investment</u>	<u>Maturity</u>	<u>Amortized Cost</u>
Kent County Investment Pool	Less than 1 year	\$ 372,988

At June 30, 2019, ITP's Pension Trust Funds had cash and investments with a value of \$11,910,456 that mature in less than one year.

# Interurban Transit Partnership

## Notes to Financial Statements

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### **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, 2019.

### **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, 2019, ITP's investments had the following credit ratings and exposure:

Investment Type	Rating	Credit Exposure as a Percent of Total Investments
<b>Enterprise Fund</b>		
Kent County Investment Pool	Not rated	100%
<b>Pension Trust Funds</b>		
Money market funds	Moody's A-mf	6.36
Bond mutual funds	Not rated	27.19

### **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.

# Interurban Transit Partnership

## Notes to Financial Statements

*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, 2019 and 2018. 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.

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

<i>June 30, 2019</i>	Level 1	Level 2	Level 3	Total
<b>Pension Trust Fund</b>				
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
<b>Investments, at fair value</b>	<b>\$ 11,910,456</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,910,456</b>

<i>June 30, 2018</i>	Level 1	Level 2	Level 3	Total
<b>Pension Trust Fund</b>				
Cash and short-term investments	\$ 357,713	\$ -	\$ -	\$ 357,713
Equity mutual funds	8,191,117	-	-	8,191,117
Bond mutual funds	2,924,364	-	-	2,924,364
<b>Total investments in the fair value hierarchy</b>	<b>\$ 11,473,194</b>	<b>\$ -</b>	<b>\$ -</b>	<b>11,473,194</b>

Total investments at net asset value*	2,750,910
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<b>Investments, at fair value</b>	<b>\$ 14,224,104</b>
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\* *Certain alternative investments and real assets are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient, and have not been categorized in the fair value hierarchy in accordance with GASB 72. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.*

# Interurban Transit Partnership

## Notes to Financial Statements

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The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table.

<i>June 30, 2018</i>	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Alternative investments	\$ 1,495,339	\$ -	Daily	None
Real assets funds	1,255,571	-	Daily	None
Total investments measured at NAV	\$ 2,750,910	\$ -		

Additional information related to the Authority's investments at NAV is discussed below:

### ***Alternative Investment Funds***

This type includes an investment in one fund that aims to achieve long-term returns with lower risk and lower volatility than the stock market, and with relatively low correlation to stock and bond market indexes. The fair value of this investment has been determined using the NAV per share (or its equivalent) of the investments.

### ***Real Asset Funds***

This type includes investments in three funds. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

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# Interurban Transit Partnership

## Notes to Financial Statements

### 3. Capital Assets

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

	Balance October 1, 2018	Additions	Transfers/ Deletions	Balance September 30, 2019
<b>Capital Assets</b>				
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
<b>Total capital assets</b>	<b>199,961,121</b>	<b>31,707,206</b>	<b>(5,727,034)</b>	<b>225,941,293</b>
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
<b>Total accumulated depreciation</b>	<b>85,872,588</b>	<b>11,735,177</b>	<b>(5,548,041)</b>	<b>92,059,724</b>
<b>Net Capital Assets</b>	<b>\$ 114,088,533</b>	<b>\$ 19,972,029</b>	<b>\$ (178,993)</b>	<b>\$ 133,881,569</b>

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# Interurban Transit Partnership

## Notes to Financial Statements

Capital asset activity for the year ended September 30, 2018 is as follows:

	Balance October 1, 2017	Additions	Transfers/ Deletions	Balance September 30, 2018
<b>Capital Assets</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 2,283,896	\$ 3,194,597	\$ -	\$ 5,478,493
Land	9,015,425	352,195	-	9,367,620
Artwork	368,470	-	-	368,470
Easements - intangible	55,000	-	-	55,000
Software in development	2,326,055	-	2,043,871	282,184
Capital assets being depreciated:				
Facilities	77,868,907	197,875	-	78,066,782
Revenue vehicles	66,152,676	1,111,735	1,545,741	65,718,670
Support equipment	13,726,766	1,154,958	35,436	14,846,288
Land improvements	5,198,561	-	-	5,198,561
Information systems and technology	14,037,613	3,761,587	-	17,799,200
Software - intangible	2,723,444	56,409	-	2,779,853
<b>Total capital assets</b>	<b>193,756,813</b>	<b>9,829,356</b>	<b>3,625,048</b>	<b>199,961,121</b>
Accumulated depreciation:				
Facilities	19,181,995	2,874,320	-	22,056,315
Revenue vehicles	31,820,374	5,529,075	1,539,291	35,810,158
Support equipment	9,991,942	1,132,890	35,436	11,089,396
Land improvements	1,721,792	257,079	-	1,978,871
Information systems and technology	10,718,213	1,514,914	-	12,233,127
Software - intangible	2,649,909	54,812	-	2,704,721
<b>Total accumulated depreciation</b>	<b>76,084,225</b>	<b>11,363,090</b>	<b>1,574,727</b>	<b>85,872,588</b>
<b>Net Capital Assets</b>	<b>\$ 117,672,588</b>	<b>\$ (1,533,734)</b>	<b>\$ 2,050,321</b>	<b>\$ 114,088,533</b>

#### 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

# Interurban Transit Partnership

## Notes to Financial Statements

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of age and completed one full year of service. One full year of service is defined as at least 1,000 hours of service in the 12-consecutive-month period beginning on the employee's hire date. The plan 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:

	2019	2018
Retirees and beneficiaries currently receiving benefits	15	15
Terminated employees entitled to benefits but not yet receiving them	16	16
Active plan members	2	7
<b>Total</b>	<b>33</b>	<b>38</b>

### *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:

	2019	2018
Retirees and beneficiaries currently receiving benefits	125	115
Terminated employees entitled to benefits but not yet receiving them	126	124
Active plan members	242	256
<b>Total</b>	<b>493</b>	<b>495</b>

# Interurban Transit Partnership

## Notes to Financial Statements

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### ***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.

### ***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, 2019 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	3.75	4.00

### ***Discount Rate***

The discount rate used to measure the total pension liability for the Administrative Plan was 6.25% 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.

# Interurban Transit Partnership

## Notes to Financial Statements

### *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:

<i>Administrative Plan</i>	1% Decrease (5.25%)	Current Rate (6.25%)	1% Increase (7.25%)
<b>Net Pension Liability</b>	\$ 1,124,202	\$ 852,426	\$ 619,352

<i>Non-Administrative Plan</i>	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
<b>Net Pension Liability</b>	\$ 4,083,785	\$ 2,653,589	\$ 1,457,262

### *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>	<i>Administrative Plan</i>		<i>Non-Administrative Plan</i>	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	50%	6.25%	50%	6.50%
International equity	10	6.25	15	6.50
Fixed income	40	6.25	25	6.50
Real estate	0	0.00	10	6.50

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# Interurban Transit Partnership

## Notes to Financial Statements

### *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)
<b>Balance, June 30, 2018</b>	\$ 5,243,380	\$ 4,750,416	\$ 492,964
Changes in pension liability			
Service cost			
Interest	222,849	-	222,849
Experience losses	652,124	-	652,124
Contributions - employer	-	400,000	(400,000)
Assumption change	(2,976)	-	(2,976)
Net investment income	-	126,980	(126,980)
Benefit payment	(3,355,575)	(3,355,575)	-
Administrative expenses	-	(14,445)	14,445
<b>Net changes in pension liability</b>	<b>(2,483,578)</b>	<b>(2,843,040)</b>	<b>359,462</b>
<b>Balance, June 30, 2019</b>	<b>\$ 2,759,802</b>	<b>\$ 1,907,376</b>	<b>\$ 852,426</b>

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)
<b>Balance, June 30, 2018</b>	\$ 12,344,268	\$ 9,674,153	\$ 2,670,115
Changes in pension liability			
Service cost			
Interest	782,627	-	782,627
Experience losses	194,529	-	194,529
Contributions - employer	-	250,000	(250,000)
Assumption change	(56,593)	-	(56,593)
Net investment income	-	715,695	(715,695)
Benefit payment	(607,696)	(607,696)	-
Administrative expenses	-	(28,606)	28,606
<b>Net changes in pension liability</b>	<b>312,867</b>	<b>329,3936</b>	<b>(16,526)</b>
<b>Balance, June 30, 2019</b>	<b>\$ 12,657,135</b>	<b>\$ 10,003,546</b>	<b>\$ 2,653,589</b>

# Interurban Transit Partnership

## Notes to Financial Statements

### *Deferred Inflows and Outflows of Resources Related to the Pension Plan*

At September 30, 2019, 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	\$ 440,412	\$ 66,943	\$ 193,965	\$ 306,145
Changes of assumptions	107,299	105,425	297,271	4,052,132
Investment earnings losses	85,619	-	-	120,448
<b>Total</b>	<b>\$ 633,330</b>	<b>\$ 172,368</b>	<b>\$ 491,236</b>	<b>\$ 4,478,725</b>

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. 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
2020	\$ 207,251	\$ (555,463)	\$ (348,212)
2021	218,803	(669,663)	(450,860)
2022	19,488	(611,278)	(591,790)
2023	15,420	(598,500)	(583,080)
2024	-	(578,614)	(578,614)
Thereafter	-	(973,971)	(973,971)

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# Interurban Transit Partnership

## Notes to Financial Statements

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### *Components of Pension Expense*

For the year ended September 30, 2019, ITP recognized pension expense of \$124,570 for the Administrative Plan and \$(301,152) for the Non-Administrative Plan.

