



Interurban Transit Partnership

Finance Committee Members

Steven Gilbert Mayor Stephen Kepley (Chair) Mayor Gary Carey Mayor Katie Favale Mayor Steve Maas

FINANCE COMMITTEE MEETING

November 6, 2024 – 4:00 p.m.

Rapid Central Station Conference Room (250 Cesar Chavez Avenue, SW)

AGENDA

	<u>PRESENTER</u>	<u>ACTION</u>
1. PUBLIC COMMENT		
2. MINUTES REVIEW – June 12, 2024	Mayor Kepley	Review
3. DISCUSSION		
a. Defined Benefit Pension Plans Actuarial & GASB	Chris Veenstra	Discussion
b. Financial Planning & Analysis	Linda Medina	Discussion
• BDO Audit Plan		
• September Preliminary Statement Revenue		
• September Preliminary Statement Expenses		
• Capitalized Operating Expenses		
• Insurance Changes – PL&PD		
• Defined Benefit Pension Update		
• Transdev Discussion		
c. RINs Credit Discussion	Kevin Wisselink/John Joldersma	Discussion
4. ADJOURNMENT		

Next meeting: January 22, 2025



Interurban Transit Partnership

Finance Committee Members

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Mayor Gary Carey Mayor Katie Favale Mayor Steve Maas

FINANCE COMMITTEE MEETING MINUTES

Wednesday, June 12, 2024 – 4:00 p.m.

Rapid Central Station Conference Room (250 Grandville Avenue, SW)

ATTENDANCE:

Committee Members Present:

Mayor Kepley, Mayor Carey, Mayor Maas

Committee Members Absent:

Mayor Favale, Steven Gilbert

Rapid Attendees:

Cassi Cooper, Kris Heald, Steve Luther, Linda Medina, Nick Monoyios, James Nguyen, Deb Prato, Jason Prescott, Andy Prokopy, Tim Roseboom, Steve Schipper, Peter Sillanpaa, Mike Wieringa, Kevin Wisselink

Public Attendees:

Andrew Ittigson (AECOM), Becca Smiles (AECOM)

Mayor Kepley called the meeting to order at 4:02 p.m.

1. PUBLIC COMMENT

No public comment

2. MINUTES – April 17, 2024

Vice Chair Mayor Kepley asked Ms. Heald to make one minor change to the meeting minutes from April 17th. then he entertained a motion to approve the meeting minutes from April 17, 2024, per the correction.

Mayor Maas motioned to approve the meeting minutes with a minor correction. Mayor Carey supported it. The motion passed unanimously.

3. DISCUSSION

a. AECOM – TMP – Mr. Andrew Ittigson

Mr. Ittigson from AECOM provided an update on the progress of the Transit Master Plan (TMP) and emphasized that the focus of the discussion would be on various funding tools that have been identified.

Draft Recommendation Concepts:

Mr. Ittigson highlighted several key concepts to consider moving forward:

- Community Awareness and Education: Enhancing understanding and support for transit initiatives.
- Existing Service Improvements: Making enhancements to current transit offerings.
- Future Service Expansion: Planning for new services to meet growing demands.
- Transit Oriented Development (TOD): Encouraging development that supports transit use.
- Innovation and Technology: Implementing new technologies to improve transit services.
- Regional Partnerships: Collaborating with regional stakeholders to enhance transit efficacy.

Strategies:

The following strategies were identified for achieving the objectives:

- Sustainable Funding: Establishing reliable funding sources for maintenance and expansion of transit services.
- Internal Workforce Development: Investing in training and development for staff to ensure efficient service delivery.

Public Outreach:

Mr. Ittigson shared that the outreach team had engaged with the public on transit platforms, gathering feedback from riders on both existing services and potential expansions. Focus groups also revealed significant interest in Community Awareness initiatives as well as Innovation and Technology.

Funding Tools:

Mr. Ittigson listed various funding sources that are currently available and emphasized the need to explore all options. Among the tools discussed:

- State Assistance: Existing support from state funding.
- Fares: Revenue generated from ticket sales, which has undergone changes due to post-pandemic trends.
- Federal Assistance: Grants and funding programs from the federal government.
- Aspirational Peers: Learning from other successful transit systems that have employed innovative funding strategies.

Mayor Kepley clarified that the local millage rate is currently a primary funding mechanism for The Rapid, which Mr. Ittigson confirmed.

The team reviewed a preliminary analysis of various funding tools, which includes:

- Fare Funding: Adjustments in fare structure post-pandemic.
- Concessions and the Sale of Transportation Services: Generating income through partnerships and offering services.
- Advertising: Utilizing advertising space to generate revenue.
- Large Scale Park and Rides: Establishments that can reduce congestion and increase ridership.
- Local Property: Local taxes that can contribute to funding.
- Gas Tax: Potential for an increase in allocation for transit.
- Alcohol and Lottery Tax: Leveraging specific taxes for transit funding.
- General Revenue: Broad tax revenue sources.
- Rental Care and TNC Tax: taxes on services like rideshares and rental cars.
- Motor Vehicle Tax: A further funding source tied to vehicle registration or use.

In conclusion, Mr. Ittigson indicated that further discussions would refine the identified funding tools and provide clarity on how these could be implemented within the context of the TMP's 20-year planning horizon. The importance of engaging the community and exploring innovative financing options will be key to successfully advancing the TMP objectives.

b. April Operating Statement – Ms. Linda Medina

Ms. Medina presented the April Operating Statement, providing insights into the financial performance of the transit System.

Key Financial Highlights:

Passenger Fare:

- Currently running slightly under budget, mainly due to Paratransit services trending lower than anticipated.

Sale of Transportation Services:

- Down 3% compared to projections, attributed to higher ridership estimates in the budget that did not materialize.
- Grand Valley: Decrease in revenue due to a recent route change.
- DASH Service: Increased usage due to additional service hours.

State Operating Assistance:

- Experienced a 15% decrease, impacting overall funding.

Expenses:

- Overall expenditure is under budget, at 14.2%.
- Salaries and Wages: Focus on aggressive recruitment and retention strategies despite current spending.
- Benefits: Currently 23% below budget, showing a positive trend.
- Fuel & Lubricants: Actual costs exceeded budget estimates; however, transitioning from Diesel to CNG has led to some cost efficiencies.
- Utilities and Insurance: Down by 8.5%, reflecting cost management efforts.
- Purchased Transportation Costs: Increased due to a lower-than-expected average of 1.5 riders per revenue hour versus the anticipated 2 riders.
- Miscellaneous Revenue: This is primarily driven by interest income from reserves, contributing positively to financial performance.

Capital Budget Adjustment:

Ms. Medina noted that from the \$4 million budgeted for preventative maintenance expenses, \$944,202 had been identified as eligible and subsequently moved out of the operating budget and into the capital budget. This adjustment reflects a strategic shift in funding allocation to better align with eligibility criteria.

c. Fare History – Mr. Nick Monoyios

Mr. Monoyios provided an overview of the fare history and policies associated with the transit system. Here are the key points he highlighted:

Fare History Recap:

Fare Policy Development:

- A comprehensive Fare Policy was created in 2014 and adopted by the board. This policy was grounded in guidelines established in 2013.

Fare Structure Changes (2018):

- In 2018, the board approved changes to the fare structure, which included the implementation of the e-Fare system. This system features capped fares aimed at providing riders with more predictable and equitable pricing.

Standardization of Discount Fare Program (July 2021):

- In July 2021, significant adjustments were made to the fare policies:
- The discount fare program was standardized, ensuring consistency in fare offerings for eligible riders.
- The 7-day weekly capped service was eliminated, which replaced a previous option for riders to limit their costs over a weekly period.
- The negative balance feature on Wave cards was removed, meaning that riders could no longer use their cards when their balance fell below zero, promoting a more responsible approach to fare management.

In conclusion, Mr. Monoyios' recap aimed to provide context on the evolution of fare policies and structures, influencing how riders interact with the fare system today. These adjustments reflect The Rapids' ongoing efforts to streamline operations, enhance rider experience, and ensure fair accessibility to transit services.

d. 2022 NTD Peer Fare Comparison – Mr. Nick Monoyios

Mr. Monoyios presented a comprehensive peer fare comparison, analyzing the Rapid's fare structure against five peer groups that are both larger and smaller based on factors such as population, ridership, operating budget, and state positioning within Michigan.

Peer Fare Comparison:

- The analysis included fellow transportation systems that vary in size and operational scale to understand competitive pricing and fare structure.
- At a set fare of \$1.75, that data provided insights into potential revenue generation and the implications for monthly pass caps.
- The findings suggest significant revenue potential associated with the established fare, emphasizing the importance of a well-structured fare system in maintaining financial viability.

Mr. Monoyios indicated that if further detailed analysis is desired, it would require a timeline of five to six months to complete.

Discussion Points:

- Concerns for Future Viability (2029):

Mayor Kepley raised concerns regarding the financial sustainability of The Rapid by the year 2029 and asked for clarity on the anticipated funding needs to prevent a steep decline in service.

Ms. Prato responded that approximately \$5 million would be necessary to ensure stability, emphasizing the limited options available within The Rapid's control. She noted behavioral elasticity among customers, suggesting that changes in service or pricing could influence ridership patterns.

Ms. Prato expressed doubt that ridership would return to the previous equilibrium of one-third funded by fares, one-third by local funds, and one-third by state and federal funding. However, she highlighted a positive trend with increasing ridership on Sunday's year-over-year.

Strategic Needs:

Ms. Prato stressed the necessity for The Rapid to enhance its service offerings, focusing on convenience, frequency, and geographic expansion to position itself as a viable transportation alternative.

Next Steps:

Ms. Prato proposed further discussion on these matters in the upcoming Budget Board Workshop in July, allowing for a more in-depth examination of the budgetary implications and strategies to support The Rapid's future success. This discussion will be crucial for formulating actionable plans that could mitigate potential funding gaps in the coming years.

e. Farebox Recovery Rate

Mr. Monoyios presented data reflecting a decline in farebox recovery rates since 2015. He noted that according to the Fare Policy, a farebox recovery rate falling below 25% serves as a critical indicator to re-evaluate fare structures. Currently, the farebox recovery is reported to be just above 10%, raising significant financial concerns.

The graph demonstrated a noticeable decline in the farebox recovery, emphasizing the growing gap between operating costs and fare revenues. The 25% threshold established in the Fare Policy acts as an alarm for the need to reconsider fare strategies, given the current rate is so low.

Ms. Prato acknowledged that while this metric has been tracked, it hasn't been a primary focus in recent reviews. However, it remains a crucial element of their budgetary considerations.

Mayor Kepley sought clarity on the optimal timing for implementing any necessary fare adjustments or changes.

Ms. Prato emphasized that, from a financial standpoint, acting sooner is preferable to delaying. She expressed concern over the current state-level solutions, which are less promising than previously anticipated. She noted the importance of proactively working on fare adjustments to stabilize revenue streams.

Mayor Kepley expressed gratitude for the detailed analysis and peer comparisons presented, validating the need for ongoing assessment and potential adjustments to fare structures. The discussion underscored the urgency of addressing farebox recovery rates and the need for a comprehensive strategy to ensure the financial health of The Rapid moving forward. The sentiment was clear that timely actions are critical in mitigating future financial challenges and enhancing the sustainability of transit services.

f. Budget Guidelines #8 – Fare Analysis – Ms. Linda Medina

Ms. Medina gave a fare analysis summary which included fare capping, partner fares, state operating assistance (SOA), and contract partner cost.

4. ADJOURNMENT

This meeting was adjourned at 5:18 p.m.

The next meeting is scheduled for August 14, 2024 (meeting was canceled)

Respectfully submitted,



Kris Heald, Board Secretary



Interurban Transit Partnership

Date: November 6, 2024
To: Finance Committee
From: Linda Medina, Director of Finance
Subject: DEFINED BENEFIT PENSION PLANS

OVERVIEW

To review the Defined Benefit actuarial valuation and GASB reports for the Administration and Union plans for the period of 7/1/23 – 6/30/24. Chris Veenstra will be presenting the plans.

Feel free to contact me at 774-1149 or lmolina@ridetherapid.org if you have any questions regarding the plan.

September 30, 2024

PERSONAL & CONFIDENTIAL

Ms. Linda Medina
Interurban Transit Partnership
300 Ellsworth Avenue, S.E.
Grand Rapids, MI 49503-2783

RE: Interurban Transit Partnership Pension Plan

Dear Linda:

Attached to this email is a copy of your actuarial valuation report for the plan year beginning July 1, 2024. If you would like additional information not contained in the report, please don't hesitate to contact us.

In addition, we hope that the content of the report will assist you with your management of the plan and be a resource for other planning purposes. If you would like additional information not contained in the report, please don't hesitate to contact us.

As requested, we will also mail three hard copies of this report.

If you have any questions, please call me at (616) 742-9242 or email me at tschnabel@watkinsross.com.

Sincerely,



Troy A. Schnabel, FCA, MAAA, ASA
Enrolled Actuary

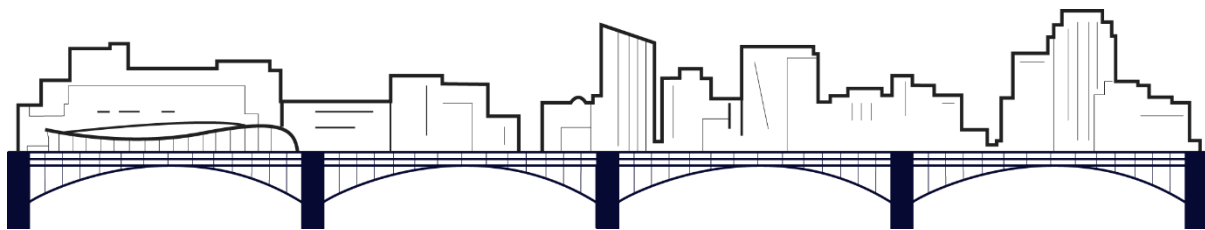
Enclosures

cc: John LaFramboise – BDO

Interurban Transit Partnership Pension Plan

Actuarial Valuation Report

for the Plan Year Beginning July 1, 2024



Report presented by:



September 2024

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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 aspects 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, 2024, through June 30, 2025

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.

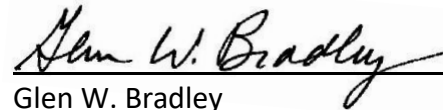
Therefore, to the best of our knowledge and belief, the information presented in this report is complete and accurate, and in our opinion, each assumption used represents our best estimate of anticipated experience under the plan. Furthermore, each assumption used (taking into account past experience 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, FCA, MAAA, ASA
Enrolled Actuary #23-06116

September 26, 2024

Date

EXECUTIVE SUMMARY

Overview of Results

	07/01/2024	07/01/2023
Present value of projected benefits	\$ 1,645,062	\$ 1,925,308
Accrued liability	1,645,062	1,925,308
Actuarial value of assets	1,826,382	1,784,991
Normal Cost	14,900	14,400
Employer Contribution Alternatives¹		
Low-range contribution	\$ 0	\$ 26,719
Mid-range contribution	0	33,357
High-range contribution	0	159,359
Funded Status – Lump Sum Basis		
Value of vested benefits	\$ 1,650,607	\$ 1,997,375
Value of all accrued benefits	1,650,607	1,997,375
Market value of assets	1,826,382	1,784,991
Accrued benefit funded ratio	110.6%	89.4%
Participant Data		
Number of Participants:		
Active	1	1
Terminated vested and transferred	10	11
Retirees and beneficiaries	<u>12</u>	<u>13</u>
Total	23	25

¹ High-range, mid-range and low-range contributions were based on 20, 10 and 1-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 \$0, which is based on the current year's normal cost plus 1-year amortization of the unfunded. We have chosen a 1-year amortization because it is the expected future working life of the active participant.

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 1-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

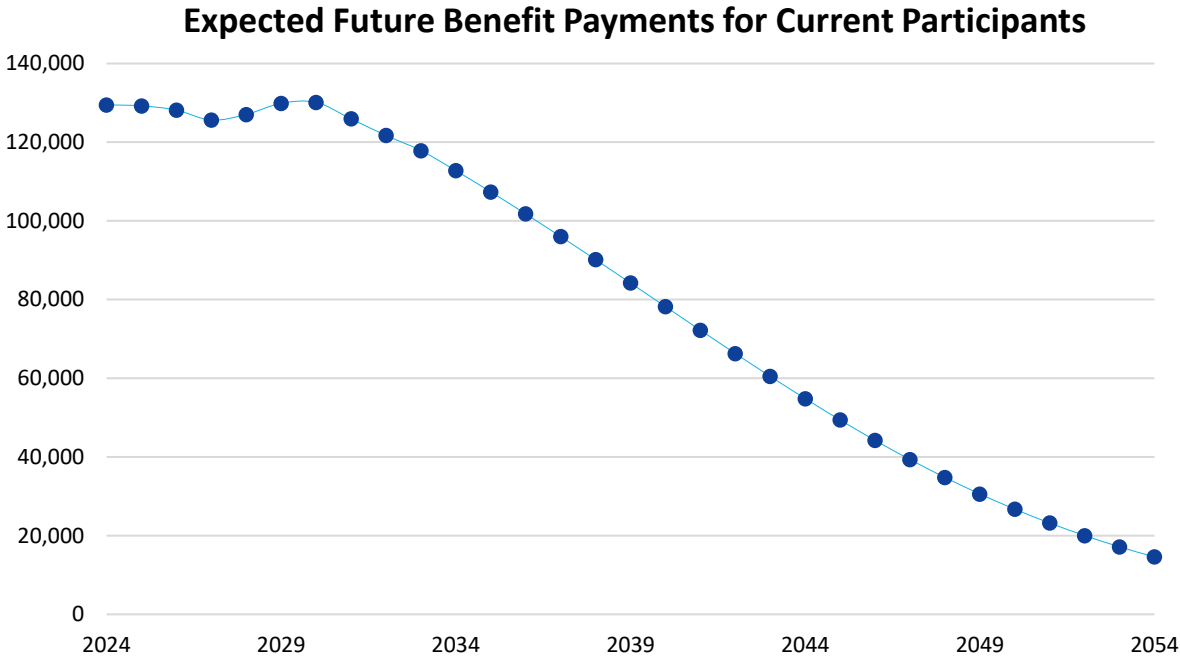
At the valuation date, the ratio of current market assets to present value of all accrued benefits was 111.0%. This ratio was computed on the basis that the plan was terminated on the valuation date and lump sum distributions were made to all eligible employees using interest rates that were in effect 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 the 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 increase in the accrued benefit funded ratio (last year was 89.4%) is primarily due to the increase in spot segment interest rates from last year.

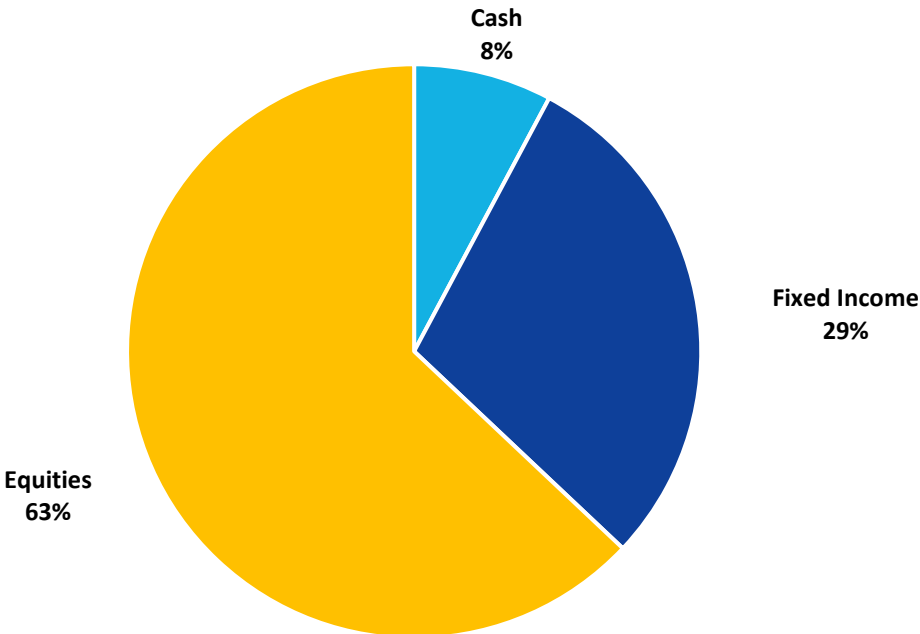
EXECUTIVE SUMMARY

Cash Flow Needs

As of July 1, 2024, there are 12 retirees, beneficiaries or alternate payees receiving monthly benefits totaling \$9,852.13 monthly, or \$118,225.56 annually. This graph assumes monthly annuity payments in 2024-25.



