

**FY 2017**

**LOCAL PUBLIC TRANSIT**

**REVENUE AND EXPENSE MANUAL**

**with Nonfinancial Operating Data Definitions**



**OFFICE OF PASSENGER TRANSPORTATION**

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**Effective for October 1, 2016 - September 30, 2017**

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### Acronyms/Definitions

Act 51	Act 51 of the Public Acts of 1951, as amended
CTF	Comprehensive Transportation Fund
CAP	Cost Allocation Plan
DB	Defined Benefit
DC	Defined Contribution
DR	Demand-Response (acronym used on PTMS)
FTA	Federal Transit Administration
JARC	Job Access and Reverse Commute Program
LH	Line-Haul (acronym used on PTMS)
MDOT	Michigan Department of Transportation
NF	New Freedom Program
OPT	Office of Passenger Transportation
OAR	Operating Assistance Report

PM OPT Project Manager

PTMS Public Transportation Management System

Contracts:

Contract: Any legally binding agreement between parties regardless of the terminology used at the different governmental levels (e.g., federal grant, state master agreement and project authorizations, local contract).

Competitively bid contract: Contract or agreement to provide transit service in which there was a competitive bid process. In a competitive bid process, a transit agency must bid its fully allocated costs.

Negotiated Contract: A contract or agreement to provide transit service in which there is no competitive bid process.

Functions:

Expenses are classified by code and function. The functions are: Operations, Maintenance, or General Administration. See the Expenses section of this Manual for more detail. Throughout this Manual reference to the expense function is noted with a different font for example: *Maintenance* indicates that expense should be entered into the Maintenance function.

## Purpose of Manual & Reporting Requirements

This Manual is used to report revenues and expenses on an OAR submitted on PTMS for the following operating programs:

- State Operating Assistance
- JARC<sup>1</sup>
- NF

Budget, quarterly, and annual reconciled OARs are required to be submitted through PTMS. Budgets for the State Operating Marine Passenger, JARC, and NF Programs are due on February 1<sup>st</sup> of each year. Budgets for State Operating Regular Service Passenger Program are due on March 1<sup>st</sup> of each year. Annual reconciled OARs are due 40 days after the end of the state's fiscal year and must be based on that year (e.g., October 1<sup>st</sup> through September 30<sup>th</sup>). Quarterly OARs are due 40 days after the end of each quarter.

The CTF Specialized Services Program has its own manual called the "Specialized Services Manual" (effective 10/1/15) and can be found at our website <http://www.michigan.gov/mdotptd>. Scroll down to the "Resources" box; click on the drop down arrow; select "Audit/Accounting Information;" then click "Go."

## Basic Guidelines

- A: Expenses are eligible for reimbursement under the State Operating Assistance (Formula) Program if they are:
- Incurred<sup>2</sup> for public transportation purposes;
  - Reasonable and necessary for proper and efficient operations;
  - Categorized according to this Manual;
  - Supported by adequate source documentation;
  - Treated consistently year to year;
  - In accordance with Generally Accepted Accounting Principles (GAAP) unless otherwise provided for in this Manual;
  - Based on an approved OPT CAP, if required (contact your PM);
  - Based on the accrual accounting method;
  - Not expensed twice (commonly referred to as "double dipping");

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<sup>1</sup> The Federal Section 5316 JARC Program has been incorporated to the Federal Section 5307 and Section 5311 programs. As of the date of this Manual, program information relating to JARC may have changed. Any questions should be directed to your PM.

<sup>2</sup> Obligating expenses through the execution of a purchase order is not "incurred." An expense is not incurred, and should not be reported on an OAR until the service has been provided, or the goods have been delivered.

- Not pass-through funds or funds transferred back to a general or similar fund;
- Not funded under another FTA/OPT or capital program. Refer to Appendix B for the proper reporting on the OAR of capital funds used for operating expenses;
- Not funded with federal and/or state grant/money dedicated to pay for a particular expense.

**B: Ineligible expenses improperly reimbursed in previous years that have been closed out can be, based on the discretion of the OPT, subtracted out in the year discovered.** Proficiency in understanding when an operating expense is ineligible for State Operating Assistance reimbursement is mandatory in fairness to all transit agencies statewide. If there is any question as to whether or not an expense is eligible for State Operating Assistance, contact your PM to obtain a written response from OPT.

**C:** Generally, if 100% of an activity benefits general public transportation, 100% of the expenses associated with that activity may be considered eligible operating expenses. However, if the activity benefits both public transportation and some other entity and/or governmental unit and/or OPT program, then the expenses may require an approved CAP (refer to Appendix C). If you are not sure whether or not you need an OPT approved CAP, please contact your PM to obtain a written response from OPT.

**D:** When this Manual is silent, 2 CFR Part 225 (formerly OMB Circular A-87) applies. This Manual is primarily intended to be consistent with the basic guidelines and cost principles of 2 CFR Part 225. Any inconsistency should be brought to the attention of your PM.

## Revenues

Revenue is defined as all income generated as a result of providing public transportation service. The Basic Guidelines listed on the previous page generally apply to Revenues as well. Also:

- Retained earnings used to cover an operating deficit are not revenue in that year. Retained earnings is money earned and reported in prior years and should not be reported again when used.
- Money expensed on the books, yet retained by the transit agency is not revenue (see example below code 50103 Dispatchers' Salaries and Wages regarding a medical self-insurance fund),
- Federal and State operating assistance received in the current year for prior year's expenses (e.g., the final Section 5311 payment and/or adjustments made to State Operating Assistance based on reconciled or audited distributions) are not revenue in the current year and should not be reported on the current year's OAR.
- Cash donations are considered local revenue and should be reported in 40699 Other Auxiliary Transportation Revenues. Any expenses associated with earning the cash donations must be subtracted out as ineligible under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.

## Fare Revenue

**40100 Passenger Fares.** All income received: (1) directly from passengers, paid either in cash or through pre-paid tickets, passes, etc., and (2) from entities/organizations that purchase service on a “per passenger” basis. This code also includes other miscellaneous revenue such as fares received from 50800 Purchased Transportation Services, “Park and Ride” fees, and donations from passengers who board the vehicle.

### FARES JARC and NF Programs:

40100 Passenger Fares earned for the Federal Section 5316 JARC and Federal Section 5317 NF cannot be used as local match, but must be subtracted out as ineligible under 55000 Ineligible JARC and NF Fares.

Income from contracts to provide human service transportation (e.g., community mental health) are reported in either 40930 Local Service Contract/Federal Source (other than FTA), 40940 Local Service Contract/State Source (other than OPT), 40950 Local Service Contract/Local Source, or 40980 Local Service Contract/Competitive Bid. These contract fares as well as contracts based on a “per passenger” fee are reported in 40100 “Passenger Fares” and may be used as local match for JARC and NF operating assistance. If not used as local match, then income from contracts to provide human service transportation is used to reduce the net project cost and must be subtracted out as ineligible under 55000 Ineligible JARC and NF Fares.

For example: If an agency receives funding from their county's general fund and/or from a human service agency to provide the full amount of the local match, any contract fares they receive will **NOT** be considered local match and must be subtracted out as ineligible. If an agency gets local funding from their municipality or other organizations and it provides only a portion of the required local match, contract fares up to the amount needed for the local match will not need to be subtracted out as ineligible; any fares collected above the amount needed for the full local match will have to be subtracted out as ineligible.

Because MDOT does not provide match for NF operating assistance, in most cases contract fares will not have to be subtracted out as ineligible for NF programs. However, because MDOT provides the match for JARC operating assistance, contract fares are not used as local match and must be subtracted out as ineligible for JARC programs.