Below are the components of the total pension expense:

<i>Year ended September 30, 2019</i>	Administrative Plan	Non- Administrative Plan
Interest	\$ 222,849	\$ 782,627
Experience (gains) losses	108,758	(20,852)
Assumption change	(93,223)	(557,762)
Projected earnings on pension plan investments	(204,088)	(616,265)
Investment earnings losses	75,829	82,495
Administrative expenses	14,445	28,605
<b>Total Pension Expense</b>	<b>\$ 124,570</b>	<b>\$ (301,152)</b>

For the year ended September 30, 2019, actual cash payments made were \$400,000 and \$250,000 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 \$372,628 for the year ended September 30, 2019.

### *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 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 \$1,023,199 for the year ended September 30, 2019.

## **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

# Interurban Transit Partnership

## Notes to Financial Statements

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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 year 2019 and 2018 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$22,771,743 and \$22,224,906 in 2019 and 2018, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 32.04% and 32.93%, respectively, totaled \$14,591,040 and \$14,637,323 in 2019 and 2018, 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.

#### ***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.

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## Required Supplementary Information

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## Interurban Transit Partnership

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

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

## Interurban Transit Partnership

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

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

# Interurban Transit Partnership

## Schedule of Contributions - Administrative Plan

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

**Methods and assumptions used to determine contribution rates:**

Valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal (level of percentage of pay)
Asset valuation method	Market value
Retirement age	Age 65
Interest rate	6.25% per year
Mortality tables:	
Pre-retirement	None
Post-retirement	IRC Sec. 417(e)(3) Applicable 2017 Mortality Table
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	Post-retirement mortality was changed from IRC Sec. 417(e)(3) Applicable 2017 Mortality Table to the 2018 Table
Cost of living adjustments after retirement	None

# Interurban Transit Partnership

## Schedule of Contributions - Non-Administrative Plan

<i>Fiscal year ended September 30,</i>	2019	2018	2017	2016
Actuarially determined contribution	\$ 376,920	\$ 735,101	\$ 775,392	\$ 746,846
Actual contribution	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
Actual contribution as a percentage of covered payroll	n/a	n/a	n/a	n/a

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal (level dollar amount)
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% are assumed to retire at age 62 (if eligible for early retirement) and all remaining at age 65 (or current age if older)
Interest rate	6.50%
Mortality table	2017 430(h) mortality tables (non-annuitant and annuitants); ages set forward three years as in recent valuations; before the age set forward these tables are based on RP-2000 adjusted for mortality improvement using Projection Scale AA
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 changed from 2016 430(h) tables and disability rates added
Cost of living adjustments after retirement	None

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## **Combining Statements and Supplementary Information**

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

<i>June 30, 2019</i>	Administrative Plan	Non- Administrative Plan	Total
<b>Assets</b>			
Cash and short-term investments	\$ 464,747	\$ 292,381	\$ 757,128
Receivables			
Interest and dividends receivable	289	177	466
Investments, at fair value			
Bond mutual funds	510,914	2,727,369	3,238,283
Equity mutual funds	931,426	6,983,619	7,915,045
Total investments, at fair value	1,442,340	9,710,988	11,153,328
<b>Total Assets</b>	<b>1,907,376</b>	<b>10,003,546</b>	<b>11,910,922</b>
<b>Net Position Held in Trust for Pension Benefits</b>	<b>\$ 1,907,376</b>	<b>\$ 10,003,546</b>	<b>\$ 11,910,922</b>

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

<i>Year ended June 30, 2019</i>	Administrative Plan	Non- Administrative Plan	Total
<b>Additions</b>			
Employer and employee contributions	\$ 400,000	\$ 250,000	\$ 650,000
Investment income (loss):			
Net appreciation	64,658	498,476	563,134
Interest	6,650	9,612	16,262
Dividends	64,762	227,216	291,978
Investment expense	(9,090)	(19,610)	(28,700)
Total investment income	126,980	715,694	842,674
Total additions	526,980	965,694	1,492,674
<b>Deductions</b>			
Benefits	3,355,576	607,696	3,963,272
Administrative expense	14,444	28,605	43,049
Total deductions	3,370,020	636,301	4,006,321
Change in net position	(2,843,040)	329,393	(2,513,647)
<b>Net Position Held in Trust for Pension Benefits,</b> beginning of year	4,750,416	9,674,153	14,424,569
<b>Net Position Held in Trust for Pension Benefits,</b> end of year	\$ 1,907,376	\$ 10,003,546	\$ 11,910,922

# Interurban Transit Partnership

## Schedule of Non-Operating Revenues - Local

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*Year ended September 30, 2019*

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### Local Revenue

Property taxes	\$ 16,237,538
Grand Valley State University	2,466,820
Network180	724,649
DASH - City of Grand Rapids	2,365,359
Route 19	468,408
Van pool	115,696
Ferris State University	74,352
Grand Rapids Community College	117,783
Amtrak	140,895
Alpine Township	75,556
Byron Township	57,736
Cascade Township	370,456
Gaines Township	44,288
Other local services	10,846

---

Total local revenue 23,270,382

---

### Other Income

Gain on sale of property	69,778
Sale of wave cards	20,822
Retail lease	38,049
Interest income	67,850
Miscellaneous	106,091

---

Total other income 302,590

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**Total Non-Operating Revenues - Local** \$ 23,572,972

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**Interurban Transit Partnership**  
**Schedule of Non-Operating Revenues - State and Federal**

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*Year ended September 30, 2019*

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**State of Michigan Grants**

General operating assistance	\$ 14,894,724
Capital assistance	624,586
Preventive maintenance (operating)	302,279
Planning and miscellaneous project assistance	175,684
Specialized services	463,289

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Total State of Michigan grants 16,460,562

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**Federal Government Grants**

Capital assistance	2,220,219
Preventive maintenance (operating)	1,209,114
Planning and miscellaneous project assistance	356,990

---

Total federal government grants 3,786,323

---

**Total Non-Operating Revenues - State and Federal** **\$ 20,246,885**

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**Interurban Transit Partnership**  
**Schedule of Operating Expenses by Function**

<i>Year ended September 30, 2019</i>	General	
	Operations	Maintenance
<b>Labor</b>		
Operators' salaries and wages	\$ 12,508,601	\$ -
Other salaries and wages	1,408,514	2,412,939
Dispatchers' salaries and wages	244,398	-
<b>Total labor</b>	<b>14,161,513</b>	<b>2,412,939</b>
<b>Fringe Benefits</b>		
Pension - defined benefit (actual paid)	367,775	85,200
Pension - defined benefit (GASB adjustment)	(409,354)	(81,560)
Pension - defined contribution	1,031,838	180,445
Other fringe benefits	6,502,174	1,135,014
<b>Total fringe benefits</b>	<b>7,492,433</b>	<b>1,319,099</b>
<b>Services</b>		
Audit fees	-	-
Other services	425,379	1,474,463
<b>Total services</b>	<b>425,379</b>	<b>1,474,463</b>
<b>Materials and Supplies Consumed</b>		
Fuel and lubricants	2,710,729	-
Tires and tubes	-	36,049
Other materials and supplies	7,335	1,764,805
<b>Total materials and supplies consumed</b>	<b>2,718,064</b>	<b>1,800,854</b>
<b>Utilities</b>		
Other	15,014	-
<b>Casualty and Liability Costs</b>		
Premiums for public liability and property damage insurance	1,301,532	-
Other insurance	-	-
<b>Total casualty and liability costs</b>	<b>\$ 1,301,532</b>	<b>\$ -</b>

**Interurban Transit Partnership**  
**Schedule of Operating Expenses by Function**

---

Operations				Total
Administration	Total	Grants	System	
\$ -	\$ 12,508,601	\$ -	\$ 12,508,601	
2,118,320	5,939,773	30,392	5,970,165	
-	244,398	-	244,398	
2,118,320	18,692,772	30,392	18,723,164	
197,025	650,000	-	650,000	
(135,667)	(626,581)	-	(626,581)	
183,543	1,395,826	-	1,395,826	
1,046,537	8,683,725	12,698	8,696,423	
1,291,438	10,102,970	12,698	10,115,668	
47,000	47,000	-	47,000	
706,283	2,606,125	404,937	3,011,062	
753,283	2,653,125	404,937	3,058,062	
-	2,710,729	-	2,710,729	
-	36,049	312,480	348,529	
216,207	1,988,347	1,648,023	3,636,370	
216,207	4,735,125	1,960,503	6,695,628	
904,870	919,884	-	919,884	
-	1,301,532	-	1,301,532	
295,092	295,092	-	295,092	
\$ 295,092	\$ 1,596,624	\$ -	\$ 1,596,624	

**Interurban Transit Partnership**  
**Schedule of Operating Expenses by Function**

---

	General	
<i>Year ended September 30, 2019</i>	Operations	Maintenance
<b>Purchased Transportation</b>	\$ 7,480,048	\$ -
<b>Miscellaneous</b>		
Travel and meetings	11,487	8,654
Advertising/promotion media	-	-
Other miscellaneous	2,174	44,450
Total miscellaneous	13,661	53,104
<b>Depreciation and Loss on Disposal of Assets</b>	-	-
<b>Preventive Maintenance</b>	-	(1,511,393)
<b>Total Expenses</b>	\$ 33,607,644	\$ 5,549,066