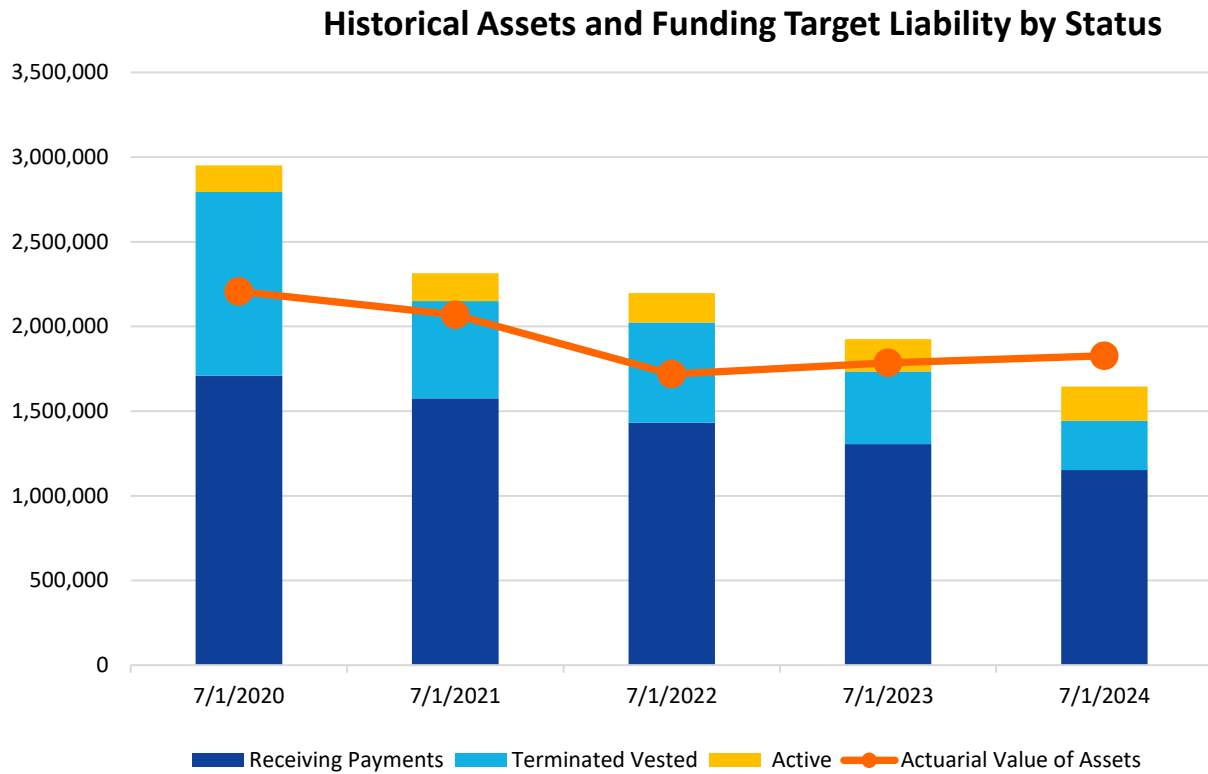
Allocation of Plan Assets



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 on July 1, 2023, excluding accrued contributions		\$ 1,784,991
2. Income:		
a. Employer contributions		
(i) For prior year	\$ 0	
(ii) For current year	159,359	
b. Investment income	53,750	
c. Realized gain/(loss)	(19,127)	
d. Unrealized gain/(loss)	187,103	
e. Other income (net from prior trustee)	0	
f. Total income		381,085
3. Distributions:		
a. Monthly benefit payments	118,226	
b. Lump sum payments	205,168	
c. Investment management fees and trustee fees	1,400	
d. Administrative expenses	14,900	
e. Other Adjustments	0	
f. Total distributions		339,694
4. Assets on June 30, 2024, (1)+(2)-(3)		1,826,382
5. Accrued contributions		0
6. Market value as of July 1, 2024 (4)+(5)		1,826,382
7. Average market value		1,705,814
8. Return on assets, (2b)+(2c)+(2d)-(3c)		\$ 220,326
9. Time weighted rate of return, (8)÷(7)		12.92%

VALUATION RESULTS

Development of Actuarial Gains and Losses by Source

Expected Unfunded Liability

1. Accrued liability, prior year	\$	1,925,308
2. Actuarial value of assets, prior year		1,784,991
3. Unfunded accrued liability, prior year, (1)-(2)		140,317
4. Normal cost		0
5. Actual expenses, prior year		14,900
6. Interest at 6.00% on (3)+(4)+(5)		9,313
7. Actual contributions for prior year, with interest to end of year		162,958
8. Expected unfunded liability at valuation date, (3)+(4)+(5)+(6)-(7)		1,572

Actual Unfunded Liability

1. Accrued liability, at valuation date		1,645,062
2. Actuarial value of assets, at valuation date		1,826,382
3. Actual unfunded liability, (1)-(2)		(181,320)

Total Gain/(Loss) for the Year

Expected unfunded liability – actual unfunded liability		182,892
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Amount of Gain or (Loss) Attributable to:

1. Asset gain or (loss)		117,909
2. Plan amendment		0
3. Change in mortality assumptions		12,559
4. Change in other assumptions		0
5. New participants		0
6. Other demographic changes		52,424
7. Total gain or (loss), (1)+(2)+(3)+(4)+(5)+(6)	\$	182,892

VALUATION RESULTS

Present Value of Projected Benefits and Normal Cost at Valuation Date

1. Present value of projected benefits:		
a. Active participants	\$ 202,421	
b. Retired participants	1,152,043	
c. Terminated vested participants	290,598	
d. Total present value		\$ 1,645,062
2. Present value of future normal costs		0
3. Actuarial Liability, (1)-(2)		1,645,062
4. Actuarial asset value		1,826,382
5. Unfunded Liability, (3)-(4)		(181,320)
6. Normal cost		\$ 14,900
a. For benefits	0	
b. For expenses	14,900	

VALUATION RESULTS

Contribution Alternatives

	Low-Range Contribution	Mid-Range Contribution	High-Range Contribution
1. Employer normal cost	14,900	14,900	14,900
2. Unfunded liability	(181,320)	(181,320)	(181,320)
3. Years in amortization	20	10	1
4. Amortization Payment	(14,913)	(23,241)	(181,320)
5. Preliminary Contribution, (1)+(4)	0	0	0
6. Interest on (5) mid- year to end of plan year	0	0	0
7. Anticipated employer contribution, (5)+(6)	0	0	0

VALUATION RESULTS

Present Value of Accumulated Plan Benefits (Lump Sum Basis)

	07/01/2024	07/01/2023
1. Present value of vested benefits:		
a. Active participants	\$ 199,259	\$ 193,413
b. Terminated vested participants	<u>295,936</u>	<u>462,531</u>
c. Subtotal	495,195	655,944
d. Participants receiving payments	<u>1,155,412</u>	<u>1,341,431</u>
e. Total	1,650,607	1,997,375
2. Present value of non-vested benefits	0	0
3. Present value of accumulated benefits, (1)+(2)	1,650,607	1,997,375
4. Assets available for benefits	1,826,382	1,784,991
5. Unfunded present value of vested benefits, (1)-(4)	(175,775)	212,384
6. Unfunded present value of accumulated benefits, (3)-(4)	\$ (175,775)	\$ 212,384
7. Funded Ratio, (4)÷(3)	110.6%	89.4%
Segment interest rates used to value benefits ¹		
a. Segment 1 (years 0-5)	5.18%	4.91%
b. Segment 2 (years 5-20)	5.41%	5.15%
c. Segment 3 (years 20 and after)	5.62%	5.34%

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.

¹ 417(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.

	Active	Terminated Vested/Transferred	Retired	Beneficiaries In Pay	Total
Participants included in the 07/01/2023 valuation	1	11	10	3	25
Data Corrections	0	0	0	(1)	(1)
Terminated Vested	0	0	-	-	0
Retired	0	(1)	1	-	0
Died with Beneficiary	0	0	0	0	0
Died without Beneficiary	0	0	0	0	0
Lump Sum	0	0	(1)	0	(1)
Terminated non-vested	0	-	-	-	0
Transfer from Union	0	0	-	-	0
New Participants	0	-	-	-	0
Participants included in the 7/1/2024 valuation	1	10	10	2	23

Participant Summaries

Active Participant Summary

Total participants	1
Average current age	66
Average past service	18
Average projected monthly benefit normal retirement	\$ 1,409
Average accrued monthly benefit	\$ 1,409

Inactive Participant Summary

	Participants Entitled to:	
	Deferred Benefits	Current Benefits
Total participants	10	12
Average current age	63	75
Average monthly benefit	\$ 257	\$ 821

RISK COMMENTARY, PLAN MATURITY MEASURES & HISTORICAL INFORMATION

Risk Commentary

It is important to understand that all defined benefits plans are exposed to risk. Risk is the potential for actual future valuation results to be significantly different from expected due to future economic and demographic factors being different than assumed.

- Volatility of recommended contributions
- Changes in unfunded liabilities – including changes that effect the State of Michigan Public Act (PA) 202 triggers
- Increased liabilities due to decreases in the GASB discount rate
- Increase/decrease in employee contributions

The following are examples of risk that may be anticipated to significantly affect your plan's future financial condition.

Investment Risk

Lower than expected investment returns could increase future contribution requirements or result in funded status implications under Governmental Accounting Standards Board (GASB) 67/68 reporting or triggering a Corrective Action Plan under State of Michigan Public Act (PA) 202.

Interest Rate Risk

The interest rate used to discount future values is a significant driver in the projection of plan liabilities. When interest rates decrease or increase, assets and liabilities can both be affected.

Asset/liability mismatch

One form of asset/liability mismatch occurs when funds used to pay benefits in the near term are invested in long term products. Liquidity demands can cause the fund to sell investments at inopportune times.

Longevity Risk

Plan participants may live longer or shorter than expected and receive pensions for a period of time other than assumed.

Contributions Risk

Actual future contributions may be different from expected future contributions, for example, because contributions are not made according to the plan's funding policy. A percent-of-pay contribution policy may be impacted by unexpected changes in the number of active participants.

RISK COMMENTARY, PLAN MATURITY MEASURES & HISTORICAL INFORMATION

Maturity Measures

As a plan matures, it will become more sensitive to risk. For example, it will be harder to recover from investment losses with increases in employer contributions, reductions in benefit accruals, or both.

Ratio of Actives to Retirees/Beneficiaries: 0.08

A young plan will have many more actives than retirees resulting in a high ratio. A ratio near 1.0 is a sign of a more mature plan. A very mature or closed plan may have significantly more retirees than actives resulting in a ratio below, or significantly below, 1.0.

Ratio of retired life actuarial liability to total actuarial liability: .70

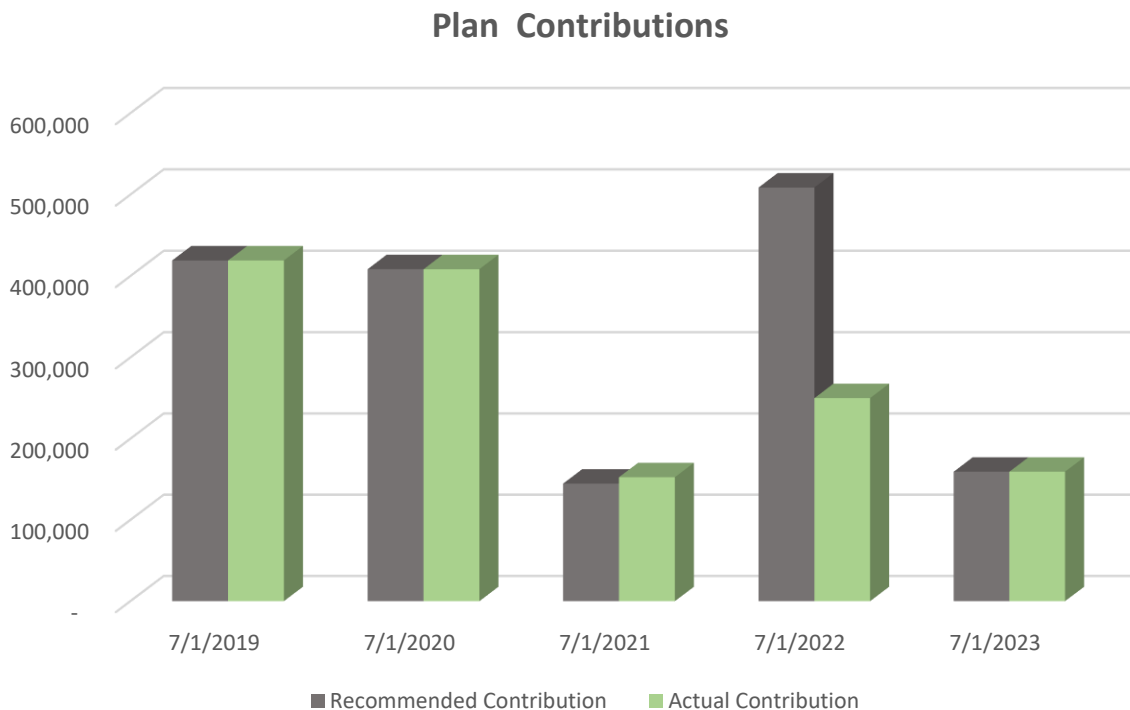
A ratio near 0.5 means nearly half of all liabilities are due to retirees/beneficiaries, a sign of a mature plan. A ratio significantly more than 0.5 means retiree liability is a vast portion of the total liability, a sign of a very mature plan.

Ratio of benefit payments to contributions: 2.03

A ratio greater than 1.0 indicates all contributions are used to pay benefits and none are available to increase assets. This may be a sign of a mature plan past the accumulation phase.

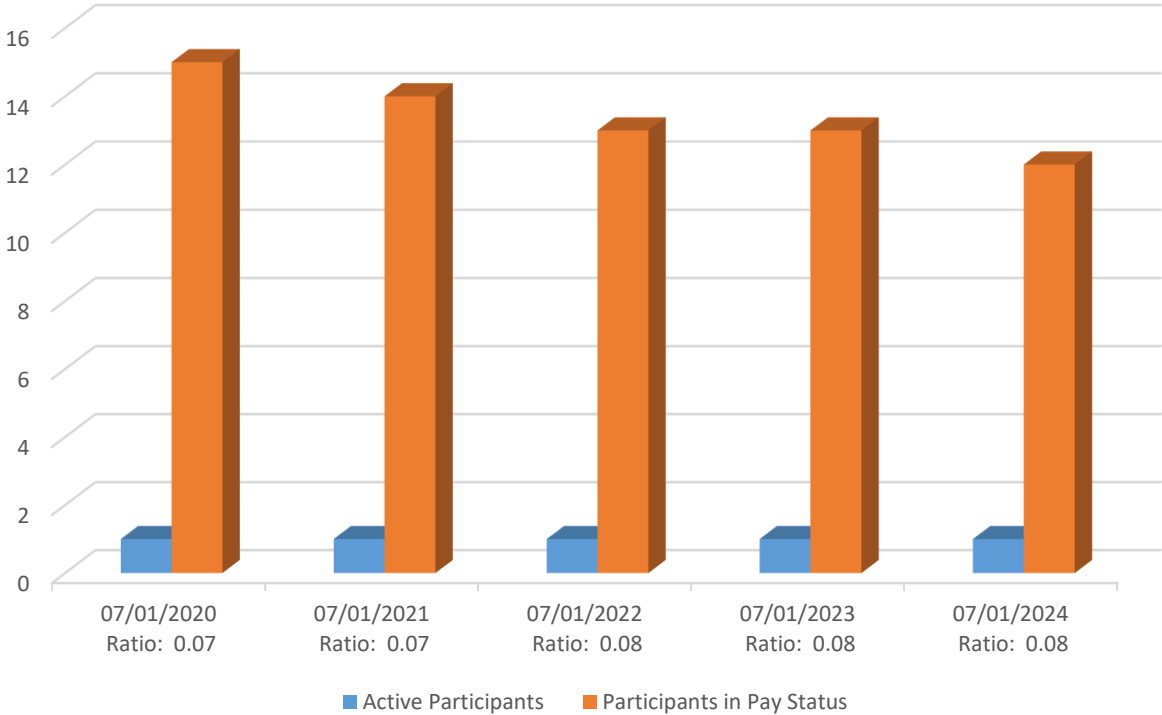
Historical Information

Looking at historical trends helps identify plan risks.

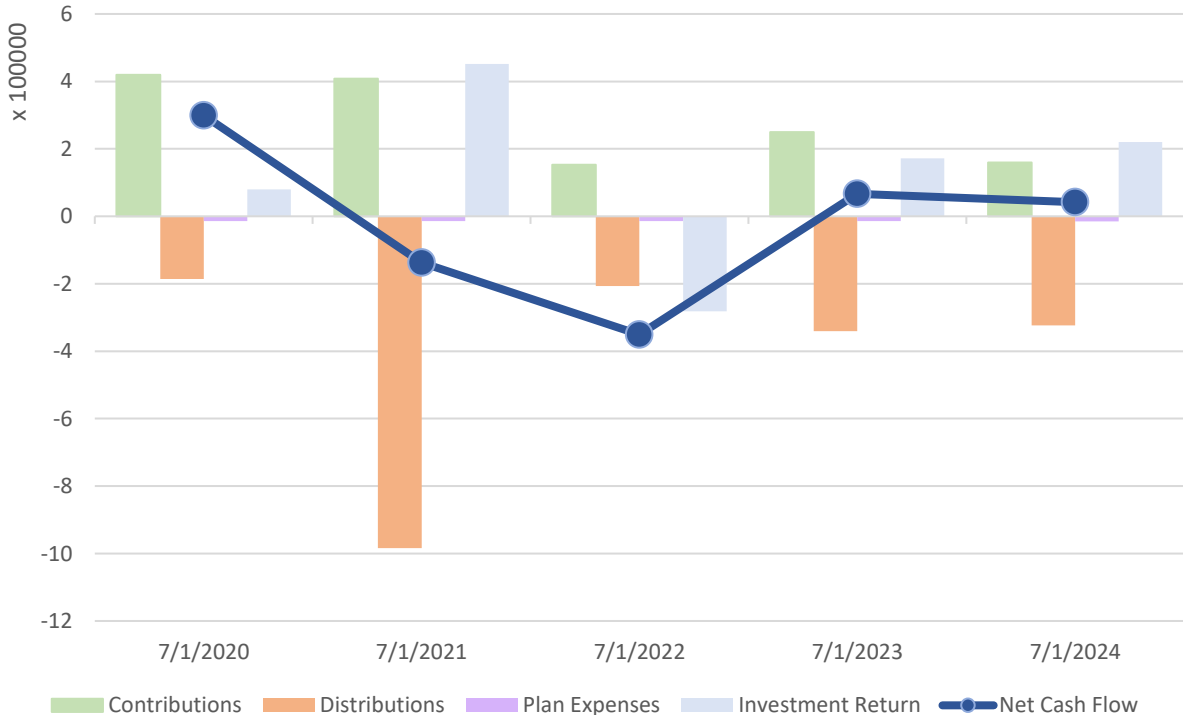


RISK COMMENTARY, PLAN MATURITY MEASURES & HISTORICAL INFORMATION

Active Participants vs Participants in Pay Status



Net Cash Flow



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								
65 & Up					1			1
Total					1			1

ADDITIONAL INFORMATION

Historical Perspectives

Plan Year Begun On	Present Value of Benefits	Actuarial Value of Assets ¹	Market Value of Assets ¹	Recommended Employer Contribution	Actual Contributions	Benefits Paid	Expenses Paid	Market Rate of Return ²	Actuarial Rate of Return
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	419,186	185,757	13,905	4.42	4.42
July 1, 2020	2,950,396	2,206,577	2,206,577	408,541	408,541	983,585	14,385	22.14	22.14
July 1, 2021	2,314,364	2,068,935	2,068,935	144,807	152,611	207,063	14,315	(13.76)	(13.76)
July 1, 2022	2,197,840	1,718,210	1,718,210	508,748	250,000	340,891	14,425	10.12	10.12
July 1, 2023	1,925,308	1,784,991	1,784,991	159,359	159,359	323,395	14,900	12.92	12.92
July 1, 2024	1,645,062	1,826,382	1,826,382	0					

¹ Value at beginning of year.