Note: FTA program funds may not be used as a source of local match for other FTA programs, even when used to contract for service. For example, if a Section 5316 subrecipient has a service contract to buy service from a Section 5311 provider, the Section 5311 provider may not use the revenue from the Section 5316 service contract as local match for other FTA grants.

## Package & Charter Revenue

**40400 Package Delivery/Meal Delivery Programs** (e.g., Meals on Wheels) cannot conflict with public transit services, nor result in a reduction of service to transit passengers. Do NOT count packages/meals as passengers. Package delivery must be incidental to providing public transportation services. The comment field must state that the package delivery is “incidental

service”. An OPT approved CAP is required for both package and meal delivery. The comment field must state “CAP applied”. Expenses associated with package and meal delivery are not eligible and must be subtracted out under 55008 Other Ineligible Expenses.

**40500 Charter Service.** The comment field must state that the charter service provided is being provided under an exception as defined in 49 CFR Part 604 – Charter Service.

Charter service cannot: (1) interfere with or detract from the provision of the public transportation service for which the equipment or facilities were FTA/MDOT funded; or (2) shorten the public transportation life of the equipment or facilities. For example, 1,000 miles of incidental charter shortens the life of the vehicle by 1,000 miles. Therefore, 1,000 miles must be added to the end of the useful life of that vehicle. Documentation must show that mileage and/or hours are recorded.

If charter service is provided (under a 49 CFR Part 604 exception): (1) there must be an OPT approved CAP based on hours (not miles), (2) expenses associated with charter service must be subtracted out under 55015 Ineligible Charter Expense, and (3) 630 Charter Service Hours and 631 Charter Service Miles must be reported on the nonfinancial portion of the OAR. The comment field must state “CAP applied.”

## **Auxiliary Transportation Revenue**

Income earned from services offered to: (1) aid and assist passengers in their travels, and (2) help finance public transportation.

**40610 Concessions** revenues are earned from operating or granting rights to concessionaires to operate newsstands, candy counters, vending machines, etc. on transit agency property. If the transit agency rents space to a third party concessionaire, an OPT approved CAP may be necessary. Expenses associated with concessions are not eligible and must be subtracted out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue. If no expenses were incurred generating this revenue, that must be stated in the comment field. If no expenses are reported under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue and no explanation is given in the comment field, then OPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the OPT approved CAP.

**40615 Advertising** revenue is earned from displaying advertising materials on transit agency vehicles and property. Expenses associated with equipping vehicles with advertising signs or maintaining the signs, including labor, are not eligible and must be subtracted out under 56002 Ineligible Expenses Associated with Advertising Revenue. The comment field must explain how the expenses associated with this revenue are determined (e.g., verbal or written agreement with a third party, did the work themselves). If no expenses were incurred generating this revenue, then that must be stated in the comment field. If no expenses are reported under 56002 Ineligible Expenses Associated with Advertising Revenue and no explanation is given in the comment field, then OPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount.

Note: Do not confuse the expenses associated with this revenue code with the advertising expenses reported in code 50302 Advertising Fees. The 40615 Advertising is revenue the transit agency earns from displaying advertising materials on transit agency vehicles and property. The 50302 Advertising Fees are expenses the transit agency incurs to print schedules of routes and

time, procurement goods and services, dispose of surplus materials, and/or recruit personnel.

**40620 Intercity Ticket Sales** revenue is earned from the sale of intercity bus tickets (e.g., Greyhound, Indian Trails). If the transit agency employee has joint job responsibilities between intercity and public transportation, the employee's time is an eligible expense under 50102 Other Salaries and Wages *General Administration*. The revenue earned from ticket sales does not need to be subtracted out as ineligible. Only the commission earned from intercity bus sales should be reported in this code.

**40699 Other Auxiliary Transportation Revenues** include cash donations and revenues earned from auxiliary services other than those specified in 40610 through 40620. An explanation must be provided in the comment field. Ineligible expenses associated with these revenues must be subtracted out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue. If no expenses were incurred generating this revenue, that must be stated in the comment field. If no expenses are reported under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue and no explanation is given in the comment field, then OPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount.

## Nontransportation Revenue

Income earned from the use, lease, and/or sale of public transportation property where these activities do not interfere with or detract from the public transportation service for which the property was acquired.

**40710 Sale of Maintenance Services** revenue is earned from providing maintenance services on vehicles, equipment, and facilities not owned or used by the transit agency. An OPT approved CAP is required. The comment field must state "CAP applied". Expenses are not eligible and must be subtracted out under 56001 Ineligible Expenses Associated with the Sale of Maintenance Service. If no expenses were incurred generating this revenue, that must be stated in the comment field. If no expenses are reported under 56001 Ineligible Expenses Associated with the Sale of Maintenance Service and no explanation is given in the comment field, then OPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the OPT approved CAP.

**40715 Rental of Revenue Vehicles** is earned from renting transit agency revenue vehicles to other transit agencies or organizations providing public transportation. An OPT approved CAP is required. The comment field must state "CAP applied". Expenses are not eligible and must be subtracted out under 56004 Ineligible Expenses Associated with Rentals. If no expenses were incurred generating this revenue, that must be stated in the comment field. If no expenses are reported under 56004 Ineligible Expenses Associated with Rentals and no explanation is given in the comment field, then OPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the OPT approved CAP.

**40720 Rental of Buildings or Other Property** revenue is earned from renting transit agency buildings and property, including equipment and vehicles (other than 40715 revenue vehicles) to other entities or organizations. An OPT approved CAP is required. Expenses are not eligible and must be subtracted out under 56004 Ineligible Expenses Associated with Rentals. If no expenses were incurred generating this revenue, that must be stated in the comment field. If no expenses are reported under 56004 Ineligible Expenses Associated with Rentals and no explanation is



given in the comment field, then OPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the OPT approved CAP.

**40725 Parking Lot Revenue** is earned from parking fees other than at “Park and Ride” locations which is reported under 40100 Passenger Fares. An OPT approved CAP is required. The comment field must state “CAP applied”. Expenses are not eligible and must be subtracted out under 56004 Ineligible Expenses Associated with Rentals. If no expenses were incurred generating this revenue, that must be stated in the comment field. If no expenses are reported under 56004 Ineligible Expenses Associated with Rentals and no explanation is given in the comment field, then OPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the OPT approved CAP.

**40760 Gains from the Sale of Capital Assets** are revenue if the proceeds from the disposal of a capital asset are contractually allowed to be retained by the transit agency and are used to provide public transportation. All gains must be itemized in the comment field and include a description of the item(s) sold, the sale price, and the resulting gain. If the item was a revenue vehicle, include the local number, the state 71 number, and/or the VIN.

The total amount reported in this code can be verified with the amount reported in the “Disposal Information” section of the PTMS.

A gain should *not* be reported under this code if the property is given in exchange as part of the purchase price of a similar item and the gain is taken into account in determining the depreciation basis of the new item.

**40799 Other Nontransportation Revenues** are earned from nontransportation activities other than those listed in 40710 through 40760 and must be explained in the comment field. An OPT approved CAP may be required. If a CAP is required, the comment field must state “CAP applied”. Expenses associated with 40799 Other Nontransportation Revenue are not eligible and must be subtracted out under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue. If no expenses were incurred generating this revenue, that must be stated in the comment field. If no expenses are reported under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue and no explanation is given in the comment field, then OPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, if applicable, the OPT approved CAP.