**Interurban Transit Partnership**  
**Schedule of Operating Expenses by Function**

---

Operations				Total
Administration	Total	Grants	System	
\$ -	\$ 7,480,048	\$ 1,265,233	\$ 8,745,281	
75,440	95,581	33,397	128,978	
227,992	227,992	72,097	300,089	
150,634	197,258	23,974	221,232	
454,066	520,831	129,468	650,299	
11,914,171	11,914,171	-	11,914,171	
-	(1,511,393)	1,548,969	37,576	
\$ 17,947,447	\$ 57,104,157	\$ 5,352,200	\$ 62,456,357	

# Interurban Transit Partnership

## Schedule of Expenses by Grant

			510
			MI-90-X658
		001	12-0104-P7
		General	FY13
<i>Year ended September 30, 2019</i>	Total	Operations	Section 5307
<b>Expenses</b>			
Labor	\$ 18,723,164	\$ 18,692,772	\$ -
Fringe benefits	10,115,668	10,102,970	-
Services	3,058,062	2,653,125	8,301
Materials and supplies consumed	6,695,628	4,735,125	5,753
Utilities	919,884	919,884	-
Casualty and liability costs	1,596,624	1,596,624	-
Purchased transportation	8,745,281	7,480,048	-
Miscellaneous	650,299	520,831	1,155
Depreciation and loss on disposal of assets	11,914,171	11,914,171	-
Preventive maintenance	37,576	(1,511,393)	-
<b>Total Expenses</b>	<b>\$ 62,456,357</b>	<b>\$ 57,104,157</b>	<b>\$ 15,209</b>

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

530 MI-2016-X009 12-0104-P12 FY16 Section 5307	540 MI-2017-X023 12-0070-P3 FY17 Section 5307	550 MI-16-X009 FY18 Section 5307	560 FY19 Section 5307	770 MI-95-X064 07-0230-Z27 FY11 Section 5307	771 MI-2016-013 12-0104-P17 FY16 Section 5307
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,640
-	-	-	-	-	12,594
53,306	86,067	128,296	89,164	-	1,124
78,243	254,949	11,577	-	-	298
-	-	-	-	-	-
-	-	-	-	-	-
-	-	700,000	-	-	49,463
11,218	23,320	25,007	-	18,897	38,882
-	-	-	-	-	-
573,161	975,808	-	-	-	-
<b>\$ 715,928</b>	<b>\$ 1,340,144</b>	<b>\$ 864,880</b>	<b>\$ 89,164</b>	<b>\$ 18,897</b>	<b>\$ 124,001</b>

# Interurban Transit Partnership

## Schedule of Expenses by Grant

795 Specialized Services	870 MI-2017-015 FY17 Section 5339	985 GVMC Grant Section 5303	986 2017-0070-P10 MI Mobility Grant	987 TOD Grant
\$ -	\$ -	\$ -	\$ 8,752	\$ -
-	-	-	104	-
-	1,938	15,680	21,022	39
-	1,605,606	-	4,077	-
-	-	-	-	-
-	-	-	-	-
463,289	-	-	52,481	-
-	10,989	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ 463,289	\$ 1,618,533	\$ 15,680	\$ 86,436	\$ 39

# Interurban Transit Partnership

## Schedule of Regular Service Expenses by Function - Urban

Year ended September 30, 2019	Operations	Maintenance	Administration	Total
<b>Labor</b>				
Operators' salaries and wages	\$ 12,508,601	\$ -	\$ -	\$ 12,508,601
Other salaries and wages	1,408,514	2,412,939	2,118,320	5,939,773
Dispatchers' salaries and wages	244,398	-	-	244,398
<b>Total labor</b>	<b>14,161,513</b>	<b>2,412,939</b>	<b>2,118,320</b>	<b>18,692,772</b>
<b>Fringe Benefits</b>				
Pension - defined benefit	367,775	85,200	197,025	650,000
Pension - defined benefit (GASB)	(409,354)	(81,560)	(135,667)	(626,581)
Pension - defined contributions	1,031,838	180,445	183,543	1,395,826
Other fringe benefits	6,502,174	1,135,014	1,046,537	8,683,725
<b>Total fringe benefits</b>	<b>7,492,433</b>	<b>1,319,099</b>	<b>1,291,438</b>	<b>10,102,970</b>
<b>Services</b>				
Audit fees	-	-	47,000	47,000
Other services	425,379	1,474,463	706,283	2,606,125
<b>Total services</b>	<b>425,379</b>	<b>1,474,463</b>	<b>753,283</b>	<b>2,653,125</b>
<b>Materials and Supplies Consumed</b>				
Fuel and lubricants	2,710,729	-	-	2,710,729
Tires and tubes	-	36,049	-	36,049
Other materials and supplies	7,335	1,764,805	216,207	1,988,347
<b>Total materials and supplies consumed</b>	<b>2,718,064</b>	<b>1,800,854</b>	<b>216,207</b>	<b>4,735,125</b>
<b>Utilities</b>				
Other	15,014	-	904,870	919,884
<b>Total utilities</b>	<b>15,014</b>	<b>-</b>	<b>904,870</b>	<b>919,884</b>
<b>Casualty and Liability Costs</b>				
Premiums for public liability and property damage insurance	1,301,532	-	-	1,301,532
Other insurance	-	-	295,092	295,092
<b>Total casualty and liability costs</b>	<b>1,301,532</b>	<b>-</b>	<b>295,092</b>	<b>1,596,624</b>
<b>Purchased Transportation</b>	<b>7,480,048</b>	<b>-</b>	<b>-</b>	<b>7,480,048</b>
<b>Miscellaneous</b>				
Travel and meetings	11,487	8,654	75,440	95,581
Advertising/promotion media	-	-	227,992	227,992
Other miscellaneous	2,174	44,450	150,634	197,258
<b>Total miscellaneous</b>	<b>13,661</b>	<b>53,104</b>	<b>454,066</b>	<b>520,831</b>
<b>Depreciation and Loss on Disposal of Assets</b>	<b>-</b>	<b>-</b>	<b>11,914,171</b>	<b>11,914,171</b>
<b>Preventive Maintenance</b>	<b>-</b>	<b>(1,511,393)</b>	<b>-</b>	<b>(1,511,393)</b>
<b>Total Expenses</b>	<b>\$ 33,607,644</b>	<b>\$ 5,549,066</b>	<b>\$ 17,947,447</b>	<b>\$ 57,104,157</b>

**Interurban Transit Partnership**  
**Schedule of Regular Service Revenues - Urban**

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*Year ended September 30, 2019*

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**Operating Revenues**

Passenger fares	\$ 6,590,438
Advertising	131,889

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Total operating revenues	6,722,327
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**Non-Operating Revenues**

State and federal assistance	20,246,885
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**Local Revenue**

Property taxes	16,237,538
Grand Valley State University	2,466,820
Network180	724,649
DASH - City of Grand Rapids	2,365,359
Route 19	468,408
Van pool	115,696
Ferris State University	74,352
Grand Rapids Community College	117,783
Amtrak	140,895
Alpine Township	75,556
Byron Township	57,736
Cascade Township	370,456
Gaines Township	44,288
Other local services	10,846

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Total local revenue	23,270,382
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**Other Income**

Gain on sale of property	69,778
Sale of wave cards	20,822
Retail lease	38,049
Interest income	67,850
Miscellaneous	106,091

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Total other income	302,590
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<b>Total Revenues</b>	<b>\$ 50,542,184</b>
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## Interurban Transit Partnership

### Schedule of Hours and Miles - Urban

<i>Year ended September 30, 2019</i>	Weekday	Saturday	Sunday	Total
Total vehicle hours - linehaul	399,206	36,964	17,463	453,633
Revenue hours - linehaul	384,646	35,894	16,841	437,381
Total vehicle hours - bus rapid transit	24,305	2,538	1,971	28,814
Revenue hours - bus rapid transit	23,252	2,472	1,894	27,618
Total vehicle hours - demand response	151,535	11,855	11,654	175,044
Revenue hours - demand response	131,386	10,399	10,211	151,996
Total vehicle miles - linehaul	4,984,697	453,518	210,487	5,648,702
Revenue miles - linehaul	4,747,758	435,076	199,375	5,382,209
Total vehicle miles - bus rapid transit	339,245	31,915	25,140	396,300
Revenue miles - bus rapid transit	316,889	30,418	23,289	370,596
Total vehicle miles - demand response	2,173,494	164,166	161,464	2,499,124
Revenue miles - demand response	1,862,273	143,261	140,075	2,145,609

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**

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	State Operating Assistance Urban
<i>Year ended September 30, 2019</i>	
<b>General Operating Expenses</b>	<b>\$ 62,456,357</b>
<b>Add Eligible Expenses</b>	
Reverse GASB entry to pension to reflect actual paid pension expenses	626,581
<b>Less Ineligible Expenses</b>	
Depreciation expense and loss on disposal of assets	11,914,171
Capital funds used for operating expenses	3,803,232
Amtrak - billed directly to the State of Michigan	140,895
Non-transportation revenue	146,476
APTA and MPTA dues	11,285
Preventive maintenance	1,511,393
Other (lobbying fees)	12,000
	16,912,871
<b>Eligible Operating Expenses</b>	<b>\$ 45,543,486</b>
<b>Maximum State Operating Assistance (50%)</b>	<b>\$ 22,771,743</b>
<b>State Operating Assistance Accrual (32.0376%)</b>	<b>\$ 14,591,040</b>

**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 2019; 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.

# Interurban Transit Partnership

## Schedule of Operating Assistance Calculation

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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.