² Time-weighted.

ACTUARIAL COST METHODS AND ASSUMPTIONS

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

Valuation date July 1, 2024

Actuarial methods:

Cost method Unit Credit

Asset valuation method Market value

Actuarial assumptions:

Retirement age Age 65

Interest rates: 6.00% per year

Mortality tables:

Pre-retirement None

Post-retirement Pub-2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with IRS 2024 adjusted scale MP-2021

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 None

SUMMARY OF PLAN PROVISIONS

Plan name	Interurban Transit Partnership Pension Plan	
Plan effective date	July 1, 1977	
Most recent amendment effective date (execution date)	July 1, 2016 (June 20, 2016)	
Eligibility provisions:		
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:	
	Years of Vested Service	Vesting Percent
	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 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
Changes since prior valuation	None
Other qualified retirement plans	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.

September 30, 2024

PERSONAL & CONFIDENTIAL

Ms. Linda Medina
Interurban Transit Partnership
300 Ellsworth Avenue, S.W.
Grand Rapids, MI 49503-2783

RE: Interurban Transit Partnership Pension Plan

Dear Linda:

Enclosed is a copy of your pension accounting report for the employer's fiscal year ending September 30, 2024.

This information is intended to assist you in complying with Governmental Accounting Standards Board Statement No. 67 (GASB 67) Financial Reporting for Pension Plans, and Statement No. 68 (GASB 68) Accounting and Financial Reporting for Pensions.

If you have any questions, please call me at (616) 742-9242 or email me at tschnabel@watkinsross.com.

Sincerely,



Troy A. Schnabel, FCA, MAAA, ASA
Enrolled Actuary

Enclosures

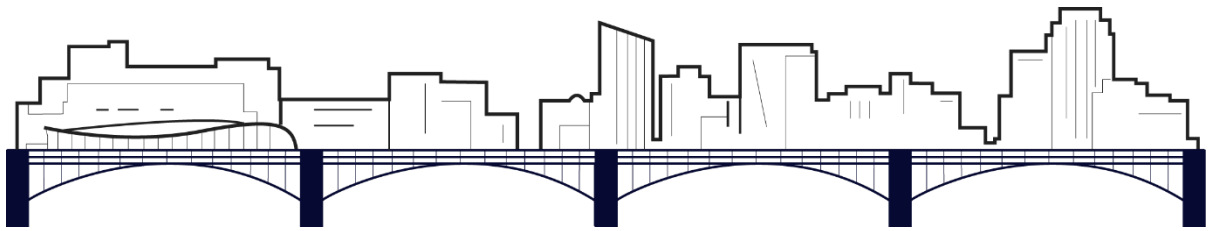
cc: John LaFramboise - BDO

Interurban Transit Partnership Pension Plan

Pension Accounting Report

for the Employer's Fiscal Year Ending September 30, 2024

under GASB Statements 67 & 68



Report presented by:



September 2024

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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 the 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, FCA, MAAA, ASA
Enrolled Actuary #23-06116

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, 2023, and July 1, 2024, Retirement Plan membership consisted of the following:

	2023	2024
Inactive plan members receiving benefits	13	12
Inactive members entitled to, not yet receiving benefits	11	10
Active plan members	<u>1</u>	<u>1</u>
Total participants	25	23

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, 2024.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Long-term rate of return	6.00%

Pub-2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with IRS 2024 adjusted scale MP-2021, 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, 2024 (see the discussion of the retirement plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	50.0%	7.50%
International Equity	10.0%	8.50%
Domestic Bonds	32.5%	2.50%
International Bonds	7.5%	3.50%

The Employer, as Plan Sponsor and Investment Fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long-term real rate of return of 6.00%. While the current asset allocation and expected long term rate of return is higher, given the closed and maturing nature of the plan, we anticipate future modifications to the asset allocation as liquidity demands on fund increases and more asset liability matching occurs.

Discount Rate

Because of the amount of cash held to pay lump sums, the discount rate used to measure the total pension liability was **6.00%**. 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 6.00%.

NET PENSION LIABILITY

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance on June 30, 2023	1,925,308	1,784,991	140,317
Changes during the Year			
Service Cost	0		0
Interest	105,816		105,816
Experience (Gains)/Losses	(50,109)		(50,109)
Contributions – Employer		159,359	(159,359)
– Employee		0	0
Assumption Change	(12,559)	0	(12,559)
Changes of Benefit Terms	0		0
Net Investment Income		220,326	(220,326)
Benefit Payments	(323,394)	(323,394)	0
Administrative Expenses	0	(14,900)	14,900
Other Changes	0	0	0
Total Changes	(280,246)	41,391	(321,637)
Balance on June 30, 2024	1,645,062	1,826,382	(181,320)

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 6.00%, 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 (5.00%) or 1 percentage point higher (7.00%) than the current rate:

	1% Decrease, 5.00%	Current Rate, 6.00%	1% Increase, 7.00%
Total Pension Liability	\$ 1,785,076	\$ 1,645,062	\$ 1,523,421
Plan Fiduciary Net Position	<u>(1,826,382)</u>	<u>(1,826,382)</u>	<u>(1,826,382)</u>
Net Pension Liability	(41,306)	(181,320)	(302,961)

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	0	0
Changes of Assumptions	0	0
Investment Earnings (Gains)/Losses	<u>0</u>	<u>43,993</u>
Total	\$ 0	\$43,993

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,	
2025	\$ (24,778)
2026	42,655
2027	(38,151)
2028	(23,719)
Thereafter	0

PENSION EXPENSE

Components of Pension Expense as of the June 30, 2024, Measurement Date

Below are the components of the Total Pension Expense:

	Measurement Date June 30, 2024
Service Cost	\$ 0
Interest on Total Pension Liability	105,816
Experience (Gains)/Losses	(50,109)
Changes of Assumptions	(12,559)
Changes of Benefit Terms	0
Employee Contributions	0
Projected Earnings on Pension Plan Investments	(101,731)
Investment Earnings (Gains)/Losses	(15,501)
Administrative Expenses	14,900
Other Changes in Fiduciary Net Position	<u>0</u>
Total Pension Expense	\$ (59,184)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in Net Pension Liability and Related Ratios

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Total Pension Liability					
Service Cost	0	0	0	0	0
Interest	105,816	121,643	132,650	147,516	166,683
Changes of Benefit Terms	0	0	0	0	0
Difference between Expected and Actual Experience	(50,109)	(55,815)	(28,168)	208,572	70,045
Change of Assumptions	(12,559)	2,531	(13,943)	(8,535)	139,623
Benefit Payments	(323,394)	(340,891)	(207,063)	(983,585)	(185,757)
Net Change in Total Pension Liability	(280,246)	(272,532)	(116,524)	(636,032)	190,594
Total Pension Liability – Beginning	1,925,308	2,197,840	2,314,364	2,950,396	2,759,802
Total Pension Liability – Ending (a)	1,645,062	1,925,308	2,197,840	2,314,364	2,950,396
Plan Fiduciary Net Position					
Contributions – Employer	159,359	250,000	152,611	408,451	419,186
Contributions – Employee	0	0	0	0	0
Net Investment Income	220,326	172,097	(281,958)	451,877	79,677
Benefit Payments	(323,394)	(340,891)	(207,063)	(983,585)	(185,757)
Administrative Expenses	(14,900)	(14,425)	(14,315)	(14,385)	(13,905)
Other	0	0	0	0	0
Net Change in Fiduciary Net Position	41,391	66,781	(350,725)	(137,642)	299,201
Plan Fiduciary Net Position – Beginning	1,784,991	1,718,210	2,068,935	2,206,577	1,907,376
Plan Fiduciary Net Position – Ending (b)	1,826,382	1,784,991	1,718,210	2,068,935	2,206,577
Net Pension Liability – Ending (a)-(b)	(181,320)	140,317	479,630	245,429	743,819
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.0%	92.7%	78.2%	89.4%	74.8%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Actuarially Determined Employer Contribution	159,359	508,748	144,807	408,541	419,186
Employer Contribution	159,359	250,000	152,611	408,451	419,186
Contribution Deficiency/(Excess)	0	258,748	(7,804)	90	0
Covered Employee Payroll	\$46,226	\$51,122	\$48,532	\$48,337	\$205,047
Contribution as a Percentage of Covered Payroll	344.74%	489.03%	314.45%	845.01%	204.43%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	06/30/2024
Assets (Fiduciary net position)	1,826,382
Liabilities (Total Pension Liability)	1,645,062
Funded ratio for the Plan Year	111.0%
Actuarially Determined Contribution (ADC)	159,359

Membership	06/30/2024
Active members	1
Terminated Vested	10
Retirees and Beneficiaries	12

Investment Performance	
Actual rate of return – prior 1-year	12.9%
Actual rate of return – prior 5-years	6.5%
Actual rate of return – prior 10-years	5.2%

Actuarial Assumptions	06/30/2024
Actuarially assumed rate of investment return	6.00%
Discount rate	6.00%
Amortization method used for funding unfunded liability	Level % salary
Amortization period used for funding unfunded liability	1 year
Is each division closed to new employees	Yes

Uniform Assumptions	06/30/2024
Assets using uniform assumptions	1,826,382
Liabilities using uniform assumptions	1,645,062
Funded ratio using uniform assumptions	111.0%
Actuarially Determined Contribution (ADC) using uniform assumptions under PA 202	159,359

Information for Summary Report (actuarially determined contribution)	06/30/2024
Normal Cost	14,400
Valuation payroll for active employees	46,226
Normal cost as a percent of covered payroll	31.1%
1-year amortization of unfunded liability	140,317
Actuarially Determined Contribution under GASB	159,359

Current bond rates support using 3.0% for the bond rate assumption which, together with 6.85% 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. We have used a discount rate of 6.00% 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, 2023

Actuarial methods:

Cost method Unit Credit

Asset valuation method Market value

Actuarial assumptions:

Retirement age Age 65

Interest rate: 6.0% per year

Mortality tables:

Pre-retirement None

Post-retirement Pub-2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with IRS 2024 adjusted scale MP-2021

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 improvement scale updated to MP-2021

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
			2024	2025	2026	2027	2028	2029+		
2024	(50,109)	1.00	<u>(50,109)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Recognized in Pension Expense			(50,109)	0	0	0	0	0	0	0

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
			2024	2025	2026	2027	2028	2029+		
2024	(12,559)	1.00	<u>(12,559)</u>	<u>0</u>	<u>0</u>	0	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Recognized in Pension Expense			(12,559)	0	0	0	0	0	0	0

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	
			2024	2025	2026	2027	2028	2029+			
2020	46,394	5.00	9,279	0	0	0	0	0	0	0	
2021	(337,168)	5.00	(67,434)	(67,432)	0	0	0	0	0	(67,432)	
2022	404,031	5.00	80,806	80,806	80,807	0	0	0	161,613	0	
2023	(72,164)	5.00	(14,433)	(14,433)	(14,433)	(14,432)	0	0	0	(43,298)	
2024	(118,595)	5.00	(23,719)	(23,719)	(23,719)	(23,719)	(23,719)	(23,719)	0	(94,876)	
Net Recognized in Pension Expense			(15,501)	(24,778)	42,655	(38,151)	(23,719)	(23,719)	0	161,613	(205,606)

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Amount Recognized in Year Ended June 30,

	2025	2026	2027	2028	2029+
Total Deferred Outflow/(Inflow) of Resources	(24,778)	42,655	(38,151)	(23,719)	0

SUMMARY OF PLAN PROVISIONS

Plan name	Interurban Transit Partnership Pension Plan	
Plan effective date	July 1, 1977	
Most recent amendment effective date (execution date)	July 1, 2016 (June 20, 2016)	
Eligibility provisions:		
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:	
	Years of Vested Service	Vesting Percent
	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
Changes since prior valuation	None
Other qualified retirement plans	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.

September 30, 2024

PERSONAL & CONFIDENTIAL

Ms. Linda Medina
Interurban Transit Partnership
300 Ellsworth Avenue, S.E.
Grand Rapids, MI 49503-2783

RE: Interurban Transit Partnership and Amalgamated Transit Union Pension Plan

Dear Linda:

Attached to this email is a copy of your actuarial valuation report for the plan year beginning July 1, 2024. The report contains information regarding required and recommended funding of the plan.

In addition, we hope that the content of the report will assist you with your management of the plan and be a resource for other planning purposes. If you would like additional information not contained in the report, please don't hesitate to contact us.

As requested, we are mailing 3 bound copies of this report.

If you have any questions, please call me at (616) 742-9242 or email me at tschnabel@watkinsross.com.

Sincerely,



Troy A. Schnabel FCA, MAAA, ASA
Enrolled Actuary

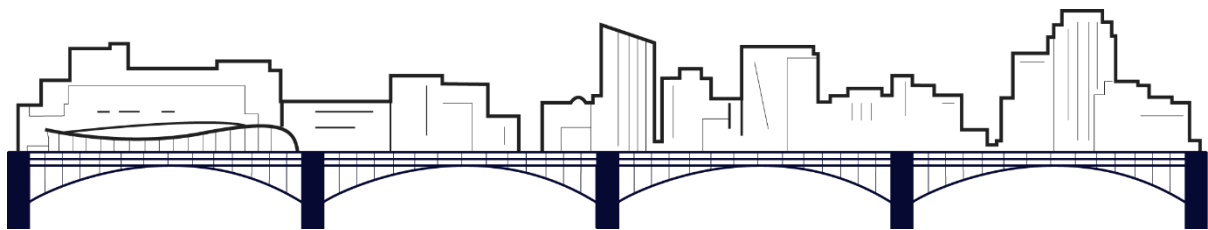
Enclosures

cc: John LaFramboise - BDO

Interurban Transit Partnership and Amalgamated Transit Union Pension Plan

Actuarial Valuation Report

for the Plan Year Beginning July 1, 2024



Report presented by:



September 2024

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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 aspects 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 into 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, 2024, through June 30, 2025

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, FCA, MAAA, ASA
Enrolled Actuary #23-06116

September 26, 2024

Date

EXECUTIVE SUMMARY

Overview of Results

	07/01/2024	07/01/2023
Present value of projected benefits	\$ 13,022,729	\$ 13,277,583
Accrued liability	13,022,729	13,277,583
Actuarial value of assets	12,776,714	12,308,802
Normal Cost	27,000	27,000
Employer Contribution Alternatives		
Low-range contribution	\$ 47,431	\$ 104,876
Mid-range contribution	61,055	158,527
High-range contribution	85,271	253,886
Funded Status – Lump Sum Basis		
Value of vested benefits	\$ 15,383,515	\$ 16,320,077
Value of all accrued benefits	15,383,515	16,320,077
Market value of assets	13,460,275	12,270,980
Accrued benefit funded ratio	87.5%	75.2%
Participant Data		
Number of Participants:		
Active	117	134
Terminated vested	178	170
Retirees and beneficiaries ¹	<u>150</u>	<u>148</u>
Total	445	452

¹ 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 \$61,055, 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. The actual rate of return on plan assets was 8.40% 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.

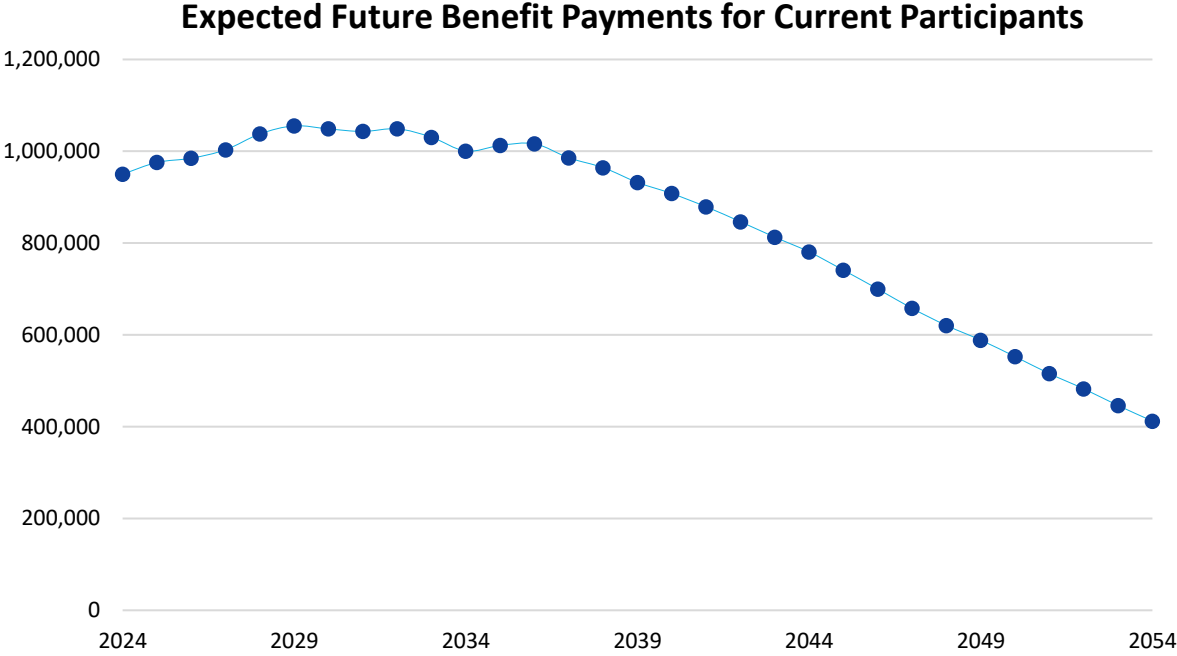
Funded Status

At the valuation date, the ratio of current market assets to present value of all accrued benefits was 87.5%. 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.

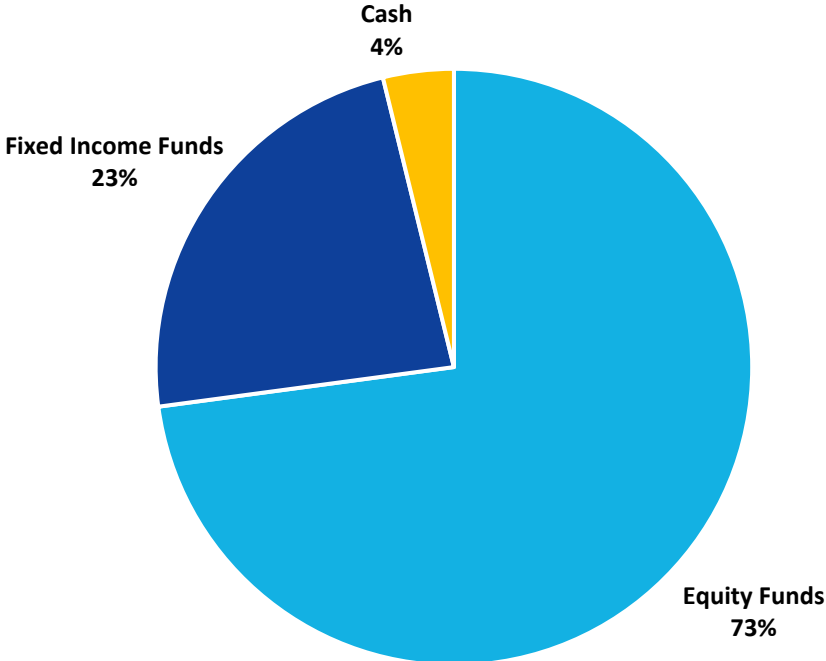
EXECUTIVE SUMMARY

Cash Flow Needs

As of July 1, 2024, there are 151 retirees, beneficiaries or alternate payees receiving monthly benefits totaling \$65,414.52 monthly, or \$784,974.24 annually.