### **Know when Federal and State money is considered Local Share!**

Generally the following statements summarize the difference between when federal and state funds/monies are: (1) to be considered local share, and therefore, do not need to be subtracted out as ineligible, or (2) ineligible and must be subtracted out under either 55004 Other Ineligible State Contracts or 57099 Other Ineligible Federal/State/Local. Those three statements are:

1. FTA and/or OPT funds cannot be categorized as local funds regardless of the contractual parties. For example:
  - i. FTA contracts with Community Transportation Association of America (CTAA) to distribute JARC funds, and then a transit agency contracts with CTAA to provide the JARC service and to receive the FTA funds. The JARC funds are still considered federal/FTA funds even though the transit agency received the funds from CTAA.
  - ii. OPT contracts with a county government to provide Specialized Service, and then the

county government contracts with a transit agency to provide the specialized transit service and to receive the OPT funds. The Specialized Service funds are still considered state/OPT funds even though the transit agency received the funds from a county government.

- iii. MDOT and a Metropolitan Planning Organization (MPO) sign a planning contract. The MPO contracts with a transit agency to execute the planning contract. The planning funds are still considered federal and/or state funds even though the transit agency received the funds from the local MPO.
2. Any federal and state monies received by the transit agency that: (1) are not specifically FTA or OPT funded, and (2) are intended to purchase service and/or to fund public transportation in general is considered local funding and should be reported either as code 40100 Passenger fares, or 40930 Local Service Contract/Federal source or 40940 Local Service Contract/State source.
3. FTA federal and state grants that are directed towards paying for a particular expense (e.g., Department of Justice grant to pay for security) are ineligible and must be subtracted out under either 55004 Other Ineligible State Contracts or 57099 Other Ineligible Federal/State/Local.

**If there is any question as to whether or not the funds received from a federal or state grant need to be subtracted out as ineligible, contact your PM to obtain a written response from OPT.**

## **Local Revenue**

**40800 Taxes Levied Directly for/by Transit Agency** are taxes collected directly for public transit (e.g., millage). Expenses incurred conducting a millage election are eligible provided the information concerning the election is factual and neutral, and should be reported under 50399 Other Services *General Administration*. Expenses that are influential in nature should be reported under 50907 Lobbying, and must subtracted out under 58005 Ineligible Lobbying Expense.

**40910 Local Operating Assistance.** Operating funds received from local governmental units (e.g., general fund) other than taxes levied in 40800. "Operating funds" include the value of services received by a local unit of government of which the transit agency is a part. The valuation of the services must be supported by an OPT approved cost allocation for centralized service.

Note: A separate legal entity, such as an authority or corporation, cannot be a part of a local unit of government.

**40930 Local Service Contract/Federal Source.** Revenue earned on a contract that:

- Was negotiated,
- Was not based on "per passenger" calculation,
- Used federal monies (other than FTA) as the funding source, and
- Does not exclude the general public ("open door").

**40940 Local Service Contract/State Source.** Revenue earned on a contract that:

- Was negotiated,
- Was not based on "per passenger" calculation,
- Used state monies (other than OPT) as the funding source, and
- Does not exclude the general public ("open door").

**40950 Local Service Contract/Local Source.** Revenue earned on a contract that:

- Was negotiated,
- Was not based on “per passenger” calculation,
- Used local monies or funds unidentifiable as federal and/or state as the funding source, and
- Does not exclude the general public (“open door”).

**40980 Local Service Contract/Competitive Bid.** Contractual fees paid on a contract awarded through a competitive bid process, and therefore includes the fully-allocated costs of the service.

Note: Contracts based on a “per passenger” calculation is reported in 40100 Passenger Fares. Contracts that use FTA and/or OPT funding should be reported in 413xx and 411xx, respectively.

**40999 Other Local Contracts and Reimbursements** are revenue earned other than those specified in 40800 through 40980 and must be explained in the comment field. Depending upon the local contract, expenses incurred or revenue received under the contract may not be eligible and would have to be subtracted out under 55005 Ineligible Local Contracts. If the local revenue is match for a federal and/or state contract, then cite the contract and authorization number in the comment field.

## State Revenue

**41101 State Operating Assistance** earned pursuant to Section 10e(4)(a) of Act 51. Funds are distributed statewide on the basis of total eligible operating expenses as determined by this Manual.

Note: Do not include State Operating Assistance received for previous years. When State Operating Assistance is redistributed based on annual reconciliations and annual CPA audits, OPT enters the adjusted amount into PTMS.

**41110 Line-Item Municipal Credit** is the appropriations paid to transit agencies created under the Metropolitan Transportation Authorities Act of 1967, Act No. 204 of the Public Acts of 1967. Municipal credit money distributed within the State Operating Assistance payment should be reported under 41101 State Operating Assistance.

**41111 Preventive Maintenance** is the state revenue received (federal revenue is reported in 41311) under a capital contract to pay for the routine maintenance of buses and buildings. Maintenance expenses paid by a capital contract are not eligible and must be subtracted out under 55011 Ineligible Preventive Maintenance. For the annual reconciled OAR only, the comment field must either: (1) list the revenue individually by state contract and authorization number, or (2) state that the annual audit will provide an assurance that no preventive maintenance expenses paid for under a capital contract are included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

**41112 Planning/Capital Cost of Contracting** is the state share revenue received (federal revenue is reported in 41312) under a capital contract to pay for planning and capital costs associated with providing transit service. Operating expenses paid by a capital contract are not eligible and must be subtracted out under 57602 Ineligible Planning/Capital Cost of Contracting. For the annual reconciled OAR only, the comment field must either: (1) list the revenue individually

by state contract and authorization number, or (2) state that the annual audit will provide an assurance that no planning/capital cost of contracting expenses paid for under a capital contract are included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

**41113 Capital Contract Reimbursement for Administrative Expenses** is the state revenue received (federal revenue is reported in 41313) under a capital contract to pay for administrative expenses associated with that contract (including monitoring capital expenditures). The administrative expenses reimbursed under this code are not eligible and must be subtracted out under 57603 Ineligible Administrative Expense Paid by Capital Contract. For the annual reconciled OAR only, the comment field must either: (1) list the revenue individually by state contract and authorization number, or (2) state that the annual audit will provide an assurance that no administrative expenses paid for under a capital contract are included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

**41114 Other Capital Contract Reimbursement for Operating Expenses** is the state revenue received (federal revenue is reported in 41314) under a capital contract to pay for operating expenses (e.g., mobility management, lease expenses associated with office space or a building, shop/maintenance equipment, and miscellaneous bus equipment)<sup>3</sup>. The expenses reimbursed by the revenue reported in this code must be subtracted out as ineligible under 57604 Other Ineligible Operating Expense Paid by Capital Contract. For the annual reconciled OAR only, the comment field must either: (1) list the revenue individually by state contract and authorization number, or (2) state that the annual audit will provide an assurance that no operating expenses paid for under a capital contract are included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

**41199 Other MDOT/OPT Contracts and Reimbursements** are revenue earned other than those specified in 41101 through 41114 and must be explained in the comment field.

Report: (1) the federal revenue associated with this code under 41399 Other Federal Transit Contracts and Reimbursements, and (2) the local revenue, if any, under the appropriate local revenue code. For example, if the local match were funded with millage money or from the general fund, then that revenue would, most likely, already be included in the dollar amount reported in 40800 Taxes Levied Directly for/by Transit Agency or 40910 Local Operating Assistance. If the local match was funded by a local contract, then the contractual dollar amount should be reported in 40999 Other Local Contracts and Reimbursement.