Capital Funds Used to Pay for Operating - Operating expenses of \$3,803,232 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 \$372,628 and non-administrative staff is \$1,023,199. The entire sum of \$1,395,827 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 \$400,000 and the non-administrative plan is \$250,000. The entire sum of \$650,000 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 \$626,581 to the pension expense which is reflected on page 54, a reduction of \$275,430 to the administration plan and a reduction of \$351,151 to the union plan. Therefore, the \$626,581 is an eligible expense and was added to the total operating expense for the calculation of state operating assistance.

# Interurban Transit Partnership

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2019

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
<b>Department of Transportation - Federal Transit Authority</b>					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	GVMC	N/A	\$ -	\$ 12,544
Federal Transit Cluster:					
Federal Transit Formula Grants	20.507	Direct	MI-90-X658	-	65,253
Federal Transit Formula Grants	20.507	Direct	MI-2016-X009	-	667,204
Federal Transit Formula Grants	20.507	Direct	MI-2017-X023	-	2,173,209
Federal Transit Formula Grants	20.507	Direct	MI-2018-011	-	5,834,794
Federal Transit Formula Grants	20.507	Direct	MI-2019-023	-	89,996
Federal Transit Formula Grants	20.507	Direct	MI-95-X064	-	115,336
Federal Transit Formula Grants	20.507	Direct	MI-2016-013	-	1,915,564
Bus and Bus Facilities Formula Program	20.526	Direct	MI-2017-023	-	906,148
Bus and Bus Facilities Formula Program	20.526	Direct	MI-2018-011	-	1,196,802
Federal Transit Capital Investment Grants	20.500	Direct	MI-2017-0015	-	16,249,324
Total Federal Transit Cluster					- 29,213,630
<b>Total Federal Awards</b>				\$ -	<b>\$ 29,226,174</b>

# Interurban Transit Partnership

## Notes to Schedule of Expenditures of Federal Awards

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### 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, 2019. 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, 2019</i>	State Grantor Number	Grantee Number	Accrued (Unearned) Revenue October 1, 2018	Receipts	Expenditures	Accrued (Unearned) Revenue September 30, 2019
<b>Program</b>						
Section 5307	2007-0230-Z28-01	490	\$ (10,367)	\$ -	\$ -	\$ (10,367)
Section 5307	2007-0230-Z28-01	500	12,543	-	-	12,543
Section 5307	2012-0104-P7	510	1,025,865	1,041,248	16,313	930
Section 5307	2012-0104-P12	530	137,879	167,407	166,801	137,273
Section 5307	2017-0070-P3	540	762,157	903,401	543,302	402,058
Section 5307	2017-0070-P7	550	55,209	1,406,288	1,458,699	107,620
Section 5307	2017-0070-P13	560	-	-	22,499	22,499
Section 5307	2007-0230Zz27	770	21,026	45,135	24,109	-
Section 5307	2012-0104-P17	771	4,835	455,140	460,538	10,233
Specialized Services	2017-0070-P4	794	115,823	115,823	-	-
Specialized Services	2017-0070-P8	795	-	347,466	463,289	115,823
Section 5309	2017-0070-P3	844	-	226,537	226,537	-
Section 5309	2017-0070-P7	845	-	299,201	299,201	-
Section 5309	2012-0104-P2	868	(347)	-	-	(347)
Section 5309	2012-0104-P20	870	679,277	3,108,057	4,062,331	1,633,551
Section 5303	GVMC Grant	985	10,290	13,426	3,136	-
MI Mobility Grant	2017-0070-P10	986	-	-	86,437	86,437
<b>Total State Assistance</b>			<b>\$ 2,814,190</b>	<b>\$ 8,129,129</b>	<b>\$ 7,833,192</b>	<b>\$ 2,518,253</b>

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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, 2019, and the related notes to the financial statements, which collectively comprise ITP's basic financial statements and have issued our report thereon dated January 19, 2020.

### **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) to determine the 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 entity'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 19, 2020

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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, 2019. 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 ITP's major federal program 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 (CFR) 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, 2019.

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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 19, 2020

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# Interurban Transit Partnership

## Schedule of Findings and Questioned Costs Year Ended September 30, 2019

### 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, 20.525 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 Pension Plan

## Pension Accounting Report

for the Employer's Fiscal Year Ending September 30, 2019

under GASB Statements 67 & 68



Report presented by:



October 2019

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## INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared in order to provide the information necessary to comply with Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68. This information may, at the discretion of management of the plan sponsor and its auditor, be used for the preparation of its financial statements. The calculations herein have been made based on our understanding of GASB 67 and 68, and may be inappropriate for other purposes.

The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, other assumptions are also reasonable and appropriate and their use would produce different results.

This report is a supplement to the regular annual actuarial valuation report issued under separate cover. The regular report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared on the basis of participant data and asset values as reported to us by the plan sponsor. Watkins Ross relied upon the data as submitted, and has no reason to believe that any information, which would have a material effect on the results of this valuation, was not considered in the preparation of the report.

The enrolled actuary certifying this report represents himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

**Prepared by:**



Kayla Morrish  
Senior Pension Analyst

**Certified by:**



Troy A. Schnabel, ASA, MAAA  
Enrolled Actuary #17-06116

## **PLAN DESCRIPTION**

### **Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expenses, information about the fiduciary net position of the Interurban Transit Partnership Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Interurban Transit Partnership. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Plan Description**

Interurban Transit Partnership administers the Interurban Transit Partnership Pension 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. Management of the plan is the responsibility of the Finance Director and Benefit Services Director.

### **Benefits Provided**

For the active participants in the plan: 50% of final average monthly compensation multiplied by a fraction, the numerator being accrued benefit service, and the denominator being total service if participant continues service to date of normal retirement. Benefit accruals were frozen June 30, 2016.

### **Summary of Plan Participants**

As of July 1, 2018 and July 1, 2019, Retirement Plan membership consisted of the following:

	<b>2018</b>	<b>2019</b>
Inactive plan members receiving benefits	15	15
Inactive members entitled to, not yet receiving benefits	16	16
Active plan members	<u>7</u>	<u>2</u>
Total participants	38	33

### **Contributions**

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. Interurban Transit Partnership 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. Interurban Transit Partnership is required to contribute the actuarially determined amount.

## ASSUMPTIONS AND METHODS

The pension liability was valued and measured as of June 30, 2019.

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019 and the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	0.00%
Long-term rate of return	6.25%

IRC Section 417(e)(3) Applicable 2019 Mortality Table, post-retirement only

The long-term expected rate of return on 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of June 30, 2019 (see the discussion of the retirement plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation
Domestic Equity	50%
International Equity	10%
Fixed Income	40%

The Employer, as Plan Sponsor and Investment Fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long-term rate of return of 6.25%.

### Discount Rate

The discount rate used to measure the total pension liability was **6.25%**. The retirement plan's fiduciary net position was projected to be sufficient to make all projected 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. If benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits would be discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate would be used to determine the Total Pension Liability. The discount rate used in last year's reporting was 6.25%.

## NET PENSION LIABILITY

### Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2018</b>	<b>5,243,380</b>	<b>4,750,416</b>	<b>492,964</b>
<b>Changes during the Year</b>			
Service Cost	0		0
Interest	222,849		222,849
Experience (Gains)/Losses	652,124		652,124
Contributions – Employer		400,000	(400,000)
– Employee		0	0
Assumption Change	(2,976)	0	(2,976)
Changes of Benefit Terms	0		0
Net Investment Income		126,980	(126,980)
Benefit Payments	(3,355,575)	(3,355,575)	0
Administrative Expenses	0	(14,445)	14,445
Other Changes	0	0	0
<b>Total Changes</b>	<b>(2,483,578)</b>	<b>(2,843,040)</b>	<b>359,462</b>
<b>Balance at June 30, 2019</b>	<b>2,759,802</b>	<b>1,907,376</b>	<b>852,426</b>

### Net Pension Liability – Discount Rate Sensitivities

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (NPL) of interurban Transit Partnership, calculated using the discount rate of 6.25%, as well as what Interurban Transit Partnership's net pension liability would be if it were calculated using a discount rate that is 1% percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

	1% Decrease, 5.25%	Current Rate, 6.25%	1% Increase, 7.25%
Total Pension Liability	\$ 3,031,578	\$ 2,759,802	\$ 2,526,728
Plan Fiduciary Net Position	<u>(1,907,376)</u>	<u>(1,907,376)</u>	<u>(1,907,376)</u>
Net Pension Liability	1,124,202	852,426	619,352

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the financial report which is issued separately.