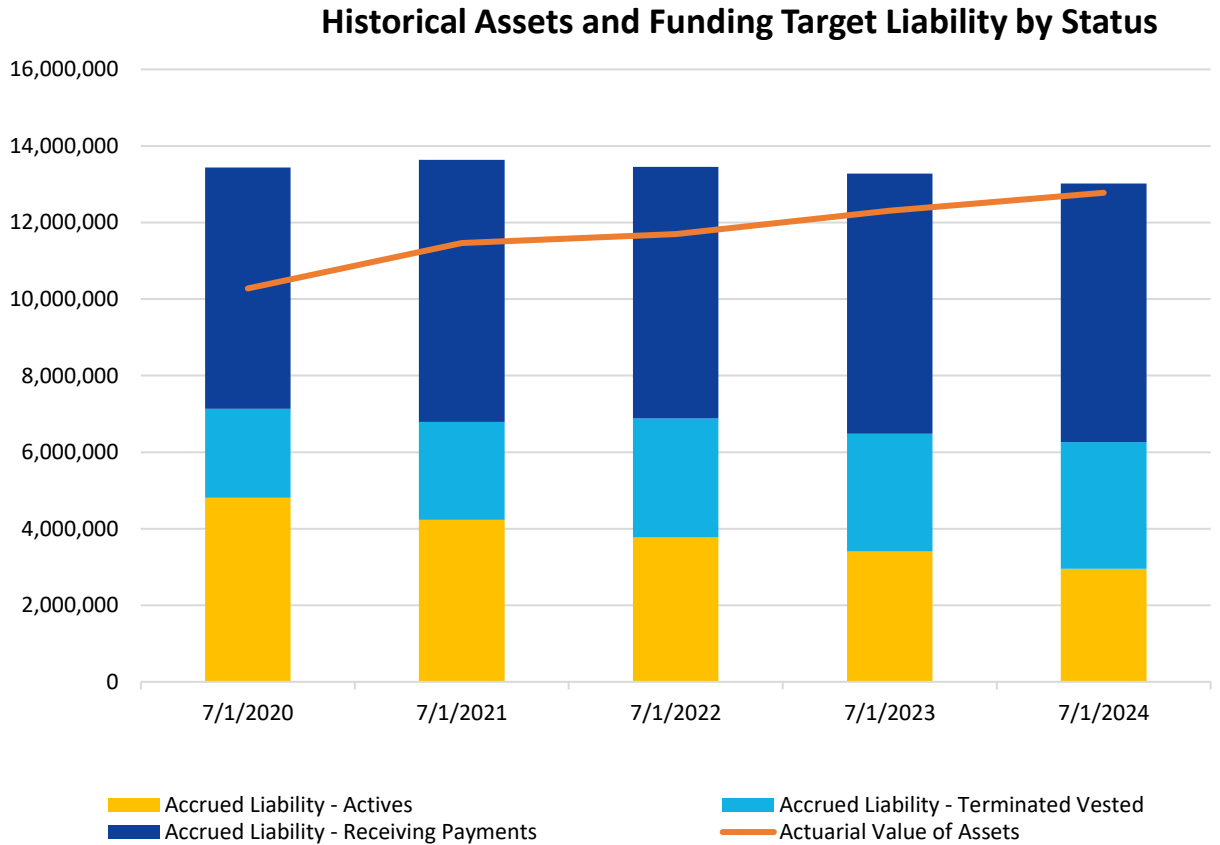
Allocation of Plan Assets



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 on July 1, 2023, excluding accrued contributions		\$ 12,270,980
2. Income:		
a. Employer contributions		
(i) For prior year	\$ 0	
(ii) For current year	253,886	
b. Investment income	345,189	
c. Realized gain/(loss)	56,842	
d. Unrealized gain/(loss)	1,336,898	
e. Other income (net from prior trustee)	0	
f. Total income		1,992,815
3. Distributions:		
a. Monthly benefit payments	767,590	
b. Lump sum payments	0	
c. Investment management fees and trustee fees	11,245	
d. Administrative expenses	24,685	
e. Other Adjustments	0	
f. Total distributions		803,520
4. Transfers (to)/from another plan		0
5. Assets on June 30, 2024, (1)+(2)-(3)		13,460,275
6. Accrued employer discretionary contributions		0
7. Accrued employer contractual contributions		0
8. Market value as of July 1, 2024, (5)+(6)+(7)		13,460,275
9. Average market value		11,938,290
10. Return on assets, (2b)+(2c)+(2d)+(2e)-(3c)+(4)		\$ 1,727,684
11. Time weighted rate of return, (10)÷(9)		14.47%

DEVELOPMENT OF PLAN ASSETS

Actuarial Value of Assets

1. Actuarial value on July 1, 2023, excluding accrued contributions		\$ 12,308,802
2. Income:		
Employer contributions		
(i) For prior year	\$ 0	
(ii) For current year	253,886	
Total contributions		253,886
3. Expenses, including benefit payments, but not investment-related fees		792,275
4. Average actuarial value		11,976,112
5. Expected income 6.5% x (4)		778,447
6. Expected actuarial value, (1)+(2)-(3)+(5)		12,548,860
7. Market value at June 30, 2024		13,460,275
8. Market value excess/(shortfall), (7)-(6)		911,415
9. Recognition of excess/(shortfall), 25% x (8)		227,854
10. Actuarial value as of July 1, 2024, (6)+(9), but not more than 120% x (7), nor less than 80% x (7)		12,776,714
11. Accrued contributions		0
12. Actuarial value as of July 1, 2024, (10)+(11)		12,776,714
13. Return on Actuarial Value of Assets, (12)-(11)-(1)-(2)+(3)		1,006,301
14. Time weighted rate of return, (13)÷(4)		8.40%

VALUATION RESULTS

Development of Actuarial Gains and Losses by Source

Expected Unfunded Liability

1. Accrued liability, prior year	\$ 13,277,583
2. Actuarial value of assets, prior year	12,308,802
3. Unfunded accrued liability, prior year, (1)-(2)	968,781
4. Normal cost	0
5. Actual expenses, prior year	24,685
6. Interest at 6.50% on (3)+(4)+(5)	64,575
7. Actual contributions for prior year, with interest to end of year	260,090
8. Expected unfunded liability at valuation date, (3)+(4)+(5)+(6)-(7)	797,951

Actual Unfunded Liability

1. Accrued liability, at valuation date	13,022,729
2. Actuarial value of assets, at valuation date	12,776,714
3. Actual unfunded liability, (1)-(2)	246,015

Total Gain/(Loss) for the Year

Expected unfunded liability – actual unfunded liability	551,936
---	---------

Amount of Gain or (Loss) Attributable to:

1. Asset gain or (loss)	226,576
2. Plan amendment	0
3. Change in mortality assumptions	119,507
4. Change in other assumptions	0
5. New participants	0
6. Other demographic changes	205,853
7. Total gain or (loss), (1)+(2)+(3)+(4)+(5)+(6)	\$ 551,936

VALUATION RESULTS

Present Value of Projected Benefits and Normal Cost at Valuation Date

1. Present value of projected benefits:		
a. Active participants	\$ 2,955,217	
b. Retired participants	6,758,060	
c. Terminated vested participants	3,309,452	
d. Total present value		\$ 13,022,729
2. Present value of future normal costs		0
3. Actuarial Liability, (1)-(2)		13,022,729
4. Actuarial asset value		12,776,714
5. Unfunded Liability, (3)-(4)		246,015
6. Normal cost		\$ 27,000
a. For benefits	0	
b. For expenses	27,000	

VALUATION RESULTS

Contribution Alternatives

	Low-Range Contribution	Mid-Range Contribution	High-Range Contribution
1. Employer normal cost	27,000	27,000	27,000
2. Unfunded liability	246,015	246,015	246,015
3. Years in amortization	25	10	5
4. Amortization Payment	18,938	32,133	55,587
5. Preliminary Contribution, (1)+(4)	45,938	59,133	82,587
6. Interest on (5) mid- year to end of plan year	1,493	1,922	2,684
7. Anticipated employer contribution, (5)+(6)	47,431	61,055	85,271

VALUATION RESULTS

Present Value of Accumulated Plan Benefits (Lump Sum Basis)

	07/01/2024	07/01/2023
1. Present value of vested benefits:		
a. Active participants	\$ 3,604,192	\$ 4,323,897
b. Terminated vested participants	<u>3,930,112</u>	<u>3,834,157</u>
c. Subtotal	7,534,304	8,158,054
d. Participants receiving payments	<u>7,849,211</u>	<u>8,162,023</u>
e. Total	15,383,515	16,320,077
2. Present value of non-vested benefits	0	0
3. Present value of accumulated benefits, (1)+(2)	15,383,515	16,320,077
4. Assets available for benefits	13,460,275	12,270,980
5. Unfunded present value of vested benefits, (1)-(4)	1,923,240	4,049,097
6. Unfunded present value of accumulated benefits, (3)-(4)	\$ 1,923,240	\$ 4,049,097
7. Funded Ratio, (4)÷(3)	87.5%	75.2%
Segment interest rates used to value benefits ¹		
a. Segment 1 (years 0-5)	5.18%	4.91%
b. Segment 2 (years 5-20)	5.41%	5.15%
c. Segment 3 (years 20 and after)	5.62%	5.34%

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.

¹ 417(e) rates are used for lump sum payments (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.

	Terminated		Transfers	Deferred Beneficiary	Retirees	Disabled	Beneficiaries	
	Active	Vested					In Pay	Total
Participants included in the 07/01/2023 valuation	134	146	17	7	119	13	16	452
Data Corrections	0	0	0	0	0	0	0	0
Terminated Vested	(10)	10	(0)	0	0	0	0	0
Retired	(7)	(2)	0	0	9	0	0	0
Died with Beneficiary	0	(2)	0	2	(0)	0	0	0
Died without Beneficiary	0	0	0	0	(5)	(1)	(1)	(7)
Disabled	(0)	0	0	0	0	0	0	0
Terminated non-vested	(0)	0	0	0	0	0	0	(0)
Transfer out of Union	(0)	0	0	0	0	0	0	0
New Participants	0	0	0	0	0	0	0	0
Participants included in the 7/1/2024 valuation	117	152	17	9	123	12	15	445

Participant Summaries

Active Participant Summary

Total participants	117
Average current age	56
Average past service	8
Average projected monthly benefit at normal retirement	\$ 297
Average accrued monthly benefit	\$ 297

Inactive Participant Summary

	Participants Entitled to:	
	Deferred Benefits	Current Benefits
Total participants	178	150
Average current age	55	73
Average monthly benefit	\$247	\$434

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								0
30 – 34								0
35 – 39		4	4					8
40 – 44	3	2	2	1	1			9
45 – 49	3	2	1	2	1			9
50 – 54	1	3	6	5	2			17
55 – 59	2	5	7	2	3	2		21
60 – 64	2	10	14	7	7		1	41
65 & Up		2	3	4	2	1		12
Total	11	28	37	21	16	3	1	117

RISK COMMENTARY, PLAN MATURITY MEASURES & HISTORICAL INFORMATION

Risk Commentary

It is important to understand that all defined benefits plans are exposed to risk. Risk is the potential for actual future valuation results to be significantly different from expected due to future economic and demographic factors being different than assumed.

- Volatility of recommended contributions
- Changes in unfunded liabilities – including changes that effect the State of Michigan Public Act (PA) 202 triggers
- Increased liabilities due to decreases in the GASB discount rate
- Increase/decrease in employee contributions

The following are examples of risk that may be anticipated to significantly affect your plan's future financial condition.

Investment Risk

Lower than expected investment returns could increase future contribution requirements or result in funded status implications under Governmental Accounting Standards Board (GASB) 67/68 reporting or triggering a Corrective Action Plan under State of Michigan Public Act (PA) 202.

Interest Rate Risk

The interest rate used to discount future values is a significant driver in the projection of plan liabilities. When interest rates decrease or increase, assets and liabilities can both be affected.

Asset/liability mismatch

One form of asset/liability mismatch occurs when funds used to pay benefits in the near term are invested in long term products. Liquidity demands can cause the fund to sell investments at inopportune times.

Longevity Risk

Plan participants may live longer or shorter than expected and receive pensions for a period of time other than assumed.

Contributions Risk

Actual future contributions may be different from expected future contributions, for example, because contributions are not made according to the plan's funding policy. A percent-of-pay contribution policy may be impacted by unexpected changes in the number of active participants.

RISK COMMENTARY, PLAN MATURITY MEASURES & HISTORICAL INFORMATION

Maturity Measures

As a plan matures, it will become more sensitive to risk. For example, it will be harder to recover from investment losses with increases in employer contributions, reductions in benefit accruals, or both.

Ratio of Actives to Retirees/Beneficiaries: .78

A young plan will have many more actives than retirees resulting in a high ratio. A ratio near 1.0 is a sign of a more mature plan. A very mature or closed plan may have significantly more retirees than actives resulting in a ratio below, or significantly below, 1.0.

Ratio of retired life actuarial liability to total actuarial liability: .52

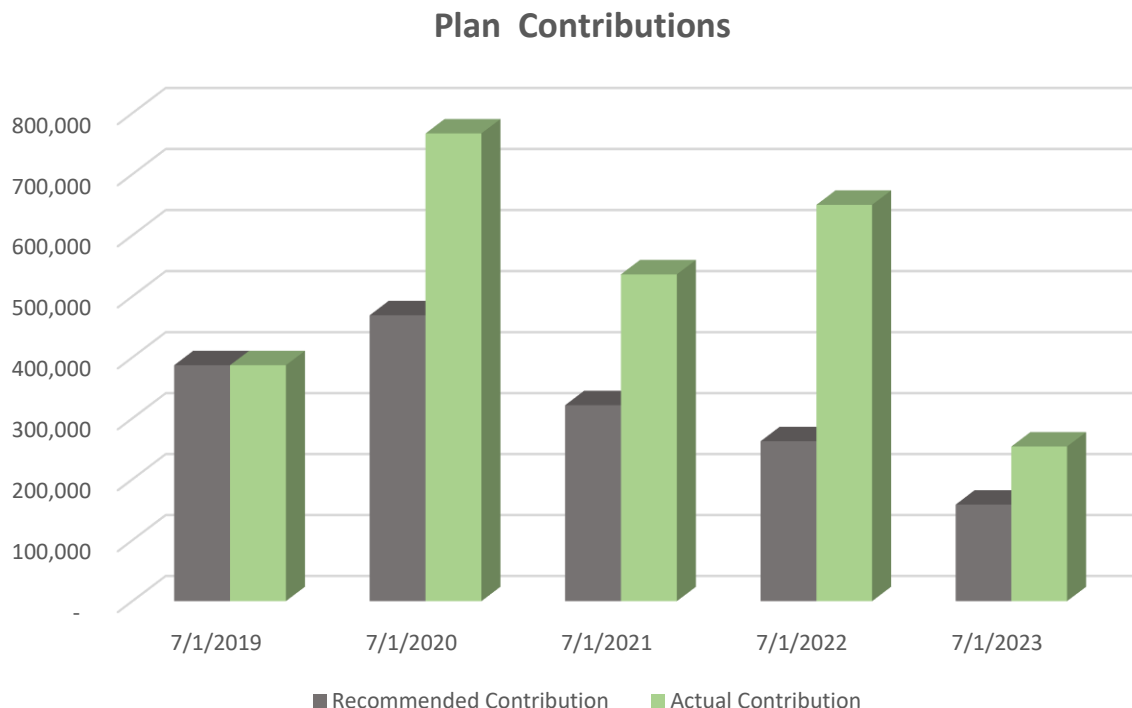
A ratio near 0.5 means nearly half of all liabilities are due to retirees/beneficiaries, a sign of a mature plan. A ratio significantly more than 0.5 means retiree liability is a vast portion of the total liability, a sign of a very mature plan.

Ratio of benefit payments to contributions: 3.02

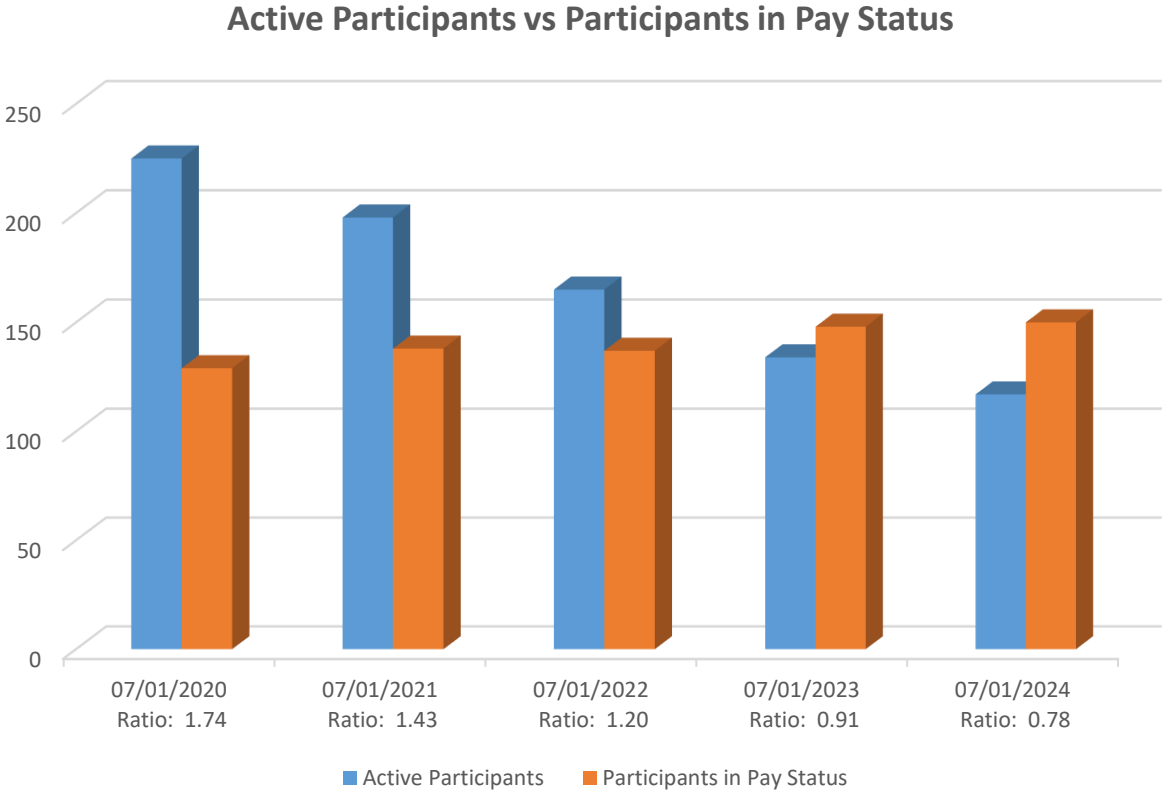
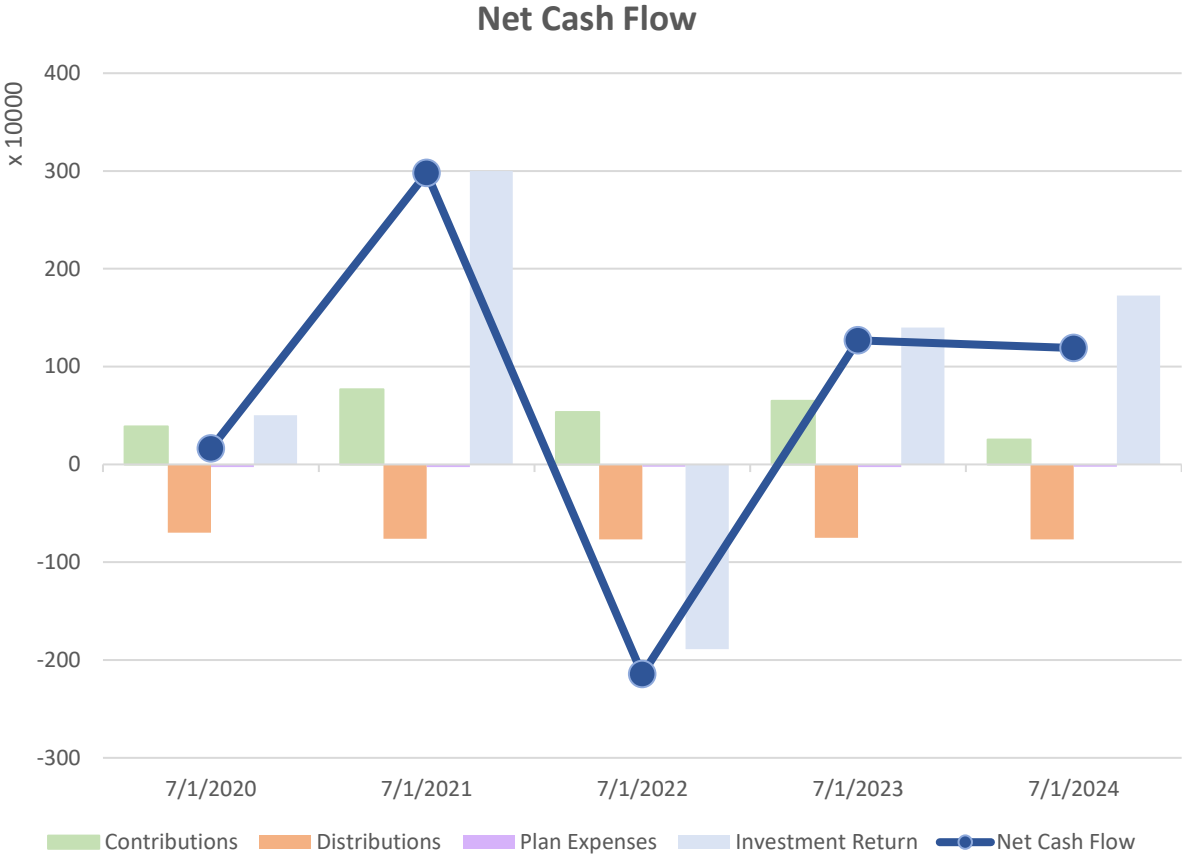
A ratio greater than 1.0 indicates all contributions are used to pay benefits and none are available to increase assets. This may be a sign of a mature plan past the accumulation phase.