Depending upon the contractual language, either the expenses incurred or the revenue received may not be eligible and should be subtracted out under 55004 Other Ineligible State Contracts unless the contract has a federal portion, then use 57099 Other Ineligible Federal/State/Local. If the contract requires a local match, then the local match should also be subtracted out under 57099 Other Ineligible Federal/State/Local. For the annual reconciled OAR only, the comment

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<sup>3</sup> Shop/maintenance and miscellaneous bus equipment can only be expensed if the equipment cost less than \$5,000 with a useful life of less than one year. Any purchases (or lease if applicable) that cost more than \$5,000 with a useful life of more than one year should be capitalized and then depreciated under 51300 Depreciation. If a purchase or lease is capitalized, then the revenue (federal, state, and/or local) is not reported in this code or anywhere else on the Regular Service OAR.

field must either: (1) list the federal grant, and state contract and authorization number, or (2) state that the annual audit will provide an assurance that any expenses paid for under the contract are not included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

## Federal Revenue

**41301 Section 5311** is federal operating assistance earned that is calculated based on a percentage determined by OPT. The revenue reported in this code does not need to be subtracted out as ineligible.

Section 5311 Capital funding used for operating should be reported in 41314 Other Capital Contract Reimbursement for Operating Expenses. Do not report Section 5311 capital assistance used to purchase capital in this code. Refer to Appendix B for further detail.

Note: Do not include federal Section 5311 money received for previous years. When Section 5311 is redistributed based on annual CPA audits, OPT enters the adjusted amount into PTMS.

**41302 Section 5307 Operating** is federal assistance that reimburses up to 50 percent of a transit agency's net deficit. Net deficit is defined as total eligible operating expenses less 40100 Passenger Fares. The revenue reported in this code does not need to be subtracted out as ineligible.

Section 5307 Capital funding used for operating should be reported in one of the following codes: 41311 Preventive Maintenance, 41312 Planning/Capital Cost of Contracting, 41313 Capital Contract Reimbursement for Administrative Expenses, or 41314 Other Capital Contract Reimbursement for Operating Expenses. Do not report Section 5307 capital assistance used to purchase capital in this code. Refer to Appendix B for further detail.

Note: If a transit agency provides both nonurban (Section 5311) and urban (Section 5307) services, an OPT approved CAP is required.

**41311 Preventive Maintenance** is the federal share to the 41111 Preventive Maintenance code and must be subtracted out under 55011 Ineligible Preventive Maintenance. If the state contract and authorization number(s) were not reported in 41111, then the comment field (*for the annual reconciled OAR only*) must either: (1) list the federal grant, and state contract and authorization number, or (2) state that the annual audit will provide an assurance that no preventive maintenance expenses paid for under a capital contract are included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

**41312 Planning/Capital Cost of Contracting** is the federal share to the 41112 and must be subtracted out under 57602 Ineligible Planning/Capital Cost of Contracting. If the state contract and authorization number(s) were not reported in 41112, then the comment field (*for the annual reconciled OAR only*) must either: (1) list the federal grant, and state contract and authorization number, or (2) state that the annual audit will provide an assurance that no planning/capital cost of contracting expenses paid for under a capital contract are included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

**41313 Capital Contract Reimbursement for Administrative Expenses** is the federal share to the 41113 and must be subtracted out under 57603 Other Ineligible Administrative Expense Paid by Capital Contract. If the state contract and authorization number(s) were not

reported in 41113, then the comment field (*for the annual reconciled OAR only*) must either: (1) list the federal grant, and state contract and authorization number, or (2) state that the annual audit will provide an assurance that no administrative expenses paid for under a capital contract are included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

**41314 Other Capital Contract Reimbursement for Operating Expenses** is the federal share to the 41114 and must be subtracted out under 57604 Other Ineligible Operating Expense Paid by Capital Contract (e.g., capital funds from some programs may be used to pay for fuel costs for vehicle operations, including utility costs for the propulsion of vehicles - both the 80% and 20% match are ineligible for formula fund reimbursement). If the state contract and authorization number(s) were not reported in 41114, then the comment field (*for the annual reconciled OAR only*) must either: (1) list the federal grant, and state contract and authorization number, or (2) state that the annual audit will provide an assurance that no operating expenses paid for under a capital contract are included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

**41398 RTAP.** Rural Transit Assistance Program provides funds to assist in training, technical assistance, research, and other support services for nonurbanized transit agencies. Expenses reimbursed by this program are not eligible and must be subtracted out under 57402 Ineligible RTAP.

**41399 Other Federal Transit Contracts and Reimbursements** are revenue earned other than those specified in 41301 through 41398 and must be explained in the comment field.

If state and/or local match is required, then report the dollar amount of the state match under 41199 Other MDOT/OPT Contracts and Reimbursements and the dollar amount of the local match under the appropriate local revenue code. For example, if the local match were funded with millage money or from the general fund, then that revenue would, most likely, already be included in the dollar amount reported in 40800 Taxes Levied Directly for/by Transit Agency or 40910 Local Operating Assistance. If the local match was funded by a local contract, then the contractual dollar amount should be reported in 40999 Other Local Contracts and Reimbursement.

Depending upon the contractual language, either the expenses incurred or the revenue received may not be eligible and should be subtracted out under 57099 Other Ineligible Federal/State/Local along with any contractually required state and/or local match. *For the annual reconciled OAR only*, the comment field must either: (1) list the federal grant, and state contract and authorization number, or (2) state that the annual audit will provide an assurance that any expenses paid for under the contract are not included in total eligible expenses to be reimbursed with 41101 State Operating Assistance.

## Other Revenue

**41400 Interest Income** is interest earned on all local, state, and federal operating revenues including retained earnings. Do not include interest earned on funds received from capital projects. If interest is earned on capital funds, the interest must be credited to the specific capital project.

**43000 Contributed Services** is the cash equivalent of donated services that benefit transit operations and would need to be purchased if the services were not donated. This code is used for all contributions other than those provided by a county or local government of which the transit

agency is a part. If the transit agency is part of the county or local government, then the monetary value of services provided by that county or local government should be reported in 40910 Local Operating Assistance.

To report revenue associated with contributed services:

- The services must be supported by actual documentation based on an OPT approved CAP. The comment field must state "CAP applied",
- The services must be provided by individuals possessing the necessary skills,
- The services would typically be purchased if not provided by donation, and
- The services cannot be in-kind contributions of property and equipment.

The cash equivalent of what would be the expense if paid for by the transit agency is NOT an eligible expense. The value of donated services may be used to meet cost sharing or matching requirements. If the cash equivalent of the donated services is included in total expenses, it must be subtracted out under 55008 Other Ineligible Expenses and the amount of the contributed services must be stated in the comment field.

**44000 Refunds and Credits** must be reported in this code and must be subtracted out as ineligible under 54000 Ineligible Refunds and Credits. This includes any reimbursements, credits, and/or refunds such as recoveries or indemnities on losses, insurance refunds or rebates that offset or reduce expenses. Please explain in the comment field.

Reimbursements, credits, and/or refunds reported in this code are not considered local share.

Note: Do not report overpayment and/or underpayment adjustments made to federal and state operating assistance based upon a reconciled or audited re-distribution. After the re-distributed amounts are calculated, OPT enters those amounts into the PTMS.

# Expenses

Be sure to classify expenses by function: Operations, Maintenance, or General Administration.

*Operation* expenses are incurred when transporting passengers, such as:

- Drivers' wages and benefits.
- Supervising dispatchers, drivers, and scheduler's.
- Dispatching, radio monitoring.
- Oil, gas, tires.
- Insurance for revenue vehicles.