## NET PENSION LIABILITY

### Deferred Inflows and Outflows of Resources Related to Pension Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	440,412	66,943
Changes of Assumptions	107,299	105,425
Investment Earnings (Gains)/Losses	<u>85,619</u>	<u>0</u>
<b>Total</b>	<b>\$ 633,330</b>	<b>\$172,368</b>

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

Year Ended June 30,	
2020	\$ 207,251
2021	218,803
2022	19,488
2023	15,420
Thereafter	0

## PENSION EXPENSE

### Components of Pension Expense as of the June 30, 2019 Measurement Date

Below are the components of the Total Pension Expense:

	Measurement Date June 30, 2019
Service Cost	\$ 0
Interest on Total Pension Liability	222,849
Experience (Gains)/Losses	108,758
Changes of Assumptions	(93,223)
Changes of Benefit Terms	0
Employee Contributions	0
Projected Earnings on Pension Plan Investments	(204,088)
Investment Earnings (Gains)/Losses	75,829
Administrative Expenses	14,445
Other Changes in Fiduciary Net Position	<u>0</u>
<b>Total Pension Expense</b>	<b>\$ 124,570</b>

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Changes in Net Pension Liability and Related Ratios

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>						
Service Cost	0	0	0	77,449	112,377	108,024
Interest	222,849	298,964	304,879	305,827	245,342	243,838
Changes of Benefit Terms	0	0	0	(271,192)	n/a	n/a
Difference between Expected and Actual Experience	652,124	(17,596)	29,585	(472,647)	(38,442)	n/a
Change of Assumptions	(2,976)	92,870	414,758	(793,053)	(320,471)	n/a
Benefit Payments	(3,355,575)	(177,586)	(178,477)	(214,300)	(485,609)	(143,467)
<b>Net Change in Total Pension Liability</b>	<b>(2,483,578)</b>	<b>196,652</b>	<b>570,745</b>	<b>(1,367,916)</b>	<b>(486,802)</b>	<b>208,395</b>
Total Pension Liability – Beginning	5,243,380	5,046,728	4,475,983	5,843,899	6,330,701	6,122,306
Total Pension Liability – Ending (a)	2,759,802	5,243,380	5,046,728	4,475,983	5,843,899	6,330,701
<b>Plan Fiduciary Net Position</b>						
Contributions – Employer	400,000	207,924	250,000	1,234,492	434,492	211,902
Contributions – Employee	0	0	0	0	-0-	-0-
Net Investment Income	126,980	250,474	369,137	(226)	(1,878)	348,839
Benefit Payments	(3,355,575)	(177,586)	(178,477)	(214,300)	(485,609)	(143,467)
Administrative Expenses	(14,445)	(12,580)	(11,874)	(17,484)	(12,183)	(11,130)
Other	0	0	0	0	-0-	-0-
<b>Net Change in Fiduciary Net Position</b>	<b>(2,843,040)</b>	<b>268,232</b>	<b>428,786</b>	<b>1,002,482</b>	<b>(65,178)</b>	<b>406,144</b>
Plan Fiduciary Net Position – Beginning	4,750,416	4,482,184	4,053,398	3,050,916	3,116,094	2,709,950
Plan Fiduciary Net Position – Ending (b)	1,907,376	4,750,416	4,482,184	4,053,398	3,050,916	3,116,094
<b>Net Pension Liability – Ending (a)-(b)</b>	<b>852,426</b>	<b>492,964</b>	<b>564,544</b>	<b>422,585</b>	<b>2,792,983</b>	<b>3,214,607</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>69.1%</b>	<b>90.6%</b>	<b>88.8%</b>	<b>90.6%</b>	<b>52.2%</b>	<b>49.2%</b>

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Employer Contributions

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially Determined Employer Contribution	192,821	52,414	74,018	216,577	214,687	211,902
Employer Contribution	400,000	207,924	250,000	1,234,492	434,492	211,902
Contribution Deficiency/(Excess)	(207,179)	(155,510)	(175,982)	(1,017,915)	(219,805)	0
Covered Employee Payroll	\$210,141	\$707,023	\$625,402	\$660,626	\$719,319	\$777,702
Contribution as a Percentage of Covered Payroll	190.35%	29.41%	39.97%	186.87%	60.40%	27.25%

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### State of Michigan Public Acts 530 and 202 Information

<b>Financial information</b>	<b>06/30/2019</b>
Assets (Fiduciary net position)	1,907,376
Liabilities (Total Pension Liability)	2,759,802
Funded ratio for the Plan Year	69.1%
Actuarially Determined Contribution (ADC)	192,821
<b>Membership</b>	<b>06/30/2019</b>
Active members	2
Terminated Vested	16
Retirees and Beneficiaries	15
<b>Investment Performance</b>	
Actual rate of return – prior 1-year	4.5%
Actual rate of return – prior 5-years	3.9%
Actual rate of return – prior 10-years	7.1%
<b>Actuarial Assumptions</b>	<b>06/30/2019</b>
Actuarially assumed rate of investment return	6.25%
Discount rate	6.25%
Amortization method used for funding unfunded liability	Level % salary
Amortization period used for funding unfunded liability	3 years
Is each division closed to new employees	Yes
<b>Uniform Assumptions</b>	<b>06/30/2019</b>
Assets using uniform assumptions	1,907,376
Liabilities using uniform assumptions	2,737,308
Funded ratio using uniform assumptions	69.7%
Actuarially Determined Contribution (ADC) using uniform assumptions under PA 202	169,919
<b>Information for Summary Report (actuarially determined contribution)</b>	<b>06/30/2019</b>
Normal Cost	12,600
Valuation payroll for active employees	210,141
Normal cost as a percent of covered payroll	6.9%
3-year amortization of unfunded liability	174,378
Actuarially Determined Contribution under GASB	192,821

Current bond rates support using 3.0% for the bond rate assumption which, together with 7.0% or less for investment return will satisfy both GASB and PA 202. The PA 202 requirement for annual salary increases is a minimum of 3.50% unless a study supports a lower rate. The investment manager has provided an expected return of 5.68% which is lower than 7.0%. We have used a discount rate of 6.25% and no salary scale for both GASB and PA 202.

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Assumptions Used in Calculation of Actuarially Determined Contribution on page 8

These are the assumptions used for the ongoing valuation calculations, unless otherwise noted.

**Valuation date** July 1, 2018

**Actuarial methods:**

Cost method Entry Age Normal (level percentage of pay)

Asset valuation method Market value

**Actuarial assumptions:**

Retirement age Age 65

Interest rate: 6.25% per year

Mortality tables:

Pre-retirement None

Post-retirement IRC Sec. 417(e)(3) Applicable 2018 Mortality Table

Turnover rates None

Salary scale None

Ancillary benefits valued None

Administrative experience Prior year, rounded to nearest \$100

**Data collection:**

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**

Post-retirement mortality was changed from IRC Sec. 417(e)(3) Applicable 2017 Mortality Table to the 2018 Table; interest was changed from 8% pre-retirement and 6% post-retirement to 6.25% for both

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Differences Between Expected and Actual Experience

#### Amount Recognized in Year Ended June 30,

Year Ended June 30,	Difference Between Expected and Actual Experience	Recognition Period (Years)	Amount Recognized in Year Ended June 30,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2015	(38,442)	5.00	(7,690)	0	0	0	0	0	0	0
2016	(472,647)	4.60	(102,749)	(61,651)	0	0	0	0	0	(61,651)
2017	29,585	3.71	7,974	5,663	0	0	0	0	5,663	0
2018	(17,596)	2.86	(6,152)	(5,292)	0	0	0	0	0	(5,292)
2019	652,124	3.00	<u>217,375</u>	<u>217,375</u>	<u>217,374</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>434,749</u>	<u>0</u>
<b>Net Recognized in Pension Expense</b>			108,758	156,095	217,374	0	0	0	440,412	(66,943)

### Schedule of Changes in Assumptions

#### Amount Recognized in Year Ended June 30,

Year Ended June 30,	Changes in Assumptions	Recognition Period (Years)	Amount Recognized in Year Ended June 30,						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2015	(256,377)	5.00	(64,095)	0	0	0	0	0	0	0
2016	(793,053)	4.60	(172,403)	(103,441)	0	0	0	0	0	(103,441)
2017	414,758	3.71	111,795	79,373	0	0	0	0	79,373	0
2018	92,870	2.86	32,472	27,926	0	0	0	0	27,926	0
2019	(2,976)	3.00	<u>(992)</u>	<u>(992)</u>	<u>(992)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,984)</u>
<b>Net Recognized in Pension Expense</b>			(93,223)	2,866	(992)	0	0	0	107,299	(105,425)

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Schedule Of Differences Between Projected and Actual Earnings on Pension Plan Investments

#### Amount Recognized in Year Ended June 30,

Year Ended June 30,	Difference Between Expected and Actual Earnings on Pension Assets	Recognition Period (Years)	Amount Recognized in Year Ended June 30,							Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024			
2015	137,703	5.00	27,541	0	0	0	0	0	0	0	
2016	229,347	5.00	45,869	45,871	0	0	0	0	45,871	0	
2017	(85,353)	5.00	(17,071)	(17,071)	(17,069)	0	0	0	0	(34,140)	
2018	20,338	5.00	4,068	4,068	4,068	4,066	0	0	12,202	0	
2019	77,108	5.00	<u>15,422</u>	<u>15,422</u>	<u>15,422</u>	<u>15,422</u>	<u>15,420</u>	<u>0</u>	<u>61,686</u>	<u>0</u>	
<b>Net Recognized in Pension Expense</b>			75,829	48,290	2,421	19,488	15,420	0	119,759	(34,140)	

#### Amount Recognized in Year Ended June 30,

	2020	2021	2022	2023	2024+
<b>Total Deferred Outflow/(Inflow) of Resources</b>	207,251	218,803	19,488	15,420	0

## SUMMARY OF PLAN PROVISIONS

<b>Plan name</b>	Interurban Transit Partnership Pension Plan	
<b>Plan effective date</b>	July 1, 1977	
<b>Most recent amendment effective date (execution date)</b>	July 1, 2016 (June 20, 2016)	
<b>Eligibility provisions:</b>		
Participation	Age 21 and 12 consecutive months of employment in which 1,000 hours worked; participation frozen after July 1, 2000	
Normal retirement	Later of age 65 or 5th anniversary of participation	
Early retirement	Age 55 with 10 years of benefit service	
Special early retirement windows (2002, 2003 and 2012)	<p>In 2002 and 2003, enhanced early retirement incentives were provided for eligible electing employees</p> <p>In 2012, un-reduced early retirement benefits were provided to eligible electing employees under the 2012 Early Retirement Incentive Plan</p> <p>In 2016, unreduced early retirement benefits were provided to eligible electing employees under the 2016 Early Retirement Incentive Plan</p>	
Late retirement	Retirement after normal retirement date	
Vesting schedule	5 years, 100% vested or if at least 3 years vesting service as of December 10, 1997:	
	<b>Years of Vested Service</b>	<b>Vesting Percent</b>
	3	20%
	4	40
	5 or more	100
Disability	Totally disabled	
Pre-retirement death:		
Annuity to surviving spouse	Death after becoming eligible for a non-forfeitable benefit	
Lump sum	Death after becoming eligible for a non-forfeitable benefit	