Historical Information

Looking at historical trends helps identify plan risks.



RISK COMMENTARY, PLAN MATURITY MEASURES & HISTORICAL INFORMATION



ADDITIONAL INFORMATION

Historical Perspectives

Plan Year Begun On	Present Value of Benefits	Actuarial Value of Assets ¹	Market Value of Assets ¹	Recommended Employer Contribution	Actual Contributions	Benefits Paid	Expenses Paid	Market Rate of Return ²	Actuarial Rate of Return
July 1, 2010	9,288,706	5,124,284	4,531,195	476,311	444,095	326,790	43,851	21.1	4.0
July 1, 2011	9,858,352	5,621,032	5,590,154	475,705	505,357	349,588	47,260	(.50)	7.8
July 1, 2012	11,883,935	6,081,674	5,697,925	488,712	552,202	366,639	50,532	10.31	5.7
July 1, 2013	12,953,430	6,667,325	6,456,024	564,196	578,632	396,118	56,615	13.25	6.8
July 1, 2014	14,031,841	7,391,567	7,476,399	623,782	644,907	441,394	60,806	1.05	8.4
July 1, 2015	14,637,053	8,020,446	7,735,907	795,496	644,412	499,710	66,204	(.50)	6.2
July 1, 2016	15,468,656	8,450,644	7,818,029	828,038	987,300	545,433	65,453	11.43	3.9
July 1, 2017	15,515,992	9,345,845	9,127,439	769,777	529,010	597,778	32,948	7.19	5.6
July 1, 2018	12,344,268	9,802,014	9,674,153	376,920	250,000	607,696	28,606	7.69	6.0
July 1, 2019	12,657,135	10,022,395	10,003,546	387,328	387,328	697,478	25,729	5.21	6.5
July 1, 2020	13,440,598	10,277,459	10,169,272	455,490	766,843	759,830	37,184	30.56	6.1
July 1, 2021	13,641,144	11,462,399	13,147,524	321,702	536,160	768,030	35,570	(14.64)	4.4
July 1, 2022	13,449,564	11,701,434	11,001,986	262,597	712,500	750,933	28,367	12.87	6.6
July 1, 2023	13,277,583	12,308,802	12,270,980	158,527	253,886	767,590	24,685	14.47	8.4
July 1, 2024	13,022,729	12,776,714	13,460,275						

¹ Value at beginning of year.

² Time-weighted.

ACTUARIAL COST METHODS AND ASSUMPTIONS

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

Valuation date July 1, 2024

Actuarial methods:

Cost method Unit Credit

Asset valuation method 75% of expected assets plus 25% of market value of assets, including contributions accrued for hours worked through the valuation date, but not less than 80%, nor more than 120% of market value

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 6.50% per year

Mortality SOA RP-2014 adjusted to 2006 Mortality Table for Blue-Collar Employees with IRS 2024 adjusted scale MP-2021

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

Improvement scale updated; the mortality table used is not a public mortality table. The above mortality better fits the demographic of this plan. This table has been used for the valuations since July 1, 2020.

SUMMARY OF PLAN PROVISIONS

Plan name Interurban Transit Partnership and Amalgamated Transit Union Pension Plan

Plan effective date June 7, 1946

Most recent restatement effective date (execution date) Amended and restated effective July 1, 2013
(January 31, 2014)

2018-1 Amendment Effective December 11, 2017

Eligibility provisions:

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)

Benefit amounts:

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
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; benefit service frozen December 10, 2017
Unreduced payment form	Life annuity
Optional annuity payment forms	Joint and 50% Survivor
Changes since prior valuation	None
Employer contribution rates	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.

September 30, 2024

PERSONAL & CONFIDENTIAL

Ms. Linda Medina
Interurban Transit Partnership
300 Ellsworth Avenue, S.W.
Grand Rapids, MI 49503-2783

RE: Interurban Transit Partnership and Amalgamated Trust Union Pension Plan

Dear Linda:

Enclosed is a copy of your pension accounting report for the employer's fiscal year ending September 30, 2024. This information is intended to assist you in complying with Governmental Accounting Standards Board Statement No. 67 (GASB 67) Financial Reporting for Pension Plans, and Statement No. 68 (GASB 68) Accounting and Financial Reporting for Pensions.

If you have any questions, please call me at (616) 742-9242 or email me at tschnabel@watkinsross.com.

Sincerely,



Troy A. Schnabel, FCA, MAAA, ASA
Enrolled Actuary

Enclosure

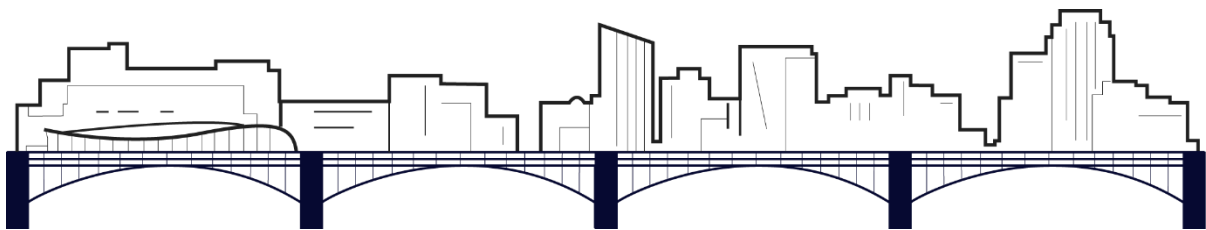
cc: John LaFramboise - BDO

Interurban Transit Partnership And Amalgamated Transit Union Pension Plan

Pension Accounting Report

for the Employer's Fiscal Year Ending September 30, 2024

under GASB Statements 67 & 68



Report presented by:



September 2024

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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 the 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, FCA, MAAA, ASA
Enrolled Actuary #23-06116

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, 2023, and July 1, 2024, Retirement Plan membership consisted of the following:

	2023	2024
Inactive plan members receiving benefits	148	150
Inactive members entitled to, not yet receiving benefits	170	178
Active plan members	<u>134</u>	<u>117</u>
Total participants	452	445

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, 2024.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return	6.50%
Mortality	SOA RP-2014 adjusted to 2006 Mortality Table for Blue-Collar Employees with IRS 2024 adjusted scale MP-2021

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, 2024 (see the discussion of the retirement plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	50%	7.50%
International Equity	15%	8.50%
Domestic Bonds	20%	2.50%
International Bonds	5%	3.50%
Real Estate	10%	4.50%

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%. While the current asset allocation and expected long term rate of return is higher, given the closed and maturing nature of the plan, we anticipate future modifications to the asset allocation as liquidity demands on fund increases and more asset liability matching occurs.

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)
Balance on June 30, 2023	13,277,583	12,270,980	1,006,603
Changes during the Year			
Service Cost	0		0
Interest	838,096		838,096
Experience (Gains)/Losses	(205,853)		(205,853)
Contributions – Employer		253,886	(253,886)
– Employee		0	0
Assumption Change	(119,507)		(119,507)
Net Investment Income		1,727,684	(1,727,684)
Benefit Payments	(767,590)	(767,590)	0
Administrative Expenses		(24,685)	24,685
Plan Amendment/Method	0	0	0
Total Changes	(254,854)	1,189,295	(1,441,149)
Balance on June 30, 2024	13,022,729	13,460,275	(437,546)

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	\$ 14,390,302	\$ 13,022,729	\$ 11,869,781
Plan Fiduciary Net Position	<u>(13,460,275)</u>	<u>(13,460,275)</u>	<u>(13,460,275)</u>
Net Pension Liability	930,027	(437,546)	(1,590,494)

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
Differences between expected and actual experience	156,537	193,424
Changes of Assumptions	391,403	1,124,562
Net difference between projected and actual earnings	<u>0</u>	<u>544,162</u>
Total	\$ 547,940	\$1,862,148

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,	
2025	\$(894,792)
2026	(75,251)
2027	(254,795)
2028	(98,457)
2029	9,087
Thereafter	\$0

PENSION EXPENSE

Components of Pension Expense as of the June 30, 2024, Measurement Date

Below are the components of the Total Pension Expense:

	Measurement Date June 30, 2024
Service Cost	\$ 0
Interest on Total Pension Liability	838,096
Experience (Gains)/Losses	(322,652)
Changes of Assumptions	(557,948)
Employee Contributions	-
Projected Earnings on Pension Plan	
Investments	(780,116)
Investment Earnings (Gains)/Losses	(220,152)
Administrative Expenses	24,685
Plan Amendment	-
Total Pension Expense	\$(1,018,087)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Changes in the Net Pension Liability

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Total Pension Liability					
Service Cost	0	0	0	0	0
Interest	838,096	849,817	861,713	848,945	800,046
Changes of Benefit Terms	0	0	0	0	0
Difference between Expected and Actual Experience	(205,853)	(298,166)	(228,921)	111,431	43,263
Change of Assumptions	(119,507)	27,301	(56,342)	0	637,632
Benefit Payments	(767,590)	(750,933)	(768,030)	(759,830)	(697,478)
Net Change in Total Pension Liability	(254,854)	(171,981)	(191,580)	200,546	783,463
Total Pension Liability – Beginning	13,277,583	13,449,564	13,641,144	13,440,598	12,657,135
Total Pension Liability – Ending (a)	13,022,729	13,277,583	13,449,564	13,641,144	13,440,598
Plan Fiduciary Net Position					
Contributions – Employer	253,886	650,000	536,160	766,843	387,328
Contributions – Employee	0	0	0	0	0
Net Investment Income	1,727,684	1,398,294	(1,888,853)	2,998,961	501,605
Benefit Payments	(767,590)	(750,933)	(768,030)	(759,830)	(697,478)
Administrative Expenses	(24,685)	(28,367)	(24,815)	(27,722)	(25,729)
Other	0	0	0	0	0
Net Change in Fiduciary Net Position	1,189,295	1,268,994	(2,145,538)	2,978,252	165,726
Plan Fiduciary Net Position – Beginning	12,270,980	11,001,986	13,147,524	10,169,272	10,003,546
Plan Fiduciary Net Position – Ending (b)	13,460,275	12,270,980	11,001,986	13,147,524	10,169,272
Net Pension Liability – Ending (a)-(b)	(437,546)	1,006,603	2,447,578	493,620	3,271,326
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.4%	92.4%	81.8%	96.4%	75.7%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule Of Employer Contributions

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Actuarially Determined Employer Contribution	158,527	262,597	321,702	455,490	387,328
Employer Contribution	253,886	650,000	536,160	766,843	387,328
Contribution Deficiency/(Excess)	(95,359)	(387,403)	(214,458)	(311,353)	0

	<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>
Actuarially Determined Employer Contribution	376,920	735,101	775,392	746,846	584,391
Employer Contribution	250,000	529,010	987,300	644,412	644,907
Contribution Deficiency/(Excess)	126,920	206,091	(211,908)	102,434	(60,516)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

State of Michigan Public Acts 530 and 202 Information

Financial information	06/30/2024
Assets (Fiduciary net position)	13,460,275
Liabilities (Total Pension Liability)	13,022,729
Funded ratio for the Plan Year	103.4%
Actuarially Determined Contribution (ADC)	158,527
Membership	06/30/2024
Active members	117
Terminated Vested	178
Retirees and Beneficiaries	150
Investment Performance	
Actual rate of return – prior 1-year	14.4%
Actual rate of return – prior 5-years	8.7%
Actual rate of return – prior 10-years	7.1%
Actuarial Assumptions	06/30/2024
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
Uniform Assumptions	06/30/2024
Assets using uniform assumptions	13,460,275
Liabilities using uniform assumptions	13,022,279
Funded ratio using uniform assumptions	103.4%
Actuarially Determined Contribution (ADC) using uniform assumptions under PA 202	158,527
Information for Summary Report (actuarially determined contribution)	06/30/2024
Normal Cost	27,000
Valuation payroll for active employees	TBD
Normal cost as a percent of covered payroll	TBD
10-year amortization of unfunded liability	126,537
Actuarially Determined Contribution under GASB	158,527

Current bond rates support using 3.0% for the bond rate assumption which, together with 6.85% or less for investment return will satisfy both GASB and PA 202. 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, 2023

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 SOA RP-2014 adjusted to 2006 Mortality Table for Blue-Collar Employees with IRS 2024 adjusted scale MP-2021

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 None

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Differences Between Expected and Actual Experience

Amount Recognized in Year Ended June 30, 2024

Year Ended June 30,	Difference Between Expected and Actual Experience	Recognition Period (Years)	Amount Recognized in Year Ended June 30, 2024						Deferred Outflow of Resources	Deferred Inflow of Resources
			2024	2025	2026	2027	2028	2029+		
2015	(158,069)	11.34	(13,939)	(13,939)	(4,740)	0	0	0	0	(18,679)
2016	(51,400)	11.21	(4,585)	(4,585)	(4,585)	(965)	0	0	0	(10,135)
2017	(261,781)	10.19	(25,690)	(25,690)	(25,690)	(4,881)	0	0	0	(56,261)
2018	25,377	9.84	2,579	2,579	2,579	2,166	0	0	7,324	0
2019	194,529	9.36	20,783	20,783	20,783	20,783	7,482	0	69,831	0
2020	43,263	8.96	4,828	4,828	4,828	4,828	4,639	0	19,123	0
2021	111,431	8.71	12,793	12,793	12,793	12,793	12,793	9,087	60,259	0
2022	(228,921)	2.75	(62,433)	0	0	0	0	0	0	0
2023	(298,166)	2.15	(138,682)	(20,802)	0	0	0	0	0	(20,802)
2024	(205,853)	1.74	<u>(118,306)</u>	<u>(87,547)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(87,547)</u>
Net Recognized in Pension Expense			(322,652)	(111,580)	5,968	34,724	24,914	9,087	156,537	(193,424)

Schedule of Changes in Assumptions

Amount Recognized in Year Ended June 30, 2024

Year Ended June 30,	Changes in Assumptions	Recognition Period (Years)	Amount Recognized in Year Ended June 30, 2024						Deferred Outflow of Resources	Deferred Inflow of Resources
			2024	2025	2026	2027	2028	2029+		
2015	(3,184,578)	11.34	(280,827)	(280,827)	(95,481)	0	0	0	0	(376,308)
2016	(465,876)	11.21	(41,559)	(41,559)	(41,559)	(8,727)	0	0	0	(91,845)
2017	(2,723,243)	10.19	(267,247)	(267,247)	(267,247)	(50,773)	0	0	0	(585,267)
2018	373,105	9.84	37,917	37,917	37,917	31,852	0	0	107,686	0
2019	(56,593)	9.36	(6,046)	(6,046)	(6,046)	(6,046)	(2,179)	0	0	(20,317)
2020	637,632	8.96	71,164	71,164	71,164	71,164	68,320	0	281,812	0
2021	0	8.71	0	0	0	0	0	0	0	0
2022	(56,342)	2.75	(15,366)	0	0	0	0	0	0	0
2023	27,301	2.15	12,698	1,905	0	0	0	0	1,905	0
2024	(119,507)	1.74	<u>(68,682)</u>	<u>(50,825)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(50,825)</u>
Net Recognized in Pension Expense			(557,948)	(535,518)	(301,252)	37,470	66,141	0	391,403	(1,124,562)

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

Amount Recognized in Year Ended June 30, 2024

Year Ended June 30,	Difference Between Expected and Actual Earnings on Pension Assets	Recognition Period (Years)	Amount Recognized in Year Ended June 30, 2024							Deferred Outflow of Resources	Deferred Inflow of Resources
			2024	2025	2026	2027	2028	2029+			
2020	137,709	5.00	27,541	0	0	0	0	0	0	0	
2021	(2,338,631)	5.00	(467,726)	(467,727)	0	0	0	0	0	(467,727)	
2022	2,735,100	5.00	547,020	547,020	547,020	0	0	0	1,094,040	0	
2023	(687,367)	5.00	(137,473)	(137,473)	(137,473)	(137,475)	0	0	0	(412,421)	
2024	(947,568)	5.00	<u>(189,514)</u>	<u>(189,514)</u>	<u>(189,514)</u>	<u>(189,514)</u>	<u>(189,512)</u>	<u>0</u>	<u>0</u>	<u>(758,054)</u>	
Net Recognized in Pension Expense			(220,152)	(247,694)	220,033	(326,989)	(189,512)	0	1,094,040	(1,638,202)	

Amount Recognized in Year Ended June 30,

	2025	2026	2027	2028	2029+
Total Deferred Outflow/(Inflow) of Resources	(894,792)	(75,251)	(254,795)	(98,457)	9,087

SUMMARY OF PLAN PROVISIONS

Plan name	Interurban Transit Partnership and Amalgamated Transit Union Pension Plan
Plan effective date	June 7, 1946
Most recent restatement effective date (execution date)	Amended and restated effective July 1, 2013 (January 31, 2014)
2018-1 Amendment	Effective December 11, 2017
Eligibility provisions:	
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)
Benefit amounts:	
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)	<p>Accrued benefit based on sum of:</p> <ul style="list-style-type: none"> (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

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 None

Employer contribution rates

Effective	Rate/Hour per Employee ⁽¹⁾
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

⁽¹⁾ 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.



Interurban Transit Partnership

Date: November 6, 2024
To: Finance Committee
From: Linda Medina, Director of Finance
Subject: FY 23/24 AUDIT PLAN DOCUMENT

OVERVIEW

To review the FY 23/24 audit plan as submitted by BDO USA, LLP (BDO) to perform ITP's FY 23/24 audit.