*Maintenance* expenses are incurred when maintaining transit assets, such as:

- Mechanics' wages and benefits.
- Supervising mechanics.
- Maintenance and repair of transit assets.
- Shop tools and supplies.

*General Administration* expenses are incurred in office functions, such as:

- Bookkeepers' and data processors' wages and benefits.
- Supervising office personnel.
- Counting fares.
- Financial activities (e.g., auditing, purchasing, marketing).
- Insurance except for insurance on revenue vehicles.

It is not always possible to relate costs directly to one functional category. For example, an employee may work as both a dispatcher and a bus driver; in such cases, distribute or allocate costs among the various functions for which they are incurred. Costs should be distributed when it is possible to identify the specific portions that relate to each function supported. For example, the total cost of an employee involved in several functions can be distributed if the time spent on each function is known. When the portion of total cost spent on each function cannot be specifically identified, allocate costs among functions based on measures that most closely match the way the employee spent his/her time. The method used to allocate costs between functional categories does not need to be approved by OPT. Some OAR codes, such as 50401 Fuel and Lubricants and 50500 Utilities, require that all the expenses be put in only one functional category.

Allocations and distributions need not and cannot be exact; therefore, very costly or time-consuming methods are not recommended.



## Compensation

Employees often earn two types of compensation in exchange for their services – current compensation which is reflected in their paycheck and deferred compensation which is not received until after the employee retires and vesting and age requirements have been met. Current compensation is reported in 50101, 50102, and 50103. Deferred compensation is reported in 50210, 50220, and 50230.

**50101 Operators' Salaries and Wages.** Compensation paid to employees classified as bus drivers. *Operations*

**50102 Other Salaries and Wages.** Compensation paid to employees not classified as bus drivers or dispatchers. Please classify the expenses by the appropriate function:

- Maintenance personnel. *Maintenance*
- Office personnel. *General Administration*
- Managerial and supervisory personnel. *General Administration*

Expenses of advisory councils, authority boards, transportation committees, etc. are eligible for reimbursement for both 41101 State Operating Assistance and 41301 Section 5311 funds if the sole responsibility of the entity is related to the transit agency. If the transit-related entity has responsibilities other than those connected to the transit agency, only the expenses directly attributable to the governance of the transit agency are eligible. Expenses relating to the general cost of government (e.g., city councils, county commissions) are not eligible and must be subtracted out under 55008 Other Ineligible Expenses. Compensation paid to transit board members should not exceed the standard practice for local political bodies in the service area. *General Administration*

This expense code also includes the in-house labor associated with planning activities, project administration, and preventive maintenance paid for under a capital contract. Planning expenses must be subtracted out as ineligible under 57602 Ineligible Planning/Capital Cost of Contracting. Project administration expenses must be subtracted out as ineligible under 57603 Other Ineligible Administrative Expense Paid by Capital Contract. Labor associated with preventive maintenance expenses must be subtracted out as ineligible under 55011 Ineligible Preventive Maintenance.

**50103 Dispatchers' Salaries and Wages.** Compensation paid to employees classified as dispatchers. *Operations*

Note: Payroll retained by the transit agency to fund a self-insurance medical fund must be subtracted out as ineligible. Consider the following example:

For each \$100 incurred for payroll, the Dial-A-Ride expenses \$100 on the books, pays the employee \$85 in wages, and then retains \$15 to fund a medical self-insurance fund. Medical claims against the self-insurance fund are expensed when paid. Therefore, the accumulation of \$15 per \$100 incurred for payroll is inappropriately expensed twice – once as a payroll expense and a second time as a health care expense. This unacceptable practice is commonly referred to as “double dipping.” Additionally, it is inappropriate to record the retained \$15 as “revenue” within the meaning of revenue codes 40100 through 44000.

## Fringe Benefits

Fringe benefits are payments made or due by the transit agency on the employees' behalf. These are costs over and above "labor" that arise from the employment relationship. Costs of goods or services for personal use of the transit agency's employees are ineligible regardless of whether or not the cost is reported as taxable income to the employees and should be subtracted out as ineligible under 58010 Ineligible Benefits.

**50200 Fringe Benefits.** Expenses should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification.

The expense associated with termination benefits, whether the termination was voluntary or involuntary, is not eligible unless actually paid.

The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are eligible if:

- They are provided under established written leave policies;
- The costs are equitably allocated to all related activities; and
- The basis of accounting is accrual. Accrual of leave time is eligible based on the lesser of the amount accrued or funded.

The cost of fringe benefits in the form of employer contributions or expenses for employee life, health, and other similar benefits are eligible provided such benefits are granted under established written policies. Fringe benefits include:

- Social Security – Medicare.
- Dental, hospital, medical, and surgical plans.
- Life and disability insurance plans.
- Uniform and work clothing allowances.
- Merit based pay bonuses approved by the transit agency's board.
- Workers' compensation and unemployment insurance. The type, extent, and cost of coverage must be in accordance with laws, governmental policy, and sound business practices. Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are eligible to the extent that:
  - The provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been eligible had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.
  - Earnings or investment income on reserves must be credited to those reserves.
  - Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be

analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverage will normally be limited to the value of claims: (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the CAP or indirect cost rate proposal.

- Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the governmental unit. If individual departments or agencies of the governmental unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.
- When funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the state and federal government for its share of funds transferred, including earned or imputed interest from the date of transfer.

Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits are eligible in the year of payment provided:

- The governmental unit follows a consistent costing policy, and
- They are allocated as a general administrative expense to all activities of the transit agency or governmental unit.

## **Deferred Compensation**

The accounting for retirement benefits is complex with its methods of measurement and recognition. Complying with the Governmental Accounting Standards Board's (GASB) reporting and disclosure pronouncements should not undermine the intent of Public Act 51 of 1951, as amended, which is to reimburse actual expenses incurred for public transportation purposes.

The possibility exists that different entities will have different year-ends. For example, a transit agency with a June 30<sup>th</sup> local year-end uses actuarial information based on a measurement date ending December 31<sup>st</sup> when OPT requires reporting on a September 30<sup>th</sup> year end. A transit agency may choose a twelve month period to report retirement expenses and the associated ineligibles provided the same twelve month period is consistently applied year after year.

"Pension" is defined as a benefit paid upon retirement usually after vesting and age requirements have been met.

**50210 DC Pensions.** Report the employer's payments to contributions that are defined.

- Pay-as-you-go (e.g., 401k Defined Contribution)  
Pension plans where the amount contributed by the employer is based on a fixed dollar amount or percentage (e.g., 2% of wages) are eligible for 41101 State Operating

Assistance reimbursement to the extent paid.

- Deferred Compensation (e.g., IRC 457)  
Employer match associated with defer pre-tax income into a compensation plan maintained by a tax-exempt employer are eligible for 41101 State Operating Assistance reimbursement to the extent paid.

These pension plans usually do not have ineligibles associated with them because the employer pays a fixed percentage, in other words, there is no actuarial calculation. However, if the pension expense reported in this code is not paid in full (an actual out-of-pocket payment), then the amount not paid must be subtracted out as ineligible under 58010 Ineligible Fringe Benefits.

## **50220 DB Pensions.**

In June 2015, the Governmental Accounting Standards Board (GASB) issued “GASB 71” *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. “GASB 68” *Accounting and Financial Reporting for Pensions*. In response, Michigan Employees’ Retirement System (MERS) issued, and this Manual incorporates, the “GASB 68 Implementation Guide.”<sup>4</sup> For transit agencies that participate in MERS, the pension expense reported in this code must agree with the “Total Pension Expense recognized” as calculated in STEP 6 of the Implementation Guide. For non-MERS pension plans, pension expense must be calculated and reported consistent with the Implementation Guide’s methodology. If the uniqueness of a particular plan requires deviating from the MERS methodology, prior written approval is required by OPT. Pension expense not calculated pursuant to the MERS Implementation Guide and/or without the written approval of OPT are not eligible for 41101 State Operating Assistance reimbursement.