## SUMMARY OF PLAN PROVISIONS

### Benefit amounts:

Normal retirement:	50% of final average monthly compensation; benefit frozen June 30, 2016
Maximum benefit	IRC Section 415 limits
Early retirement	Accrued benefit payable at normal retirement date; or a benefit reduced by 0.25% for each complete calendar month by which the benefit commencement date precedes age 65, if commenced prior to such date
Special early retirement window	<p>The 2002 early retirement window benefit was the accrued benefit without reduction for early commencement (if qualified); the 2003 early retirement window benefit was the normally reduced benefit plus a temporary monthly benefit of \$1,000 (or the primary Social Security if less)</p> <p>The 2012 early retirement window benefit was the accrued retirement amount unreduced for early commencement</p> <p>The 2016 early retirement window benefit was the accrued retirement amount unreduced for early commencement</p>
Late retirement	Greater of accrued benefit based on service to actual retirement date or actuarial equivalent of the normal retirement benefit
Vested termination	Applicable percentage of accrued benefit payable at normal retirement date
Disability	Applicable percentage accrued normal retirement benefit payable the first day of the month immediately following disability certification
Pre-retirement death:	
Annuity to spouse	50% of the benefit that would have been payable to the participant at the participant's early retirement age under the Joint and 50% Survivor form of payment, had the participant terminated employment the day before death occurred
Lump sum	Present value of the participant's accrued benefit (determined as of the day before the participant's death)

## SUMMARY OF PLAN PROVISIONS

### Definitions:

Accrued benefit	An amount equal to the normal retirement benefit multiplied by a fraction, the numerator being accrued benefit service, and the denominator being total service if participant continues service to date of normal retirement; accrued benefits frozen June 30, 2016
Actuarial equivalence:	
Annuity	Unisex Pension - 1984 Table; 6% interest
Lump sums	Applicable mortality table and applicable interest rate under IRC §417(e)(3); interest rate is specified as the annual rate published by IRS for the May before the plan year of distribution
Average compensation	Total compensation averaged over the 5 highest paid consecutive years during 10 years preceding termination of employment
Entry dates	January 1 and July 1 following date of eligibility
Years of service for:	
Eligibility purposes	12 months in which 1,000 hours worked
Vesting purposes	Plan year in which 1,000 hours
Benefit purposes	Plan year in which 1,000 hours worked (union service is counted; union benefit offsets benefit in this plan); benefit service frozen June 30, 2016
Unreduced payment form	Life annuity
Optional payment forms	Joint and 50% Survivor, Joint and 100% Survivor, Joint and 66-2/3% Survivor, Period Certain and lump sum
<b>Changes since prior valuation</b>	Average compensation, benefit service and accrued benefits were frozen as of June 30, 2016; no further actuarial increases for late retirement after June 30, 2016
<b>Other qualified retirement plans</b>	Interurban Transit Partnership Union Pension Plan Interurban Transit Partnership Defined Contribution Plan

## GLOSSARY

A number of special terms and concepts are used in connection with pension plans and the pension accounting report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

**Accrued Benefit** - Each participant has an accrued benefit under the plan. This is the amount of monthly benefit already earned. It is based on past employment with the company and is payable at normal retirement.

**Actuarial Cost Method** - This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

**Amortization** – The difference between actual and expected investment returns, the difference between actual and expected experience, and the impact of any plan or assumption changes will be amortized and paid over future years.

**Depletion Date (Cross-over Point)** – The projected date (if any) where plan assets, including future contributions, are no longer sufficient to pay Projected Benefit Payments to current members.

**Long-term expected rate of return** – The rate of return based on the nature and mix of current and expected plan investments and over the time period from when an employee is hired to when all benefits to the employee have been paid.

**Market Value of Assets Date** – The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

**Measurement Date** – The date the Total Pension Liability, Fiduciary Net Position, and Net Pension Liability are determined. For GASB 67, the measurement date is the plan's current fiscal year end.

**Net Pension Liability (NPL)** – The Total Pension Liability less the Plan Fiduciary Net Position.

**Plan Fiduciary Net Position** – The market value of plan assets as of the measurement date.

**Pension Expense (PE)** – The change in the Net Pension Liability (NPL) recognized in the current measurement period. Changes to the NPL not fully recognized in a given year's pension expense will be maintained as deferred inflows and deferred outflows. These will be recognized incrementally in the pension expense over time.

**Present Value** - The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

**Present Value of Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current accrued benefits.

## GLOSSARY

**Present Value of Vested Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current vested benefits.

**Projected Benefit Obligation** - The value of benefits earned to the measurement date, but based on anticipated salary levels at retirement, computed in accordance with GAAP accounting rules.

**Projected Benefit Payments** – All benefits projected to be payable to current active and inactive employees as a result of their past service and their expected future service.

**Real Rate of Return** – The rate of return on an investment after the adjustment to eliminate inflation.

**Service Cost** - The value of benefits earned during the current year computed in accordance with GAAP accounting rules.

**Single Equivalent Discount Rate** – The single rate that gives the same total present value as discounting the Projected Benefit Payments with the long-term expected rate of return until the Depletion Date and discounting any remaining Projected Benefit Payments with the yield on a 20-year AA/Aa tax-exempt municipal bond index.

**Total Pension Liability (TPL)** – The actuarial present value of the accrued benefit determined under the entry age actuarial cost method calculated using the Blended Single Equivalent Discount Rate.

# Interurban Transit Partnership And Amalgamated Transit Union Pension Plan

## Pension Accounting Report

for the Employer's Fiscal Year Ending September 30, 2019

under GASB Statements 67 & 68



Report presented by:



October 2019

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## INTRODUCTION AND CERTIFICATION

The schedules included in this report have been prepared in order to provide the information necessary to comply with Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68. This information may, at the discretion of management of the plan sponsor and its auditor, be used for the preparation of its financial statements. The calculations herein have been made based on our understanding of GASB 67 and 68, and may be inappropriate for other purposes.

The calculations summarized in this report involve actuarial calculations that require assumptions about future events. We believe that the assumptions used in the report are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. However, other assumptions are also reasonable and appropriate and their use would produce different results.

This report is a supplement to the regular annual actuarial valuation report issued under separate cover. The regular report contains additional information and details related to plan provisions and recommended contribution calculations.

This report was prepared on the basis of participant data and asset values as reported to us by the plan sponsor. Watkins Ross relied upon the data as submitted, and has no reason to believe that any information, which would have a material effect on the results of this valuation, was not considered in the preparation of the report.

The enrolled actuary certifying this report represents himself as meeting the Qualification Standards of the American Academy of Actuaries to render actuarial opinions contained in the report.

**Prepared by:**



Kayla Morrish  
Senior Pension Analyst

**Certified by:**



Troy A. Schnabel, ASA, MAAA  
Enrolled Actuary #17-06116

## PLAN DESCRIPTION

### Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expenses, information about the fiduciary net position of the Interurban Transit Partnership and Amalgamated Trust Union Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by Interurban Transit Partnership. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Plan Description

Interurban Transit Partnership administers the interurban Transit Partnership and 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 currently closed to new participants. Management of the plan is the responsibility of the Finance Director and Benefit Services Director.

### Benefits Provided

For the active participants in the plan: \$34.00 multiplied by total years of benefit service. Benefits were frozen December 10, 2017.

### Summary of Plan Participants

As of July 1, 2018 and July 1, 2019, Retirement Plan membership consisted of the following:

	<b>2018</b>	<b>2019</b>
Inactive plan members receiving benefits	115	125
Inactive members entitled to, not yet receiving benefits	124	126
Active plan members	<u>256</u>	<u>242</u>
Total participants	495	493

### Contributions

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. Interurban Transit Partnership 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. Interurban Transit Partnership is required to contribute the actuarially determined amount.

## ASSUMPTIONS AND METHODS

The pension liability was valued and measured as of June 30, 2019.

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019 and the following actuarial assumptions, applied to all periods included in the measurement:

Long-term rate of return	6.50%
--------------------------	-------

RP-2014 adjusted to 2006 base mortality rates (separate annuitant and non-annuitant tables), projected from the valuation date with improvement scale MP-2017 (projection period is 8 years for males, 9 years for females, increased by 1 year for each year below age 80 and decreased by 1/3 year for each year above 80) set forward 3 years

The long-term expected rate of return on 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of June 30, 2019 (see the discussion of the retirement plan's investment policy) are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>
Domestic Equity	50%
International Equity	15%
Domestic Bonds	20%
International Bonds	5%
Real Estate	10%

The Employer, as Plan Sponsor and Investment Fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long-term rate of return of 6.50%.

## ASSUMPTIONS AND METHODS

### Discount Rate

The discount rate used to measure the total pension liability was **6.50%**. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all project 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 that yields the same present value of benefits is calculated. This discount rate is used to determine the Total Pension Liability. The discount rate used in last year's reporting was 6.50%.