BACKGROUND

Professional standards require that BDO communicate to the Board their audit plan each fiscal year. The attached document provides an overview of BDO's audit plan of the financial statements and schedule of expenditures of federal awards for year ending September 30, 2024.

Please feel free to reach out to me directly at (616) 774-1149 or imedina@ridetherapid.org with any additional questions regarding the plan.



REPORT TO BOARD OF DIRECTORS

INTERURBAN TRANSIT PARTNERSHIP

AUDIT PLANNING: YEAR ENDED
SEPTEMBER 30, 2024



Contents

QUICK ACCESS TO THE
FULL REPORT

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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, management of ITP, and is not intended and should not be used by anyone other than these specified parties.

Welcome

October 11, 2024

Board of Directors
Interurban Transit Partnership

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. This document provides an overview of our plan for the audit of the financial statements and schedule of expenditures of federal awards of Interurban Transit Partnership (the ITP) as of and for the year ended September 30, 2024, including a summary of the nature, scope, and timing of the planned audit work.

We are pleased to be of service to the ITP and look forward to discussing our audit plan, as well as other matters that may be of interest to you.

Respectfully,

BDO USA, P.C.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.



JOHN LAFRAMBOISE
Assurance Director
Grand Rapids, MI
jlaframboise@bdo.com



JOSHUA LARAMY
Assurance Senior Manager
Grand Rapids, MI
jlaramy@bdo.com



SCARLETT SHIRLEY
Assurance Experienced Senior
Grand Rapids, MI
sshirley@bdo.com



Executive Summary



Responsibilities

BDO USA, P.C., as your auditor, is responsible for forming and expressing an opinion about whether the financial statements and the schedule of expenditures of federal awards that have been prepared by management, with your oversight, are prepared, in all material respects, in conformity with accounting principles generally accepted in the United States of America. In addition, our audit will be conducted in accordance with standards for financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. The engagement letter, a copy of which has been provided to you, includes specific details regarding the auditor's and management's responsibilities.

Audit Strategy

Overall, our audit strategy is to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design further audit procedures responsive to assessed risks. 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. In connection with our audit, we will obtain a sufficient understanding of ITP's internal control to plan the audit of the financial statements. However, such understanding is required for the purposes of determining our audit procedures and not to provide any assurance concerning such internal control. In addition, *Government Auditing Standards* require that we also plan and perform the audit to obtain reasonable assurance about whether ITP has complied with applicable laws, regulations and the terms and conditions of the federal awards that may have a direct and material effect on each of ITP's major federal programs.

We focus on areas with higher risk of material misstatement (whether due to error or fraud). Our audit strategy includes consideration of:

- ▶ prior year audit results together with current year preliminary analytical review, including discussions with management and those charged with governance regarding the ITP's operations, business activities, and risks,
- ▶ inherent risk within ITP (i.e., the susceptibility of the financial statements to material misstatement, before consideration of any related controls),
- ▶ recent developments within the industry, regulatory environment and general economic conditions,
- ▶ recently issued and effective accounting and financial reporting guidance,
- ▶ ITP's significant accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions,
- ▶ the control environment, risk management, and monitoring processes, and the possibility that the control system and procedures may fail to prevent or detect a material error or fraud,
- ▶ information about systems and the computer environment in which the related systems operate, and
- ▶ a continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting ITP.
- ▶ internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures.

We will communicate to you any significant changes to the planned audit strategy, or to the significant risks initially identified, that may occur during the audit due to the results of audit procedures or in response to external factors, such as changes in the economic environment.

The BDO ADVANTAGE

At BDO, we are continuously evaluating and improving our methodologies, technologies, and applications to evolve our approach to the audit process.

Our approach to audit technology enriches the experience for our clients, provides better risk assessment and deeper understanding of your business, and contributes to high-quality audits for capital markets.



AUDIT QUALITY



WORKING ON WHAT MATTERS

- ▶ Our automations enable our people to focus on more strategic work. The use of cutting-edge data analytics in our risk-based audit approach enables our auditors to target risks and testing to the critical areas of the audit.

FOCUSED INSIGHT



CLARITY AND COLLABORATION

- ▶ Our project management tools, and global portal, help prevent surprises and provide a snapshot of audit progress.
- ▶ Our teams have access to dedicated user enablement support to provide a smooth client experience.

SEAMLESS AUDIT



PEOPLE AND PROCESS OPTIMIZATION

- ▶ Our engagement level automations, continuous process evaluation, and ongoing improvements help us optimize the workflow and process of the audit. This drives consistency in the execution of the audit.

GREATER PRECISION

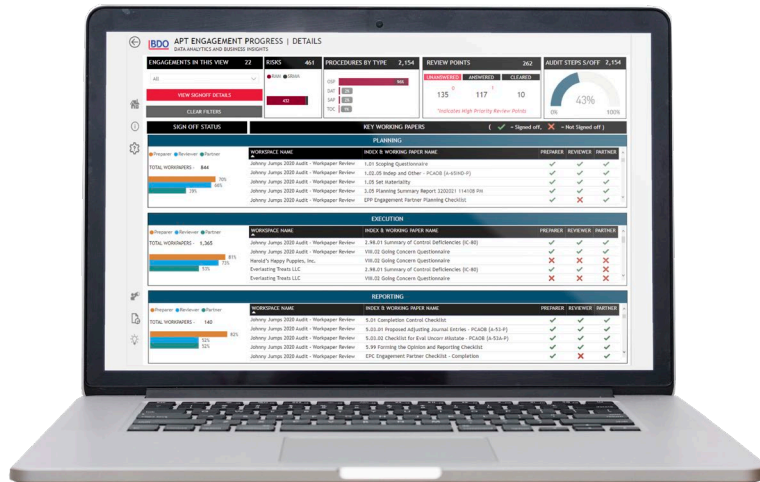
The BDOADVANTAGE

The **BDOADVANTAGE**, our digital suite of tools, equips our auditors to perform more effective and robust audits. These tools include communications and project management tools to ensure there are no surprises; automations to help our teams focus on risks; and data analytics that allow our auditors to dive deeper into their risk analysis through use of data visualization, correlation, and comparison. The **BDOADVANTAGE** empowers our audit teams to create more industry-focused client insights with greater precision.

Below are two examples of the **BDOADVANTAGE** technology suite

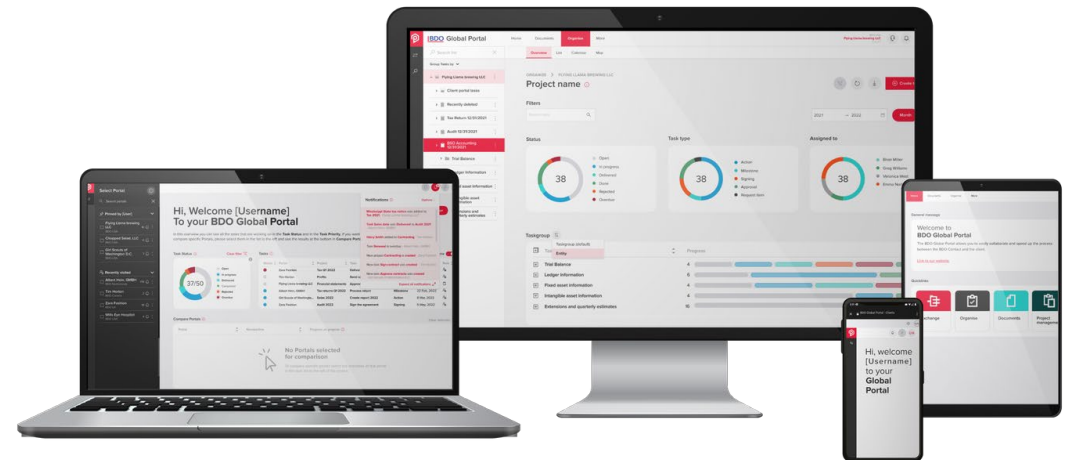
BDO DASHBOARDS

- ▶ Provides reporting at our fingertips allowing us to proactively identify, resolve, and escalate any potential issues quickly.
- ▶ Engagement partner and manager can view real-time the status of the engagement and course-correct as needed, eliminating surprises.



BDO GLOBAL PORTAL

- ▶ Provides you with access to all relevant requests and the data and documents.
- ▶ Houses contact details of your global BDO engagement team, timelines, schedules, and communication records.
- ▶ Visually depicts the status and progression of the audit in one screen.



The BDO **ADVANTAGE**

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Below are two examples of the **BDO ADVANTAGE** technology suite:

DOCUMENT AUTOMATION

- ▶ Automation software that streamlines the production of base management representation letters, audit reports, and required communication templates.
- ▶ Reduces administrative burden so your engagement team spends less time formatting and more time developing tailored deliverables that accurately reflect and report on your audit with BDO.



DOCUSIGN

- ▶ An e-signature tool enables us to manage electronic agreements and integrations with audit reports.
- ▶ Allows for standardization of our contracting process and execution of our audit representation letters.
- ▶ Creates a consistent and reliable process by which necessary documentation is electronically executed, tracked, and stored and to create signing authority control.



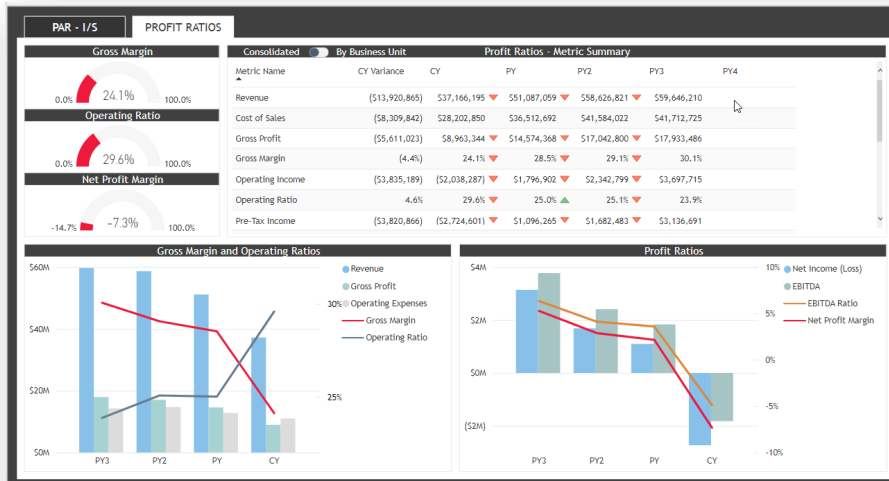
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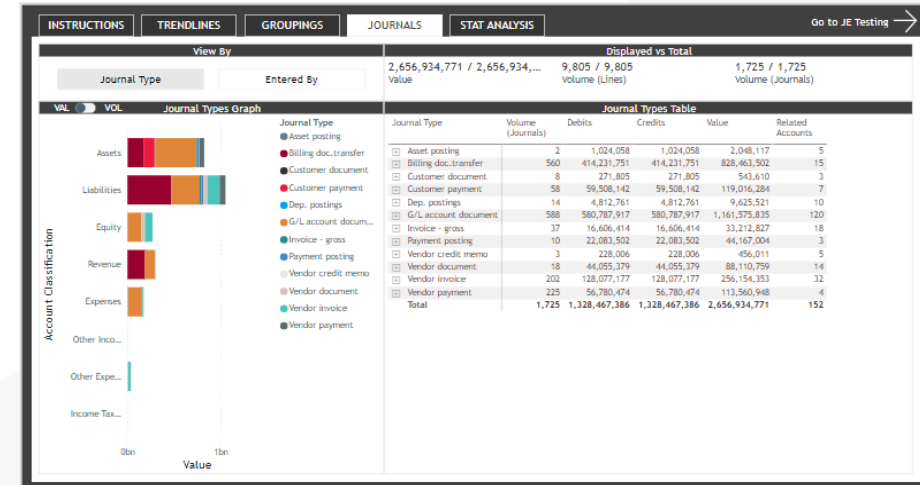
PRELIMINARY ANALYTICAL REVIEW & RISK ASSESSMENT

- ▶ Visualizes trends for key performance indicators and summarizes key changes in trial balance activity for a high-level overview of fluctuations.
- ▶ Enhances our overall knowledge of company performance and our understanding of the entity.



JOURNAL ANALYZER

- ▶ Assists with exploring large volumes of transactions within the entity's general ledger for purposes of discovering or analyzing patterns or trends, developing expectations, and identifying areas for further testing.
- ▶ Used to effectively and efficiently perform testing of the entity's journal entries.



The BDO ADVANTAGE

The **BDO ADVANTAGE**, our digital suite of tools, equips our auditors to perform more effective and robust audits. These tools include communications and project management tools to ensure there are no surprises; automations to help our teams focus on risks; and data analytics that allow our auditors to dive deeper into their risk analysis through use of data visualization, correlation, and comparison. The **BDO ADVANTAGE** empowers our audit teams to create more industry-focused client insights with greater precision.

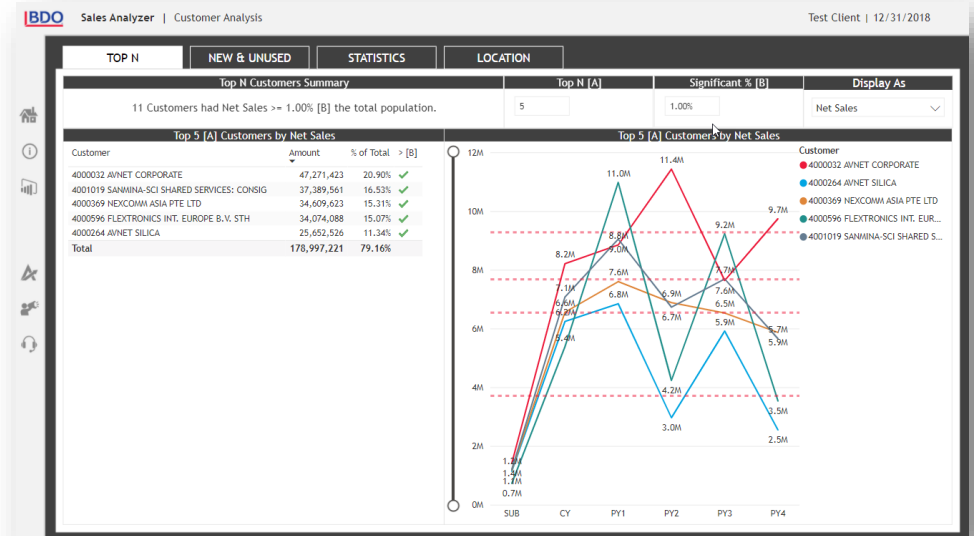
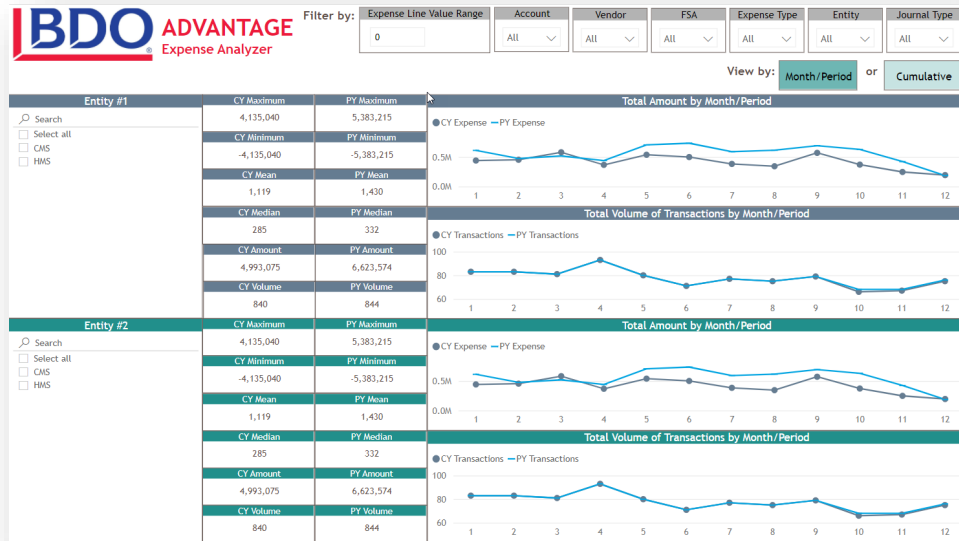
Below are two examples of the **BDO ADVANTAGE** technology suite:



- ▶ Enables us to view your expenses by financial statement area, account, vendor, entity, journal type, overtime, year-over-year, new and unused accounts, etc.
- ▶ Enables both targeted selection of notable expenses and development of data driven analytical procedures.



- ▶ Assists with exploring large volumes of sales transactions within a population for purposes of discovering or analyzing patterns or trends, developing expectations, and identifying areas for further testing.
- ▶ Identifies potential areas of risk associated with the entity's sale populations.



Planned Scope

Based upon our initial assessment, our planned scope for the audit is described below:

- ▶ The areas indicated below relate to significant risks identified during our risk assessment procedures and include a brief description of how we propose to address them:
 - Revenue Recognition - we will test revenue through detailed testing
 - Management Override of Controls - we will test this through detailed testing of various journal entries throughout the year
- ▶ We will plan and perform the audit of the financial statements for the year ended September 30, 2024, in accordance with *Government Auditing Standards*.
- ▶ We will consider ITP's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ITP's internal controls.
- ▶ We will perform tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions is not an objective of our audit.
- ▶ We will plan and perform the audit of the Schedule of Expenditures of Federal Awards (SEFA) for the year ended September 30, 2024, in accordance with GAS and the Uniform Guidance and will issue in relation to opinion.
- ▶ We will consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance.

Overall Audit Timeline

The following represents our anticipated schedule with regard to our audit of the financial statements of ITP:

	Sep	Oct	Nov	Dec	Jan
Planning	✓	✓			
Year-End Fieldwork			✓	✓	
Release Reports on Financial Statements					✓
Completion of NTD Procedures					✓



Independence

Our engagement letter to you dated August 13, 2024, 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.

Audit Firm System of Quality Management

An audit firm's system of quality control (aka system of quality management) is essential to how the firm conducts audits and is in place to protect investors, shareholders and other users of financial statements.

QUALITY MANAGEMENT STANDARDS

In June 2022, the AICPA Auditing Standards Board (ASB) issued the following interrelated standards on audit quality management (collectively, the QM standards), which are designed to improve a CPA firm's risk assessment and audit quality. The effective date of the QM standards is December 15, 2025.

Statement on Quality Management Standards (SQMS) No. 1	Statement on Quality Management Standards (SQMS) No. 2	Statement on Auditing Standards (SAS) No. 146
<i>A Firm's System of Quality Management</i>	<i>Engagement Quality Reviews</i>	<i>Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards</i>

BDO has assessed the requirements of the QM standards and has analyzed our firm's current system of quality management to identify changes and improvements necessary for compliance. This includes the identification of quality objectives, quality risks and the assessment of those quality risks, and responses to address those risks. We are further working with BDO Global to appropriately integrate processes deployed at a global level into our firm's system of quality management.

2020 BDO AUDIT QUALITY REPORT

CONTINUING
TO BUILD
TRUST



We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO's system of quality control within our annual [Audit Quality Reports](#), the most recent of which is accessible [here](#).

Use of Other Auditors and Persons Not Employed by BDO USA

BDO Rise Private Limited (BDO RISE India)
Bellandur, Bengaluru, Karnataka, India

Responsibilities include:

- ▶ Perform substantive audit testing in areas such as cash, capital assets, accounts payable, and transaction testing.
-

The use of other auditors, outside the core engagement team, including the use of third party-contractors are under the direct supervision of the core engagement team in accordance with applicable auditing standards.



Appendix

Evolving Governance Matters & Communications



Board Priorities



Recent Center for Audit Quality Resources

Board Committee Priorities

Audit and Risk Committee

1. Evolving oversight of financial reporting and the audit
2. Oversight of the enterprise risk management (ERM) function
3. Evolving risk such as technology, innovation, cybersecurity, fraud, human capital and macroeconomic factors.