The 5220 DB Pension expenses are eligible for 41101 State Operating Assistance reimbursement when the cost is both expensed on the books and actually paid (e.g., an out-of-pocket payment). Pension costs expensed but not paid must be subtracted out under 58020 Ineligible DB Pensions. This ineligible pension expense can be “tracked” and becomes eligible for 41101 State Operating Assistance reimbursement in the year paid. When paid, the payment amount is reported as a *negative* ineligible expense in 58020 Ineligible DB Pensions. Upon the implementation of the MERS “GASB 68 Implementation Guide,” payments made to a pension plan in excess of the calculated pension expense<sup>5</sup> can also be “tracked” and then matched to pension expense incurred in a subsequent year. The matching of unpaid pension expense in one year with an excess pension payment from another year is only permitted if the CPA audit tracks these amounts in a schedule reported in the Note to the Financial Statements.

**If there is any question as to whether or not a pension cost is an actual, out of pocket expense eligible for 41101 State Operating Assistance, contact your PM to obtain a written response from OPT.**

### REPORTING PENSION EXPENSE ON THE **QUARTERLY OARS**

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<sup>4</sup> The MERS Implementation Guides for the different local year-ends are located at <http://www.mersofmich.com/Employer/Work-Scenarios/GASB-68>.

<sup>5</sup> “Total Pension Expense recognized” as calculated in STEP 6 of the MERS GASB 68 Implementation Guide.

Actuarial information required to calculate 50220 DB pension expense may not be available until the end of the third fiscal quarter (e.g., June 30<sup>th</sup>). Because the requisite information is not available to calculate an accrual-based pension amount for the first three quarters of the fiscal year, report the *amount paid* in 50220 DB Pension. Because pension expense is only eligible to the extent paid, reporting quarterly pension expense on a cash basis produces the most reliable number for quarterly reporting. When information becomes available, calculate the annual accrual pension expense and report it on both the reconciled OAR and the fourth quarter OAR *minus* the “cash-based” pension expense reported for the first three quarters. This approach to “reconcile” the three previous quarters in the fourth quarter should not create a large discrepancy causing a “reporting” hardship or windfall. However, if such occurs, it will be addressed on an individual basis.

Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406):

- Pension plan termination insurance premiums paid pursuant to ERISA are eligible. Late payment charges on such premiums are ineligible and must be subtracted out under 58010 Ineligible Benefits.
- Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are ineligible and must be subtracted out under 58010 Ineligible Benefits.

Costs should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification. Ineligible ERISA expense must be subtracted out under 58010 Ineligible Benefits.

If the transit agency or local unit uses derivative instruments or products in their pension/OPEB investment portfolio, report the cost of the derivative and the market value at the end of the fiscal year in the comment field.

**If there is any question as to whether or not a pension cost is an actual, out of pocket expense eligible for State Operating Assistance, contact your OPT PM to obtain a written response.**

PENSION OBLIGATION BONDS: The interest on bonds issued to fund unfunded actuarial accrued pension liability is eligible if the following criterion is met:

1. Interest rate on the pension obligation bonds is fixed.
2. Debt financing of the Unfunded Actuarial Accrued Liability (UAAL) is not more costly than regular pension financing over the remaining unamortized life of the UAAL, considering bond principle, interest, issuance costs, and any other relevant factors, as determined at the time of financing.
3. All net bond proceeds are made part of pension fund assets.
4. Funding for bond principal and interest is: (a) included in each period’s pension requirement (e.g., annual, biennial, or other), (b) computed in the same manner as the actuary’s amortization of the UAAL at the time of the conversion to debt financing, and (c) calculated using the weighted average interest rate on the bonds for the period in place of the actuarially-assumed interest rate. The period’s pension requirement consists of funding for bond principal and interest applicable to the period of the pension contribution requirement computed by the actuary for normal costs and any UAAL not funded by the bonds. Alternative to (b) and (c) may be used if they do not result in substantially different pension charges.

If this criterion is not met, interest on debt issued to finance the UAAL is eligible only to the extent of the regular pension financing.

**50230 Other Post-Employment Benefits** (OPEB) are benefits other than pension provided at or after separation from employment as part of the total compensation for services. OPEB generally takes the form of health insurance and dental, vision, prescription, or other healthcare benefits. Only report non-pension benefits in this code. If a benefit is included in a pension package, the expense associated with that benefit should be reported in the applicable pension code.

OPEB plans that are actuarially-based are capped at the lesser of the amount actually paid or the calculated ARC. If the amount actually paid is less than the ARC expensed on the books, then the unpaid ARC must be subtracted out as ineligible using 58030 Ineligible OPEB (with an explanation in the comment field). When the expense is paid in later years, then the amount paid is reported as a *negative* ineligible expense in 58030 Ineligible OPEB. Negative OPEB amounts reported in 58030 are only allowable to the extent that previous OPEB amounts were subtracted out as ineligible.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement no. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* effective for financial statements for fiscal years beginning after June 15, 2016, and Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* which is effective for fiscal years beginning after June 15, 2017. GASB 74 and 75 replace GASB 43 *Financial Reporting for Post-employment Benefits other than pension*, and GASB 45 *Accounting and Financial Reporting by Employers Post-employment Benefits other than pension* which prior R&E Manuals were based.

Upon the implementation of GASB 74 and 75, OPEB expense reported in this code must be calculated pursuant to the methodology in the MERS GASB 68 Implementation Guide for pension. If the uniqueness of a particular OPEB plan requires deviating from the methodology, prior written approval is required by OPT. OPEB expense not calculated pursuant to the MERS Implementation Guide and/or without the written approval of OPT are not eligible for 41101 State Operating Assistance reimbursement.

**If there is any question as to whether or not an OPEB cost is an actual, out of pocket expense eligible for State Operating Assistance, contact your PM to obtain a written response.**

Eligible defined contributions to an Internal Revenue Code Section 115 Health Care Saving Plan (HCSP) is reported in this code.

OPT shall receive an equitable share of any previously allowed pension and OPEB costs (including earnings thereon) which revert or inure to the transit agency, or the governmental unit which the transit agency is a part, in the form of a refund, withdrawal, or other credit.

## Services

Service is labor or other work provided by outside organizations or individuals for fees and related expenses.

**50302 Advertising Fees.** Advertising expenses are eligible when incurred for the recruitment of personnel, the procurement of goods and services, the disposal of surplus materials, and any other specific public transportation purpose. *General Administration* For example, renting a booth at a county or state fair, or participating in a public event is an eligible expense provided the purpose is to advertise or market public transportation services. If the purpose of the booth or public event is for a nonpublic transportation purpose or for something considered ineligible by this Manual, then the expenses are ineligible and must be subtracted out under 55008 Other Ineligible Expenses.

**50305 Audit Costs.** All audit costs are eligible for 41101 State Operating Assistance reimbursement. Only audit costs for Single Audits that are required and performed in accordance with A-133 are eligible for federal reimbursement. The eligibility of audit costs in the current fiscal year is determined by the audit requirements of the previous fiscal year. For example, if an A-133 Single Audit was not required (or performed in accordance with A-133) in the previous fiscal year, audit costs incurred in the current fiscal year are not eligible for federal reimbursement.