## NET PENSION LIABILITY

### Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2018</b>	<b>12,344,268</b>	<b>9,674,153</b>	<b>2,670,115</b>
<b>Changes during the Year</b>			
Service Cost	0		0
Interest	782,627		782,627
Experience (Gains)/Losses	194,529		194,529
Contributions – Employer	0	250,000	(250,000)
– Employee	0	0	0
Assumption Change	(56,593)	0	(56,593)
Net Investment Income		715,695	(715,695)
Benefit Payments	(607,696)	(607,696)	0
Administrative Expenses	0	(28,606)	28,606
Plan Amendment/Method	0	0	0
Total Changes	312,867	329,393	(16,526)
<b>Balance at June 30, 2019</b>	<b>12,657,135</b>	<b>10,003,546</b>	<b>2,653,589</b>

### Net Pension Liability – Discount Rate Sensitivities

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (NPL) of Interurban Transit Partnership, calculated using the discount rate of 6.50%, as well as what Interurban Transit Partnership's net pension liability would be if it were calculated using a discount rate that is 1% percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	1% Decrease, 5.50%	Current Rate, 6.50%	1% Increase, 7.50%
Total Pension Liability	\$ 14,087,331	\$ 12,657,135	\$ 11,460,808
Plan Fiduciary Net Position	<u>(10,003,546)</u>	<u>(10,003,546)</u>	<u>(10,003,546)</u>
Net Pension Liability	4,083,785	2,653,589	1,457,262

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the financial report which is issued separately.

## NET PENSION LIABILITY

### Deferred Inflows and Outflows of Resources Related to the Pension Plan

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Experience (Gains)/Losses	193,965	306,145
Changes of Assumptions	297,271	4,052,132
Investment Earnings (Gains)/Losses	<u>0</u>	<u>120,448</u>
<b>Total</b>	<b>\$ 491,236</b>	<b>\$4,478,725</b>

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

Year Ended June 30,	
2020	\$ (555,463)
2021	(669,663)
2022	(611,278)
2023	(598,500)
2024	(578,614)
Thereafter	(973,971)

## PENSION EXPENSE

### Components of Pension Expense as of the June 30, 2019 Measurement Date

Below are the components of the Total Pension Expense:

	Measurement Date June 30, 2019
Service Cost	\$ 0
Interest on Total Pension Liability	782,627
Experience (Gains)/Losses	(20,852)
Changes of Assumptions	(557,762)
Employee Contributions	0
Projected Earnings on Pension Plan Investments	(616,265)
Investment Earnings (Gains)/Losses	82,495
Administrative Expenses	28,606
Plan Amendment	<u>0</u>
<b>Total Pension Expense</b>	<b>\$ (301,151)</b>

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Changes in the Net Pension Liability

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>						
Service Cost	0	424,425	623,310	628,910	787,815	758,609
Interest	782,627	823,542	740,441	686,559	650,711	613,988
Changes of Benefit Terms	0	(1,612,940)	N/A	N/A	N/A	N/A
Difference between Expected and Actual Experience	194,529	25,377	(261,781)	(51,400)	(158,069)	N/A
Change of Assumptions	(56,593)	373,105	(2,723,243)	(465,876)	(3,184,578)	N/A
Benefit Payments	(607,696)	(597,778)	(545,433)	(499,710)	(441,394)	(396,118)
<b>Net Change in Total Pension Liability</b>	<b>312,867</b>	<b>(564,269)</b>	<b>(2,166,706)</b>	<b>298,483</b>	<b>(2,345,515)</b>	<b>967,479</b>
Total Pension Liability – Beginning	12,344,268	12,908,537	15,075,243	14,776,760	17,122,275	16,145,796
<b>Total Pension Liability – Ending (a)</b>	<b>12,657,135</b>	<b>12,344,268</b>	<b>12,908,537</b>	<b>15,075,243</b>	<b>14,776,760</b>	<b>17,122,275</b>
<b>Plan Fiduciary Net Position</b>						
Contributions – Employer	250,000	529,010	987,300	644,412	644,907	578,632
Contributions – Employee	0	0	0	0	0	0
Net Investment Income	715,695	648,430	889,974	(36,996)	78,864	860,807
Benefit Payments	(607,696)	(597,778)	(545,433)	(499,710)	(441,394)	(396,118)
Administrative Expenses	(28,606)	(32,948)	(22,431)	(25,584)	(22,869)	(22,946)
Other	0	0	0	0	0	0
<b>Net Change in Fiduciary Net Position</b>	<b>329,393</b>	<b>546,714</b>	<b>1,309,410</b>	<b>82,122</b>	<b>259,508</b>	<b>1,020,375</b>
Plan Fiduciary Net Position – Beginning	9,674,153	9,127,439	7,818,029	7,735,907	7,476,399	6,456,024
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>10,003,546</b>	<b>9,674,153</b>	<b>9,127,439</b>	<b>7,818,029</b>	<b>7,735,907</b>	<b>7,476,399</b>
<b>Net Pension Liability – Ending (a)-(b)</b>	<b>2,653,589</b>	<b>2,670,115</b>	<b>3,781,098</b>	<b>7,257,214</b>	<b>7,040,853</b>	<b>9,645,876</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>79.0%</b>	<b>78.4%</b>	<b>70.7%</b>	<b>51.9%</b>	<b>52.3%</b>	<b>43.7%</b>

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Schedule Of Employer Contributions

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially Determined Employer Contribution	376,920	735,101	775,392	746,846	584,391	529,618
Employer Contribution	250,000	529,010	987,300	644,412	644,907	578,632
Contribution Deficiency/(Excess)	126,920	206,091	(211,908)	102,434	(60,516)	(49,014)

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### State of Michigan Public Acts 530 and 202 Information

<b>Financial information</b>	<b>06/30/2019</b>
Assets (Fiduciary net position)	10,003,546
Liabilities (Total Pension Liability)	12,657,135
Funded ratio for the Plan Year	79.0%
Actuarially Determined Contribution (ADC)	376,920
<b>Membership</b>	<b>06/30/2019</b>
Active members	242
Terminated Vested	126
Retirees and Beneficiaries	125
<b>Investment Performance</b>	
Actual rate of return – prior 1-year	6.5%
Actual rate of return – prior 5-years	5.6%
Actual rate of return – prior 10-years	6.1%
<b>Actuarial Assumptions</b>	<b>06/30/2019</b>
Actuarially assumed rate of investment return	6.50%
Discount rate	6.50%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	10 years
Is each division closed to new employees	Yes
<b>Uniform Assumptions</b>	<b>06/30/2019</b>
Assets using uniform assumptions	10,003,546
Liabilities using uniform assumptions	13,274,392
Funded ratio using uniform assumptions	75.4%
Actuarially Determined Contribution (ADC) using uniform assumptions under PA 202	449,875
<b>Information for Summary Report (actuarially determined contribution)</b>	<b>06/30/2019</b>
Normal Cost	33,000
Valuation payroll for active employees	TBD
Normal cost as a percent of covered payroll	TBD
10-year amortization of unfunded liability	344,136
Actuarially Determined Contribution under GASB	376,920

Current bond rates support using 3.0% for the bond rate assumption which, together with 7.0% or less for investment return will satisfy both GASB and PA 202. The investment manager has provided an expected return of 6.15% which is lower than 7.0%. We have used a discount rate of 6.5% for both GASB and PA 202.

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Assumptions Used in Calculation of Actuarially Determined Contribution on page 9

These are the assumptions used for the ongoing valuation calculations, unless otherwise noted.

**Valuation date** July 1, 2018

#### Actuarial methods:

Cost method Entry Age Normal (level dollar amount)

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

#### Actuarial assumptions:

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 later); terminated vested participants are assumed to retire at age 65

Interest rate 6.5%

Mortality table RP-2014 adjusted to 2006 base mortality rates (separate annuitant and non-annuitant tables), projected from the valuation date with improvement scale MP-2016 (projection period is 8 years for males, 9 years for females, increased by 1 year for each year below age 80 and decreased by 1/3 year for each year above 80) set forward 3 years

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 valued Vesting and pre-retirement death

Normal cost expenses (non-investment related) Estimated expense is calculated as the average of prior two year's non-investment related expenses paid from the trust, rounded to the nearest \$1,000

#### Data collection:

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 changed from 2017 430(h) tables and disability rates added

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Differences Between Expected and Actual Experience

#### Amount Recognized in Year Ended June 30, 2019

Year Ended June 30,	Difference Between Expected and Actual Experience	Recognition Period (Years)	Amount Recognized in Year Ended June 30, 2019						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2015	(158,069)	11.34	(13,939)	(13,939)	(13,939)	(13,939)	(13,939)	(32,618)	0	(88,374)
2016	(51,400)	11.21	(4,585)	(4,585)	(4,585)	(4,585)	(4,585)	(14,720)	0	(33,060)
2017	(261,781)	10.19	(25,690)	(25,690)	(25,690)	(25,690)	(25,690)	(81,951)	0	(184,711)
2018	25,377	9.84	2,579	2,579	2,579	2,579	2,579	9,903	20,219	0
2019	194,529	9.36	<u>20,783</u>	<u>20,783</u>	<u>20,783</u>	<u>20,783</u>	<u>20,783</u>	<u>90,614</u>	<u>173,746</u>	<u>0</u>
<b>Net Recognized in Pension Expense</b>			(20,852)	(20,852)	(20,852)	(20,852)	(20,852)	(28,772)	193,965	(306,145)