Compensation Committee

1. Executive and board compensation considerations
2. Human capital oversight
3. Stakeholder engagement through communications and reporting

Nominating & Governance Committee

1. CEO succession
2. Director succession and refreshment
3. Governance processes, policies and documentation
4. Reporting and disclosure

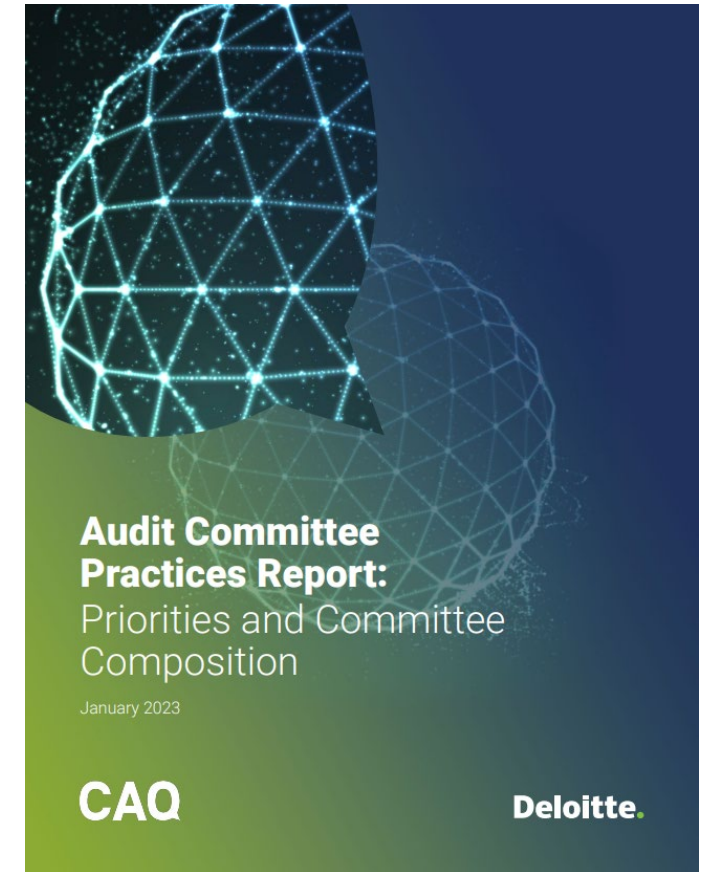


CAQ - Audit Committee Practices Report: Priorities and Committee Composition

Key Takeaways:



*A total of 164 individuals participated in the entire survey (with higher response rates for certain questions, up to a maximum response rate of 181) from predominantly large (80% > \$700 million), U.S.-based public companies.



[here](#)



CAQ - Audit Partner Pulse Survey, Fall 2022

The CAQ's survey asked audit partners at some of the largest firms in the US about what they are observing in the industries they audit in terms of economic health indicators, challenges and risks facing businesses within their sectors, and how those businesses are adjusting their strategies in the current environment.

Key Findings

▶ Economic Outlook

- More than half (57%) of the partners surveyed hold a pessimistic or very pessimistic outlook on the US economy for the next twelve months, a thirteen-point increase since the [spring of 2022](#) survey.
- Most audit partners expect price increases (73%) and inflation (68%) to persist for the next twelve months.
- The audit partners surveyed categorized inflation (75%), labor shortages (48%), and supply chain impacts (44%) as the top three risks affecting US companies.

▶ Strategy

- Audit partners indicated that cost management (53%) remains a top priority, focus on talent/labor and growth decreased, while focus on financial performance increased.

▶ Talent Retention

- According to 85% of the audit partners, business leaders are taking resource scarcity into account when developing their corporate strategies.
- To retain employees, the audit partners reported that businesses are increasing workplace flexibility (66%), increasing compensation (62%) and upskilling their employees (32%).

▶ Emerging Risk

- Audit partners reported that business leaders are preparing for emerging issues including climate change (59%) and for emerging technologies such as blockchain (63%) in their strategies.



Current Business Issues and Risk Considerations



ESG Trends



Strategic Resilience in Economic Volatility



Managing Risk

ESG Assurance: A Competitive Differentiator

Sustainability is a powerful force in today's economy. [McKinsey & Company](#) estimates that companies will invest \$5 trillion per year in sustainability by 2025.

What are the key forces driving attention to ESG assurance?

- ▶ Companies all over the world are investing time and money in their ESG efforts and there are many tailwinds behind the growing importance of ESG assurance, including: customers, investors, vendors, competition, regulation and greenwashing prevention.

How should companies prepare for ESG assurance?

- ▶ ESG assurance requires a methodical approach and begins with taking an inventory of the current state of its ESG reporting. This includes items such as:
 - A materiality assessment and determination of metrics that are important to its stakeholders
 - Review of ESG reporting provided by industry peers
 - Consideration of reporting frameworks to be used
 - Establishing management roles and responsibilities
 - Board oversight
 - Adequacy of processes and controls
 - Resource sufficiency



Click [here](#) to view the full

UNITED STATES

ESG and the Inflation Reduction Act of 2022

- ▶ President Biden signed the Inflation Reduction Act (IRA) of 2022 into law in August, which incentivizes ESG investing and earmarks \$369B for climate change and green energy investment over the next 10 years.
- ▶ From an environmental perspective, the IRA extends and enhances many of the existing energy-related tax credits and incentives, including those for:
 - Renewable electricity investment and production
 - Energy storage
 - Carbon capture
 - Production of clean hydrogen
 - Sustainable aviation and biofuels
 - Electric vehicles and charging infrastructure
 - Advanced domestic manufacturing
 - Greenhouse gas reductions
- ▶ The IRA supports social policies, ties many credit amounts to wage and apprenticeship requirements and incentivizes investment in certain low-income and energy communities; targets job creation in the U.S., provides tax credits for domestic manufacturing, allows tax-exempt entities to take advantage of the tax benefits associated with clean energy investments and provides incentives for the use of domestic content; and modifies many of the current energy-related tax credits.
- ▶ [Learn about base and bonus credit rate structure, credit monetization changes and modifications to nine energy-related tax credits.](#)



Click [here](#) to read the article

Strategic Resilience:

A Framework for Navigating Economic Volatility

- ▶ Rising inflation and interest rates have set a course for economic contraction and no economist can predict the depth or duration of a downturn.
- ▶ Organizations with strong balance sheets, solid operations processes, use of innovation, deployment of appropriate talent and strong growth potential can leverage resilience as a strategy for competitive advantage.
- ▶ By leaning into resilience principles, companies in all stages of business health can find opportunity in economic adversity and accelerate growth coming out of it.



Click [here](#) to view the roadmap

Strategic Resilience:

Navigating Financial Headwinds, Recession or Not

- ▶ Proper planning for a recession can help your company survive and be prepared for growth thereafter.
- ▶ Here are some considerations:
 - Put together cash flow projections to control cash in a variety of recession scenarios. Executive management needs this information in a usable format and a timely manner to enable them to make critical operating and marketing decisions necessary to survive economic difficulties.
 - Implement price increase programs that restore profitability while maintaining customers.
 - Formulate an accounts receivable collection program that is both considerate of customers and effective at bringing in much-needed cash.
 - Rationalize inventory to get product turning at the same or at a better rate than industry peers in order to avoid stockouts while increasing profitable sales.
 - During the Great Recession of 2008, many companies formulated a loan restructuring plan, an action encouraged and embraced by lenders.
 - Despite company management likely spread thin, it's critical to continue implementing the company's strategic plan and to monitor progress.



Click [here](#) to view the full article

Cyber Risk

- ▶ Cybercrime is a serious risk regardless of your organization's industry or size.
- ▶ Error continues to be a dominant trend and is responsible for 14% of breaches.
 - People continue to play a very large role in incidents and breaches.
 - This year, 82% of breaches involved the human element, whether it is the use of stolen credentials, phishing, misuse or simply an error.
- ▶ Ransomware has continued its upward trend with an almost 13% increase (for a total of 25% of breaches) – a rise as big as the past five years combined.

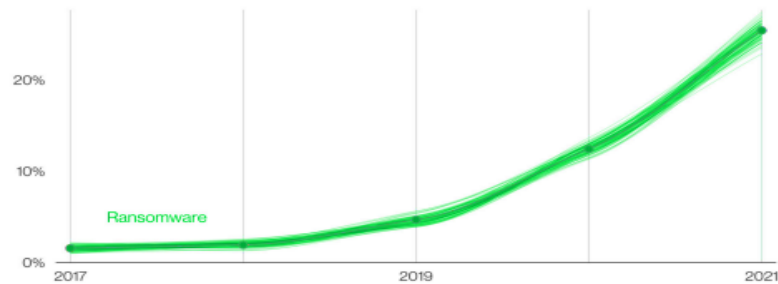


Figure 4. Ransomware over time in breaches

- ▶ Consider taking BDO's [Cyber Risk Assessment](#)



Click [here](#) to view the full publication

Three Top Cloud Security Challenges Facing Companies

- ▶ Here are three of the top cloud security challenges companies face:



1. Managing identity and access authentication.



2. Storing and encrypting sensitive information.



3. Managing security incidents

- ▶ There are various types of attestation services that can assist in managing cloud security:

- **SOC 2 Report:** This report includes an examination of an organization's internal controls related to security and can also cover availability, processing integrity, confidentiality and privacy. SOC 2 focuses on the company's controls to address a defined set of security and other requirements for services provided to its customers.
- **ISO Certification:** ISO security and privacy certifications offer validation that your organization's security or privacy program is operating in accordance with international standards. ISO certification tends to be most applicable to companies with a global customer base.
- **CSA STAR Assessment:** This is a program developed by the Cloud Security Alliance (CSA) based on requirements defined in the Cloud Controls Matrix (CCM). CSA STAR was developed specifically to address cloud security risks and requirements.





Implementation of New GASB Standards

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After 6/15/2023

- ▶ This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.
- ▶ As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability.
- ▶ This Statement also addresses corrections of errors in previously issued financial statements.
- ▶ This Statement requires that:
 - changes in accounting principles and error corrections be reported retroactively by restating prior periods,
 - changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and
 - changes in accounting estimates be reported prospectively by recognizing the change in the current period.
- ▶ The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.
- ▶ Statement No. 100 requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.
- ▶ This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.
- ▶ Statement No. 100 also addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 101, *Compensated Absences*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After 12/15/2023

- ▶ This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means.
- ▶ Requires recognition of a liability for leave that has not been used if:
 - the leave is attributable to services already rendered,
 - the leave accumulates, and
 - the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.
- ▶ Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.
- ▶ Statement No. 101 requires that a liability for certain types of compensated absences, including parental leave, military leave, and jury duty leave, not be recognized until the leave commences.
- ▶ In addition, this Statement requires that for specific types of compensated absences, a liability not be recognized until the leave is used.
- ▶ This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.
- ▶ With respect to financial statements prepared using the current financial resources measurement focus, Statement No. 101 requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.
- ▶ Statement No. 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 102, *Certain Risk Disclosures*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After 6/15/2024

- ▶ The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.
- ▶ Statement No. 102 defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources.
- ▶ Statement No. 102 defines a *constraint* as a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority.
- ▶ Requires a government to assess:
 - whether a concentration or constraint is known to the government prior to the issuance of the financial statements,
 - whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact and
 - whether event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.
- ▶ For items meeting the above criteria, required disclosures include descriptions of:
 - the concentration or constraint,
 - each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements, and
 - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.



Industry Resources

BDO Center for Corporate Governance

Equipping boards with valuable resources to address growing responsibilities.

[BDO's Center for Corporate Governance](#) recognizes board members need easy access to comprehensive information and insights they can rely on. Corporate governance and related risks and opportunities is an evolving landscape encompassing a variety of issues and requires subject matter experts who engage regularly with stakeholders - including regulators, management, board members and thought leaders - and share information directly with client management teams, the board and its committees. Whether you are new to board service, assuming a new role or a seasoned director who wants to remain up to date, we have you covered.

Our governance team delivers:

- ▶ Thought leadership, practice aids, tools, and newsletters
- ▶ Technical updates and insights on emerging business issues
- ▶ [BDO In the Boardroom](#) podcast series for board of directors and those charged with governance
- ▶ A three-pronged evolving curriculum consisting of upcoming webinars & archived self-studies
- ▶ Opportunities to engage directly with BDO thought leaders
- ▶ External governance community resources



To begin receiving email notifications regarding BDO publications and event invitations (live and web-based), visit www.bdo.com/member/registration and create a user profile.

If you already have an account on BDO's website, visit the My Profile page to login and manage your account preferences www.bdo.com/member/my-profile.

ESG: Better Planet. Better Society. Better Business.

As ESG takes center stage in a rapidly changing business landscape, the question is—how is your organization advancing toward true sustainability?

Today, every business has a responsibility - and an opportunity - to address the significant environmental, social and governance (ESG) challenges we face as an interconnected, global society. Not only is it the right thing to do, it is the only thing to do to contribute to a better planet, a better society and a better - and more sustainable - business. At BDO, ESG is a top firm priority and a key component of our strategic vision for the future. We invite you to learn more about BDO's approach to ESG and visit our [BDO ESG Center of Excellence](#).

With you at every stage of your journey:

- ▶ ESG Strategy & Program Development
- ▶ ESG Reporting & Attestation
- ▶ Tax Transparency & ESG Tax Strategy
- ▶ Human Capital Management Strategy
- ▶ Supply Chain Sustainability & Resilience
- ▶ Climate Risk
- ▶ Sustainable Finance & Investing
- ▶ Community Resilience
- ▶ ESG Value Creation & Innovation

Visit our [BDO CoE](#) for evolving ESG-related insights and learning opportunities:

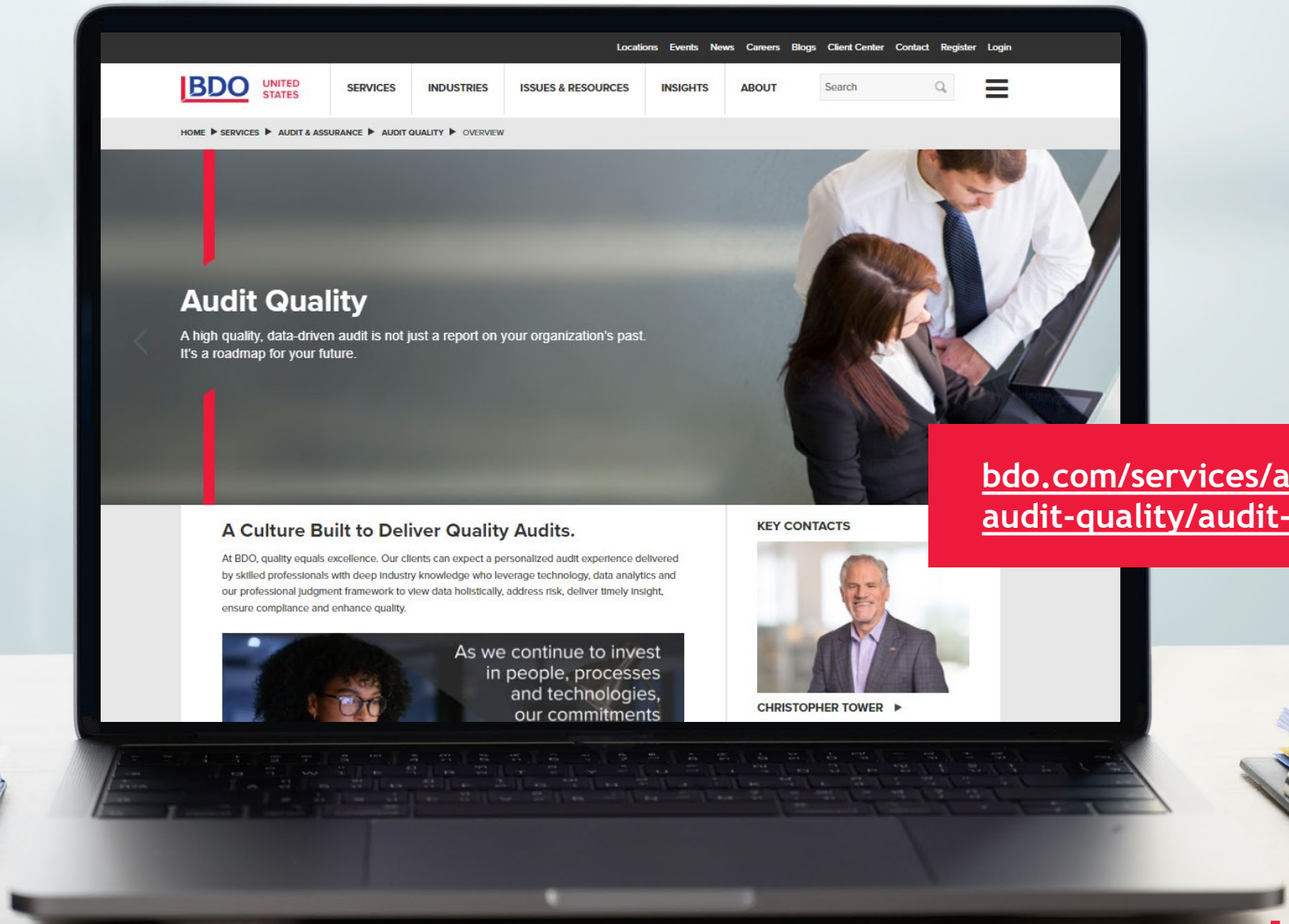
- ▶ Publications
- ▶ Alerts
- ▶ Practice Aids
- ▶ Podcasts
- ▶ Webinars

Industry Risk and Resources

- ▶ BDO's industry focus is part of who we are and how we serve our clients and has been for over a century. We demonstrate our experience through knowledgeable professionals, relevant client work and participation in the industries we serve.
- ▶ Our industry practices bring perspective on trends, opportunities, issues and regulations that frame our services and approach to address your needs and your industry.


The screenshot shows a web browser window displaying the BDO website. The address bar shows the URL <https://www.bdo.com/industries/public-sector/overview>. The website header includes the BDO logo, navigation links for Locations, Our People, Events, News, Careers, Blogs, Contact, and Login, and a search bar. The main content area features a large image of business professionals in a meeting. Below the image, the text reads: "Public Sector" and "BDO leverages an independent viewpoint to help clients navigate complex, government-wide challenges." A secondary navigation bar highlights "OVERVIEW" and "FEDERAL GOVERNMENT". The "OVERVIEW" section contains the heading "Challenging times call for a new perspective." followed by a paragraph: "The public sector is facing many challenges. In addition to political gridlock, the federal deficit has caused many agencies' budgets to shrink over the last several years, meaning that government leaders are under pressure to accomplish more with reduced funding." Below this is another paragraph: "BDO's Public Sector Practice serves a wide variety of clients across many levels of government. In addition to our Federal Government clients, we also serve Regional, State, and Local Governments, drawing on deep experience to provide strategic, innovative solutions. Offering a unique depth of capabilities and resources, BDO helps government leaders develop tailored strategies and implement practical solutions that make the most of their limited resources." The "KEY CONTACTS" section features a portrait of Mark Ellenbogen, President/CEO of BDO Public Sector.

Learn About BDO's Culture Built to Deliver Audit Quality



bdo.com/services/assurance/audit-quality/audit-quality





At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes – for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. www.bdo.com.

Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your needs.