Note: Regular service OARs should be completed for formula reimbursement or with audit costs reported as eligible and not backed out as ineligible. JARC and NF OARs need to have audit costs backed out as ineligible in code 55008 Other Ineligible Expenses.

**50399 Other Services.** Please explain in the comment field.

- Professional & technical services (e.g., accountants, computer service, doctors, management and transit industry consultants, security services, engineering and planning firms, attorneys) that are rendered by persons who are members of a particular profession or possess a special skill and who are not employees or board members of the transit agency. Depending upon the service, the function classification could be *Operations, Maintenance, or General Administration*.

Note: Planning expenses paid for under a capital contract must be subtracted out as ineligible under 57602 Ineligible Planning/Capital Cost of Contracting.

- Attorney fees and related expenses incurred in pursuing a claim or legal dispute against the State of Michigan or any of its officers or agents, arising out of the administration of a CTF program, are not expenses eligible for purposes of 41101 State Operating Assistance reimbursement. Attorney fees and costs that a public transit agency may be ordered to pay to another party in connection with a claim or legal dispute against the State of Michigan or any of its officers or agents are also ineligible. Likewise, attorney fees and related expenses incurred in pursuing a claim or legal dispute against the federal government or any of its officers or agencies, arising out of the administration of a FTA program, are not expenses eligible for purposes of 41101 State Operating Assistance reimbursement. Ineligible attorney fees and related expenses must be subtracted out as ineligible under 55008 Other Ineligible Expenses.
- Appraisal services procured for some purpose other than the purchase and/or sale of an asset.

Note: The cost of an appraisal to purchase and/or sell an asset must be either: (1) capitalized, or (2) subtracted out as ineligible under 55008 Other Ineligible Expenses.

- Services provided on a temporary basis by persons who are not employees or board members of the transit agency. Depending upon the service, the function classification could be *Operations, Maintenance, or General Administration*.
- Professional contractual maintenance services provided by a qualified outside organization. *Maintenance*
- Environmental Cleanup: The transit agency shall be in compliance with applicable federal, state, and local statutes, ordinances, regulations, policies, and executive orders pertaining to the environmental and resource protection. Willful failure to comply will render any environmental cleanup costs an ineligible expense for either capital or operating reimbursement.
- Millage expense. *General Administration*
- Extended warranty costs.
- Flu shots and drug testing.

## Materials and Supplies

**50401 Fuel and Lubricants** include the cost and tax of gasoline, diesel fuel, propane, compressed natural gas, lubricating oil, transmission fluid, grease, etc., for use in vehicles and equipment. CNG fuel credits for using alternative fuels must be subtracted out as ineligible under 54000 Ineligible Refunds and Credits and explained in the comment field.

**50402 Tires.** Tires purchased and/or leased under a capital contract must be subtracted out as ineligible under 57604 Other ineligible Operating Expense Paid by Capital Contract. *Operations*

**50404 Major Purchases** include big ticket items that cost less than \$5,000 (e.g., copiers, computer equipment, software, office furniture, *General Administration*; steam cleaner, storage shelving system, system/parts cleaning tanks, snow blower, *Maintenance*). All equipment purchased under a capital contract must be subtracted out as ineligible under 57604 Other ineligible Operating Expense Paid by Capital Contract. Depending upon the purchase, the function classification could be *Operations, Maintenance, or General Administration*. Please explain in the comment field.

Note: Any purchases (or lease if applicable) that cost more than \$5,000 with a useful life of more than one year should be capitalized and then depreciated under 51300 Depreciation. Refer to both the 51300 Depreciation code and Appendix A for further explanation on depreciation and the subtraction of ineligible expenses associated with depreciation.

### 50499 Other Materials and Supplies.

- Bus parts, paint for buses. *Operations*
- Shop tools, shop supplies, miscellaneous hardware, paint for facilities. *Maintenance*
- Office and computer supplies. *General Administration*

Expenses paid with a capital contract (e.g., preventive maintenance, miscellaneous bus



equipment, and spare parts) must be subtracted out as ineligible under the appropriate code. Preventive maintenance expenses must be subtracted out as ineligible under 55011 Ineligible Preventive Maintenance. Miscellaneous bus equipment and the expense incurred for spare parts must be subtracted out as ineligible under 57604 Other ineligible Operating Expense Paid by Capital Contract.

## Utilities and Insurance

**50500 Utilities.** Payments made to utility companies (e.g., telephone, electric, gas, water, sewer, GPS costs, etc.). *General Administration*

**50603 Liability Insurance.** The type, extent, and cost of coverage must be in accordance with laws, governmental policy, and sound business practices. These may include:

- Insurance premium payments provided the payments are necessary to maintain reasonable insurance protection. *Operations*
- Losses due to acts which the transit agency: (1) is liable for, (2) is not covered by insurance, but (3) has proper insurance coverage. Payments made in the current fiscal year are eligible even though the liability was incurred in a prior reporting period. If the transit agency is not properly insured, the losses are not eligible and must be subtracted out under 55008 Other Ineligible Expenses. *Operations*
- Losses not covered by insurance deductibles ( e.g., replacement of small hand tools).
- Provisions for a reserve under a self-insurance program are allowable to the extent that the types of coverage, extent of coverage, rates, and premiums would have been allowed had insurance been purchased to cover the risks. However, provisions for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the present value of the liability. Whenever funds are transferred from a self-insurance reserve to another account (e.g., general fund), refunds shall be made to the state and federal government (if applicable) for its share of funds transferred, including earned or imputed interest from the date of transfer.

Costs of insurance to cover the risk of loss of, or damage to, MDOT/FTA property is eligible to the extent mandated by "Exhibit A - Insurance Requirements" of OPT's Master Contract. Michigan Transit Insurance Pool dues are eligible only to the extent paid and not in excess of the minimum amount required.

**50699 Other Insurance** includes all expenses except those reported under 50603 Liability Insurance (e.g., fidelity bonds, business records, errors and omissions, etc.). *General Administration*

Note: Approximately 90% of the transit agency's total insurance cost is reported under 50603 Liability Insurance *Operations* and 10% percent is reported under 50699 Other Insurance. *General Administration* If reported insurance expense varies from this standard, please explain in the comment field why less than 90% of insurance is reported under 50603 Liability Insurance and why more than 10% of insurance is reported under 50699 Other Insurance.

Expenses NOT included in 506xx Insurance are:

- In-house repair of damaged property (report this under 50102 Other Salaries and Wages,

50200 Other Fringe Benefits, and 504xx Materials & Supplies, or possibly 50399 Other Services).

- Property damaged beyond repair (report this under 51300 Depreciation or 50909 Loss on Disposal of asset).
- Wage and fringe expenses of employees who process insurance claims for and against the transit agency (report this under 50102 Other Salaries and Wages and 50200 Other Fringe Benefits).

Costs of insurance to cover a private contractor's defects in materials or workmanship are ineligible.

**Do NOT net insurance refunds against this expense code.** Any refunds that offset or reduce this expense code must be subtracted out as ineligible under 54000 Ineligible Refunds and Credits and explained in the comment field.

## Other

**50700 Taxes and Fees.** Taxes levied against the transit agency by federal, state, or local governments (e.g., property tax). *General Administration* Fees include such things as commercial drivers' license, vehicle licensing, and registration fees. *Operations*

Taxes **not** included in this code are: (1) payroll withholding taxes, (2) sales and excise taxes on purchased materials and services (these are included in the base price of the material or service), and (3) fuel and lubricants taxes (which are included in 50401 Fuel and Lubricants).

**50800 Purchased Transportation Service** is where the buyer (prime contractor) is a 41101 State Operating Assistance recipient and the seller (third party operator) is a private or non-profit agency hired by the prime contractor to provide public transportation service.