### Schedule of Changes in Assumptions

#### Amount Recognized in Year Ended June 30, 2019

Year Ended June 30,	Changes in Assumptions	Recognition Period (Years)	Amount Recognized in Year Ended June 30, 2019						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2015	(3,184,578)	11.34	(280,827)	(280,827)	(280,827)	(280,827)	(280,827)	(657,135)	0	(1,780,443)
2016	(465,876)	11.21	(41,559)	(41,559)	(41,559)	(41,559)	(41,559)	(133,404)	0	(299,640)
2017	(2,723,243)	10.19	(267,247)	(267,247)	(267,247)	(267,247)	(267,247)	(852,514)	0	(1,921,502)
2018	373,105	9.84	37,917	37,917	37,917	37,917	37,917	145,603	297,271	0
2019	(56,593)	9.36	<u>(6,046)</u>	<u>(6,046)</u>	<u>(6,046)</u>	<u>(6,046)</u>	<u>(6,046)</u>	<u>(26,363)</u>	<u>0</u>	<u>(50,547)</u>
<b>Net Recognized in Pension Expense</b>			(557,762)	(557,762)	(557,762)	(557,762)	(557,762)	(1,523,813)	297,271	(4,052,132)

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

### Schedule Of Differences Between Projected and Actual Earnings on Pension Plan Investments

#### Amount Recognized in Year Ended June 30, 2019

Year Ended June 30,	Difference Between Expected and Actual Earnings on Pension Assets	Recognition Period (Years)	Amount Recognized in Year Ended June 30, 2019						Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022	2023	2024+		
2015	296,725	5.00	59,345	0	0	0	0	0	0	0
2016	570,986	5.00	114,197	114,198	0	0	0	0	114,198	0
2017	(291,907)	5.00	(58,381)	(58,381)	(58,383)	0	0	0	0	(116,764)
2018	(63,898)	5.00	(12,780)	(12,780)	(12,780)	(12,778)	0	0	0	(38,338)
2019	(99,430)	5.00	<u>(19,886)</u>	<u>(19,886)</u>	<u>(19,886)</u>	<u>(19,886)</u>	<u>(19,886)</u>	<u>0</u>	<u>0</u>	<u>(79,544)</u>
<b>Net Recognized in Pension Expense</b>			82,495	23,151	(91,049)	(32,664)	(19,886)	0	114,198	(234,646)

#### Amount Recognized in Year Ended June 30,

	2020	2021	2022	2023	2024+
<b>Total Deferred Outflow/(Inflow) of Resources</b>	(555,463)	(669,663)	(611,278)	(598,500)	(1,552,585)

## SUMMARY OF PLAN PROVISIONS

<b>Plan name</b>	Interurban Transit Partnership and Amalgamated Transit Union Pension Plan
<b>Plan effective date</b>	June 7, 1946
<b>Most recent restatement effective date (execution date)</b>	Amended and restated effective July 1, 2013 (January 31, 2014)
<b>2018-1 Amendment</b>	Effective December 11, 2017
<b>Eligibility provisions:</b>	
Participation	60 days after full-time active employment with transit authority and member of union (Division No. 836, amalgamated transit union); participant frozen December 10, 2017
Normal retirement	Age 65; current formula applicable to employees retiring after December 31, 2003
Unreduced early retirement	Age 62 with 15 years of vesting service
Early retirement	Age 60 with 10 years of vesting service
Late retirement	Retirement after normal retirement date
Vesting schedule	5 years, 100% vested
Disability	10 years of vesting service
Pre-retirement death:	
Annuity to surviving spouse	Death after becoming eligible for a nonforfeitable benefit
Lump sum	Employees contributed during years required (prior to July 1, 1984)
<b>Benefit amounts:</b>	
Normal retirement:	
Termination after December 31, 2005	\$34.00 multiplied by total years of benefit service, consistent with the current collective bargaining agreement

## SUMMARY OF PLAN PROVISIONS

Prior formula (termination through December 31, 2003)	Accrued benefit based on sum of: <ul style="list-style-type: none"><li>(a) \$200, multiplied by the ratio (not to exceed 1.0) which the years of benefit service bears to 15 years or if greater, total years to age 65</li><li>(b) \$5.45 multiplied by years of benefit service earned after July 1, 1983 and prior to July 1, 1988</li><li>(c) \$25.00 multiplied by benefit service earned after July 1, 1988</li></ul>
Minimum benefit	Accrued benefit under prior formula as of December 31, 2003
Maximum benefit	IRC Section 415 limits
Unreduced early retirement	Accrued benefit payable immediately
Early retirement (if reduction applies)	Accrued benefit payable at normal retirement date; or a benefit reduced by 0.5% for each complete calendar month by which the benefit commencement date precedes age 65, if commenced prior to such date
Late retirement	Greater of accrued benefit based on service to actual retirement date or actuarial equivalent of the normal retirement benefit
Vested termination	Applicable percentage of accrued benefit payable at normal retirement date
Disability	Accrued normal retirement benefit payable the first day of the month immediately following disability certification
Pre-retirement death:	
Annuity to spouse	50% of the benefit that would have been payable to the participant at the participant's early retirement age under the Joint and 50% Survivor form of payment, had the participant terminated employment the day before death occurred (the joint benefit is 86% of the accrued normal retirement benefit where such percentage is increased by 1% up to a maximum of 98% for each 12 months the spouse's age exceeds the participant's age, and decreased by 1% for each 12 months the spouse's age is less than the participant's age)

## SUMMARY OF PLAN PROVISIONS

Lump sum Amount equal to employee contributions plus interest; if paid, the monthly annuity to the spouse is reduced accordingly

### Definitions:

Accrued benefit An amount equal to the normal retirement benefit calculated using benefit service at date of determination; accrued benefit frozen December 10, 2017

Actuarial equivalence:

General Unisex Pension - 1984 Table; 6% interest (set back 3 years for beneficiaries)

Entry dates 1st of month following 60 days of eligibility service

Years of service for:

Eligibility purposes 60 days after full-time employment as union member

Vesting purposes Employment in any plan year as full-time union member (elapsed time method); 1/12 year for each 30-day period

Benefit purposes Employment in any plan year as full-time union member (elapsed time method); 1/12 year for each 30-day period

Unreduced payment form Life annuity

Optional annuity payment forms Joint and 50% Survivor

**Changes since prior valuation** Plan participation and benefit accruals frozen effective December 2017

### Employer contribution rates

Effective	Rate/Hour per Employee <sup>(1)</sup>
07/01/2009	\$ .80
07/01/2010	.85
04/01/2011	.90
07/02/2012	.95
06/30/2014	\$1.00

Collectively bargained contributions will go into the Defined Contribution plan effective 2018

<sup>(1)</sup> Contribution Rates specified in Collective Bargaining Agreement.

## GLOSSARY

A number of special terms and concepts are used in connection with pension plans and the pension accounting report. The following list reviews a number of these terms and provides a brief discussion of their meaning.

**Accrued Benefit** - Each participant has an accrued benefit under the plan. This is the amount of monthly benefit already earned. It is based on past employment with the company and is payable at normal retirement.

**Actuarial Cost Method** - This is a mathematical formula which is used to allocate the present value of projected benefits to past and future plan years.

**Amortization** – The difference between actual and expected investment returns, the difference between actual and expected experience, and the impact of any plan or assumption changes will be amortized and paid over future years.

**Depletion Date (Cross-over Point)** – The projected date (if any) where plan assets, including future contributions, are no longer sufficient to pay Projected Benefit Payments to current members.

**Long-term expected rate of return** – The rate of return based on the nature and mix of current and expected plan investments and over the time period from when an employee is hired to when all benefits to the employee have been paid.

**Market Value of Assets Date** – The market value of all assets in the fund including any accrued contribution for the previous plan year, which was not paid by the end of the year.

**Measurement Date** – The date the Total Pension Liability, Fiduciary Net Position, and Net Pension Liability are determined. For GASB 67, the measurement date is the plan's current fiscal year end.

**Net Pension Liability (NPL)** – The Total Pension Liability less the Plan Fiduciary Net Position.

**Plan Fiduciary Net Position** – The market value of plan assets as of the measurement date.

**Pension Expense (PE)** – The change in the Net Pension Liability (NPL) recognized in the current measurement period. Changes to the NPL not fully recognized in a given year's pension expense will be maintained as deferred inflows and deferred outflows. These will be recognized incrementally in the pension expense over time.

**Present Value** - The present value of a future payment or a series of payments is the amount of each payment, discounted to recognize the time value of money, and further reduced for the probability that the payment might not be made because of death, disability or termination of employment.

## GLOSSARY

**Present Value of Vested Accumulated Benefits** - The discounted value of all monthly benefit payments due in the future, based on current vested benefits.

**Projected Benefit Obligation** - The value of benefits earned to the measurement date, but based on anticipated salary levels at retirement, computed in accordance with GAAP accounting rules.

**Projected Benefit Payments** – All benefits projected to be payable to current active and inactive employees as a result of their past service and their expected future service.

**Real Rate of Return** – The rate of return on an investment after the adjustment to eliminate inflation.

**Service Cost** - The value of benefits earned during the current year computed in accordance with GAAP accounting rules.

**Single Equivalent Discount Rate** – The single rate that gives the same total present value as discounting the Projected Benefit Payments with the long-term expected rate of return until the Depletion Date and discounting any remaining Projected Benefit Payments with the yield on a 20-year AA/Aa tax-exempt municipal bond index.

**Total Pension Liability (TPL)** – The actuarial present value of the accrued benefit determined under the entry age actuarial cost method calculated using the Blended Single Equivalent Discount Rate.