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Financial Planning & Analysis

The Rapid

Finance Committee

November 6, 2024



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BDO Audit Plan

- Audit timeline - November 11th through the 22nd
- BDO will be conducting the audit for the 26th year
- Finance Committee to review audit draft at the January 15th meeting
- Board of Directors to approve audit at the January 22nd meeting

September (Preliminary) Statement - Revenue

	FY 23/24 Adopted	FY 23/24 Preliminary	FY 23/24 Adopted vs. FY 23/24 Preliminary		FY 22/23 Actual	FY 22/23 Actual vs. FY 23/24 Preliminary	
			\$	%		\$	%
Revenues and Operating Assistance							
Passenger Fares	\$ 4,895,883	\$ 4,658,794	\$ (237,089)	-4.8%	\$ 4,534,783	\$ 124,011	2.7%
Sale of Transportation Services							
CMH Contribution	447,839	361,793	(86,046)	-19.2%	403,637	(41,844)	-10.4%
Dash Contract	1,856,468	2,270,135	413,667	22.3%	1,659,742	610,393	36.8%
Grand Valley State University	3,682,642	3,423,844	(258,799)	-7.0%	3,188,376	235,468	7.4%
Van Pool Transportation	-	-	-	0.0%	(1,243)	1,243	-100.0%
Township Services	185,836	197,217	11,381	6.1%	388,759	(191,542)	-49.3%
Other	218,635	193,473	(25,162)	-11.5%	203,024	(9,551)	-4.7%
Subtotal Sale of Transportation Services	6,391,421	6,446,462	55,042	0.9%	5,842,295	604,167	10.3%
State Operating	18,870,616	15,983,070	(2,887,546)	-15.3%	14,310,222	1,672,848	11.7%
Property Taxes	19,661,002	20,623,945	962,943	4.9%	18,867,978	1,755,967	9.3%
Advertising & Miscellaneous	714,020	3,600,806	2,886,786	404.3%	1,907,029	1,693,776	88.8%
Subtotal Revenues and Operating Assistance	50,532,941	51,313,077	780,136	1.5%	45,462,308	5,850,769	12.9%
Grant Operating Revenue					8,321,660	(8,321,660)	-100.0%
Unrestricted Net Reserves	5,474,451		(5,474,451)	100.0%	-	-	100.0%
Total Revenues and Operating Assistance	\$ 56,007,392	\$ 51,313,077	\$ (4,694,315)	-8.4%	\$ 53,783,968	\$ (2,470,891)	-4.6%

September (Preliminary) Statement - Expenses

	FY 23/24 Adopted	FY 23/24 Preliminary	FY 23/24 Adopted vs. FY 23/24 Preliminary		FY 22/23 Actual	FY 22/23 Actual vs. FY 23/24 Preliminary	
			\$	%		\$	%
Expenses							
Salaries and Wages							
Administrative	\$ 7,226,977	\$ 6,061,416	\$ (1,165,561)	-16.1%	\$ 5,131,008	\$ 930,408	18.1%
Operators	16,033,168	12,879,850	(3,153,319)	-19.7%	13,492,487	(612,638)	-4.5%
Maintenance	2,782,858	2,527,823	(255,034)	-9.2%	2,445,572	82,252	3.4%
Subtotal Salaries and Wages	26,043,003	21,469,090	(4,573,913)	-17.6%	21,069,067	400,022	1.9%
Benefits	10,842,785	7,693,422	(3,149,363)	-29.0%	8,075,922	(382,501)	-4.7%
Contractual Services	3,912,166	3,156,470	(755,697)	-19.3%	3,475,406	(318,936)	-9.2%
Materials and Supplies							
Fuel and Lubricants	3,026,466	2,276,303	(750,164)	-24.8%	2,716,979	(440,676)	-16.2%
Other	1,969,374	1,859,260	(110,114)	-5.6%	1,748,878	110,382	6.3%
Subtotal Materials and Supplies	4,995,840	4,135,563	(860,278)	-17.2%	4,465,857	(330,294)	-7.4%
Utilities, Insurance, and Miscellaneous	5,699,115	4,201,388	(1,497,727)	-26.3%	4,420,126	(218,739)	-4.9%
Purchased Transportation	8,514,483	9,051,923	537,441	6.3%	7,269,465	1,782,458	24.5%
Expenses Before Capitalized Operating	60,007,392	49,707,855	(10,299,537)	-17.2%	48,775,844	932,011	1.9%
Capitalized Operating Expenses	(4,000,000)	(3,729,671)	270,329	0.0%	(3,186,414)	(543,258)	0.0%
Total Operating Expenses	\$ 56,007,392	\$ 45,978,183	\$(10,029,208)	-17.9%	\$ 45,589,430	\$ 388,753	0.9%
Net Surplus/(Deficit) without Net Reserves		\$ 5,334,893			\$ (127,123)		
Net Surplus/(Deficit) with Net Reserves		\$ 5,334,893			\$ 8,194,538		

September (Preliminary) Statement Summary

Revenues

- Overall, revenue is over forecast by 1.5% (\$780K)
- Fare revenue is under by 4.8% compared to budget, but increased 2.7% from FY 22/23
- Fixed route ridership is below budget by 6.2%, but increased 0.4% from FY 22/23
- Sale of Transportation Services are slightly under budget, while DASH revenue increased with the addition of Monday and Tuesday service
- Overall expenses have reduced, therefore State Operating Assistance is under budget
- Advertising and Miscellaneous are favorable due to the Alternative Fuel Credit, RIN credits and a successful bus advertising campaign

Expenses

- Overall, expenses are under budget by 17.2% (\$10.3M), before capitalized operating expenses
- Salaries, wages and fringes are under budget due to lower than budgeted staffing levels
- Materials and Supplies are favorable due to fuel's cost per gallon remaining lower than budgeted
- Insurance and Utilities are under budget due to lower insurance rates and favorable weather conditions

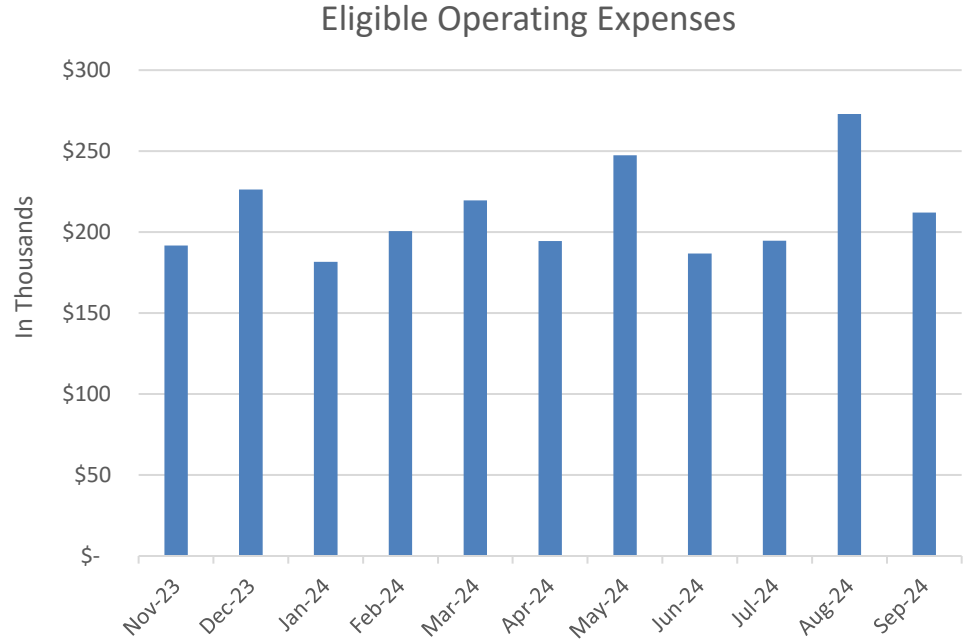
Reserves

- Budgeted \$5.5M to be used from net reserves
- Revenues are over forecast (\$51.3M) while expenses are much lower (\$46M)
- Estimating \$5.3M transferred to net reserves, boosting our financial sustainability for future years

Capitalized Operating Expenses

in accordance with 49 USC 5307

- Budgeted \$4M in capitalized operating expenses, identified \$3.7M actual expenses
- Identified \$2.5M in eligible operating expenses
- Identified \$1.2M in maintenance
- All PM-eligible items were reviewed and approved by the appropriate departments



Insurance Changes – PL&PD

- Premiums are overall 6% higher than FY 23/24
- External factors that contribute to annual premium increases
 - Global catastrophic losses
 - Uninsured drivers
 - Higher vehicle costs
- Overall, expenses were under market predictions

Premium	FY 24/25 Budget to Actual			FY 24/25 Actual to FY 23/24 Actual	
	FY 24/25 Budget	FY 24/25 Actual	Variance	FY 23/24 Actual	Variance
Automobile	1,839,106	1,699,904	(139,202)	1,590,391	109,513
Excess Liability	564,759	555,038	(9,721)	513,417	41,621
General Liability	73,088	70,360	(2,728)	66,444	3,916
Crime	2,882	2,853	(29)	2,853	-
Property	113,775	120,529	6,754	108,357	12,172
Bus Catastrophic Damage	115,893	113,924	(1,969)	110,374	3,550
Public Officials	24,671	25,950	1,279	22,950	3,000
UST - CNG Station	5,228	5,496	268	4,979	517
UST - Wealthy St	2,624	2,861	237	2,499	362
Busch/ Flood Insurance	1,782	1,620	(162)	1,620	-
Cyber	6,782	5,970	(812)	5,652	318
General Liability - CNG	28,188	25,625	(2,563)	25,625	-
Amtrak	18,835	18,348	(487)	17,938	410
US Trackworks	3,229	3,075	(154)	3,075	-
USI Service Fee	50,000	50,000	-	50,000	-
Total:	3,234,009	3,084,094	(149,915)	2,903,342	180,752

Defined Benefit Pension Update

Description	Administration GASB		Union GASB	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Assets (Fiduciary net position)	1,826,382	1,784,991	13,460,275	12,270,980
Liabilities (Total Pension Liability)	1,645,062	1,925,308	13,022,729	13,277,583
Unfunded liability	181,320	(140,317)	437,546	(1,006,603)
Funded ratio for the Plan Year	111%	93%	103%	92%
Actuarially Determined Contribution (ADC)	159,359	508,748	158,527	262,597

- Funded ratio increased for both Administration & Union plans

Description	Administration	Union
High Range Recommended Contribution	-	85,271
FY 24/25 Budget	160,000	260,000

- High Range Recommended Contribution is lower than FY 24/25 Budget

Transdev Discussion

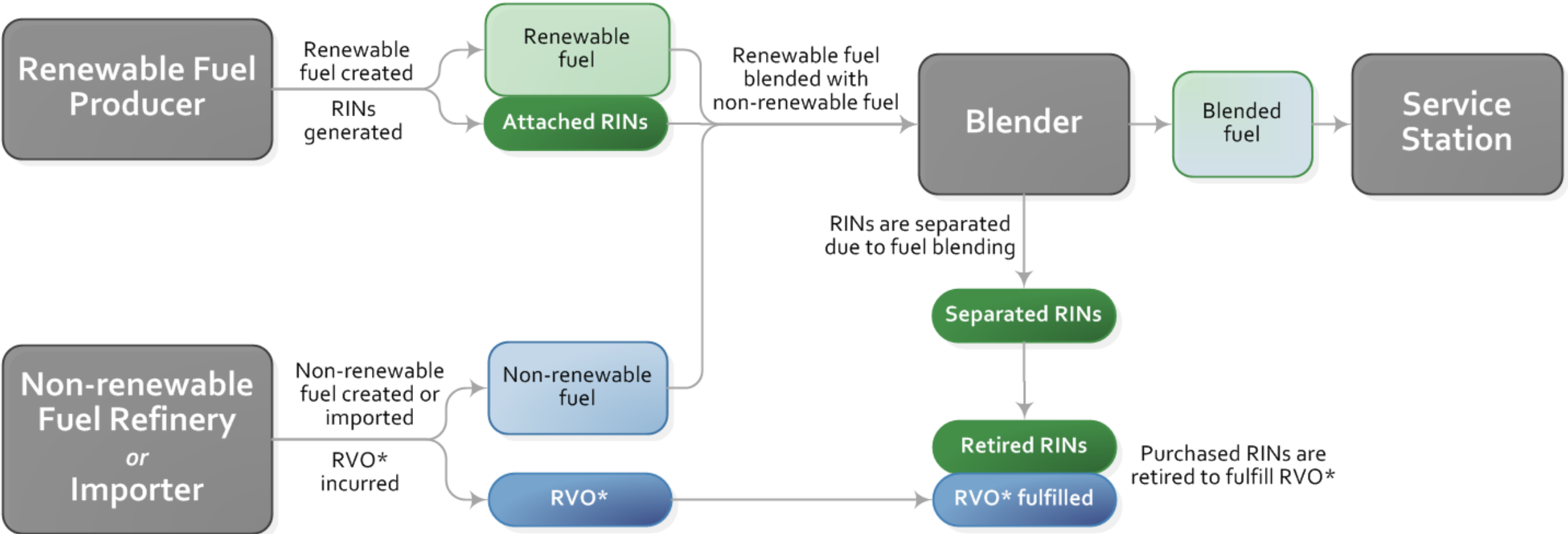
Questions?

Renewable Identification Numbers (RINs) Credits Overview

Rapid Finance Committee

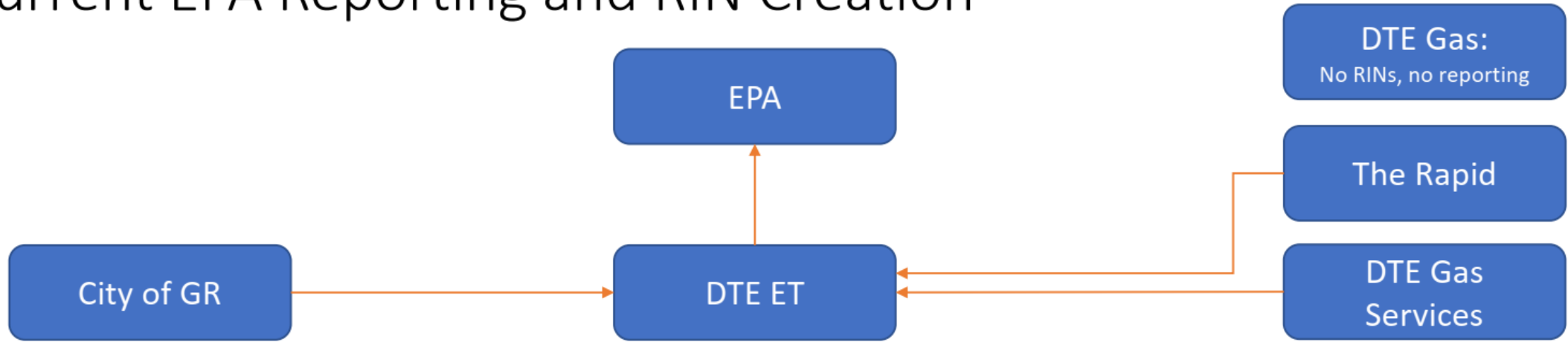
November 6, 2024

Example lifecycle of a Renewable Identification Number (RIN)



* RVO = Renewable Volume Obligation

Current EPA Reporting and RIN Creation

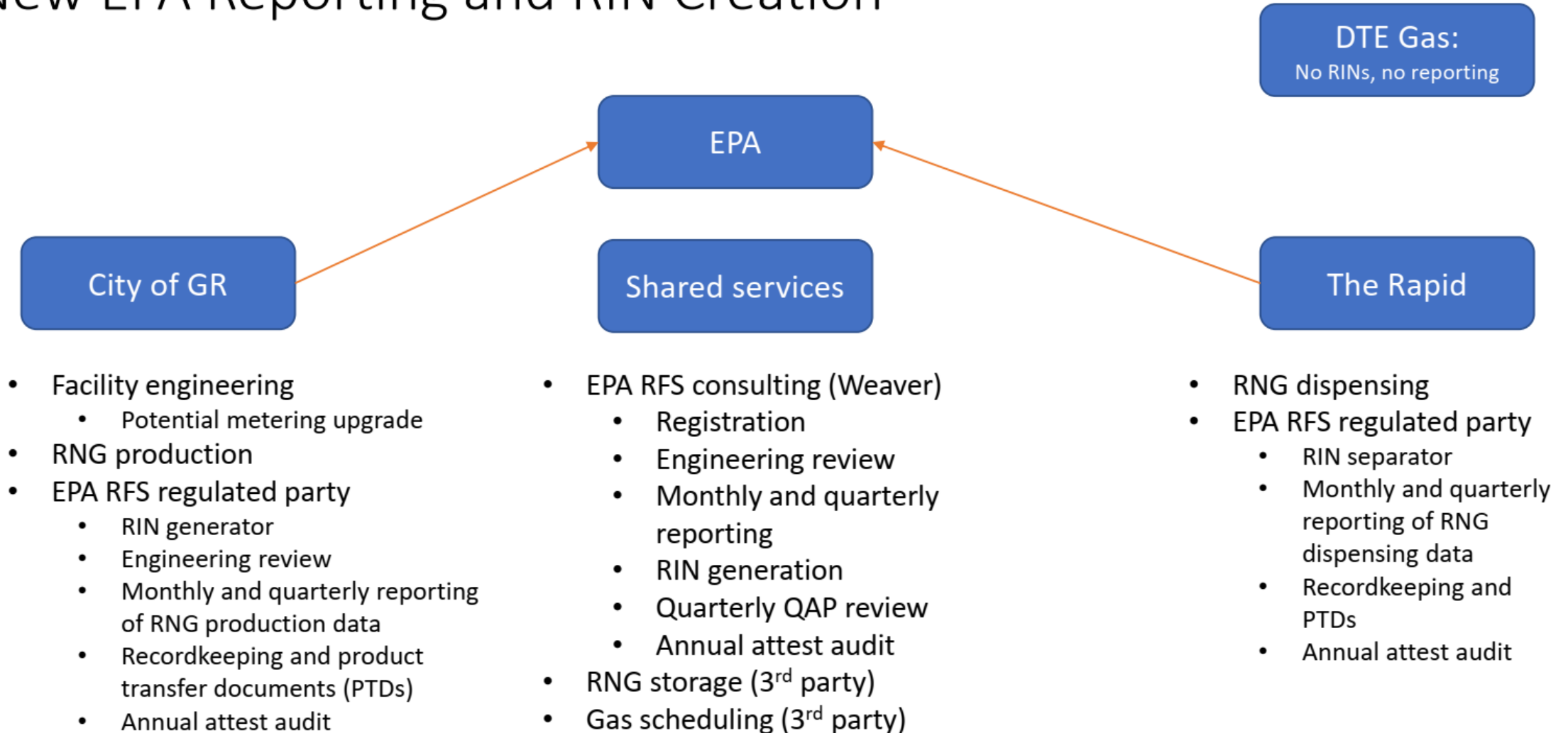


- Facility engineering
- RNG production
- Supporting data and affidavits

- RNG storage and distribution
- EPA RFS regulated party
 - Supporting affidavits
 - Facility registration
 - RIN generator and RIN separator
 - QAP management
 - Monthly and quarterly reporting
 - Annual attest audit
- Weaver RFS consulting management

- RNG dispensing
- Supporting data and affidavits

New EPA Reporting and RIN Creation



Rapid RINs Income Comparison

- D3 biofuel is a type of renewable fuel that can be used for transportation in the US EPA's Renewable Fuel Standard (RFS) program. The Rapid purchases D3 RNG for its fleet, and based on the trading market, D3 fuel currently has high value RINs credits.
- In FY23/24, The Rapid earned a 4% share of all RINs sold, resulting in an income of approximately \$135,000 for the year. This is the equivalent of earning of \$0.18/DGE.
- With Clean Energy, The Rapid will earn a 12 % share of all RINs sold. As a result, ITP's approximate earnings will be about \$0.63/DGE.

Rapid RNG Processing Timeline

- Winter 2023 – The Rapid begins purchasing RNG produced by the City of Grand Rapids from their biodigester via DTE Energy Trading (DTE ET)
 - February 2024 – DTE informs The Rapid of a change in EPA regulations; DTE ET can no longer act as our RINs separator as of January 1, 2025
 - Summer 2024 – The Rapid solicits proposals for the provision of RNG, processing of RINs credits and maintenance of The Rapid's CNG station
 - October 2025 – Rapid Board approves contract with Clean Energy
 - Winter 2024/2025 – The Rapid purchases RNG from the City of Grand Rapids as they bring on a broker to sell their RNG
 - Spring 2025 – The Rapid begins receiving 100% of our RNG from Clean Energy who also acts as our RINs separator
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