This code should be used by the prime contractor to report the amount accrued for the transportation services purchased. The prime contractor does not report expenses incurred by the third party operator.

This code cannot be used if the prime contractor contracts with a third party operator to provide, for all practical purposes, the entire transportation services funded under Act 51. If a third party operator provides all the transportation services, the prime contractor must submit an OAR by each individual code as required by this Manual. If both the prime contractor and the third party operator are required to submit an OAR, then the same expense cannot be reported on the two different OARs.

Purchases over \$25,000 which utilize FTA/MDOT funds require an MDOT approved subcontract between the prime contractor and the third party operator. Urban transit agencies certified through FTA are exempt from obtaining MDOT approval. Without certification or proper approval, the expenses associated with the third party contract are ineligible and must be subtracted out under 55008 Other Ineligible Expenses.

**50902 Travel, Meetings, and Training.** Expenses include attendance fees, food, lodging, and travel. Depending upon the training, the function classification could be *Operations*, *Maintenance*, or *General Administration*. For example:

- Financial Management for Transit: Accounting Training. *General Administration*
- Transit Vehicle and Equipment Seminar. The function classification depends upon who is attends the seminar. If a mechanic attends, the expense is classified as *Maintenance*. If a transit manager attends, the expense is classified as *General Administration*.
- Michigan Transit Conference. *General Administration*
- Transportation organization meetings (e.g., Michigan Public Transit Association, MASSTrans, and American Public Transit Association). *General Administration*
- Small Bus Rodeo. The function classification depends upon who attends the Rodeo. If a driver attends, the expense is classified as *Operations*. If a transit manager attends, the expense is classified as *General Administration*.

**50903 Association Dues and Subscriptions.** Fees for membership in transportation organizations and subscriptions to transportation publications. *General Administration*. If the transportation organization incurs lobbying expenses, a percentage of dues paid will not be eligible and must be subtracted out under 55009 Ineligible Percent of Association Dues. The ineligible percentage is calculated annually based on the organization's total costs related to its lobbying costs. *General Administration*

**50907 Lobbying** expense incurred by the transit agency. All expenses associated with lobbying are not eligible and must be subtracted out under 58005 Ineligible Lobbying Expense. Lobbying is defined as any direct contact with a public official, whether face to face, by telephone, letter, electronic media, or any other means, the purpose of which is to influence the official's legislative or administrative actions. *General Administration*

Note: Expenses incurred conducting a millage election are eligible provided the information concerning the election is factual and neutral, and should be reported as 50399 Other Services expense. *General Administration* Expenses are not eligible if they are influential in nature, and must be subtracted out under 58005 Ineligible Lobbying Expense.

**50909 Loss on Disposal of Assets.** Losses on the disposal of assets should be reported here and subtracted out as ineligible under 58009 Ineligible Loss on Disposal of Assets.

A loss should not be reported under this code, nor subtracted out as ineligible under 58009 Ineligible Loss on Disposal of Assets, if the property is given in exchange for part of the purchase price of a similar item and the loss is taken into account in determining the depreciation basis of the new item.

**50999 Other Miscellaneous Expenses** are expenses incurred other than those specified in 50902 through 50909 and must be explained in the comment field. If the miscellaneous expenses are not in accordance with the basic guidelines of this Manual, then those expenses must be subtracted out under 55008 Other Ineligible Expenses. Depending upon the expense, the function classification could be *Operations, Maintenance, or General Administration*.

## Interest

**51101 Interest on Long-Term Debt.** When funding operating expenses, interest incurred on money borrowed for more than one year should be reported under this code. The interest expense is not eligible and must be subtracted out under 55006 Other Ineligible Interest Expense.  
*General Administration*

Note: Interest incurred on such things as capital assets or construction debt must be capitalized and is not reported on the OAR.

The State Infrastructure Bank (SIB) provides low-interest loans and credit enhancements to state and local, public and private agencies for transportation improvements critical to the economic and social well-being of Michigan's urban and rural communities. SIB interest expense is not eligible and must be subtracted out under 55006 Other Ineligible Interest Expense.

**51102 Interest on Short-Term Debt.** When funding operating expenses, interest incurred on money borrowed for less than one year should be reported under this code. This interest expense is not eligible:

- (1) To the extent of interest earned under 41400 Interest Income and must be subtracted out under 55006 Other Ineligible Interest Expense. *General Administration*
- (2) If the money is borrowed from a local unit of government of which the transit agency is a part, and the loaned funds belong to the local unit of government. *General Administration*

Note: Interest incurred on money borrowed for less than one year, but not paid back in one year is long-term interest and must be: (1) reported under 51101 Interest on Long-Term Debt, and (2) subtracted out as ineligible under 55006 Other Ineligible Interest Expense.

If a transit agency is operating in a deficit situation as defined by the State Share Revenue Act, interest on short-term debt is ineligible unless the transit agency has a Treasury approved Deficit Elimination Plan that authorizes the borrowing of that money.

**51103 Interest on State Advances.** Interest charged on advances of 41101 State Operating Assistance is not eligible and must be subtracted out under 58002 Ineligible Interest on State Advances. *General Administration*

**51104 Interest on Capital Lease.** A lease qualifies as a capital lease if one of the following criteria is met:

- The title to the asset passes to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to or greater than 75% of the useful life of the asset.
- The present value of the minimum lease payments is greater than 90% of the fair market value of the leased asset.

The asset of the capital lease must be capitalized and depreciated under 51300 Depreciation. If the transaction does not meet any of the four criteria, the lease is an operating lease and should be reported under 51200 Operating Leases and Rentals.

## Leases and Rentals

**51200 Operating Leases and Rentals.** Lease and/or rental expenses are eligible to the extent that the rates are reasonable considering factors such as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Expenses not meeting this criteria are not eligible and must be subtracted out under 55008 Other Ineligible Expenses. Depending upon the type of lease or rental equipment, the function classification could be *Operations*, *Maintenance*, or *General Administration*.

Lease expense paid for under a capital contract must be subtracted out as ineligible under 57604 Other ineligible Operating Expense Paid by Capital Contract. Do not use 56004 Ineligible Expenses Associated with Rentals which is used when a transit agency incurs expenses renting out its own property. Expense incurred leasing tires should be reported in 50402 Tires and Tubes.

Note: With a lease-purchase agreement, the asset must be capitalized and then depreciated under 51300. Interest incurred on a capital lease must be expensed and reported under 51104 Interest on Capital Lease.

## Depreciation

**51300 Depreciation** is a means of: (1) allocating the cost of assets to periods benefiting from asset use (the expense reflects an asset's loss in service value), and (2) determining fair market value when disposing of an asset prior to the end of its useful life.

Property which cost \$5,000 or more and has a determinable useful life of greater than one year must be capitalized and depreciated over the useful life of the property.

If an asset is purchased with:

- One hundred percent (100%) local funds: all of the depreciation expense associated with the asset is eligible for 41101 State Operating Assistance reimbursement if: (1) the asset is reasonable and necessary, and (2) OPT has approved the useful life of the asset, *if required*. OPT does not have to approve the useful life of an asset if the useful life can easily be determined using Appendix A "The Schedule of Depreciable/Useful Life – Depreciation/Replacement."<sup>6</sup> If an asset does not logically fit into an Asset Class in Appendix A, then approval by OPT is required. Replacement engines, transmissions, differentials, drive axles, etc. for vehicles originally purchased with federal and/or state funds always requires OPT's approval if the originally purchased vehicles were not fully depreciated.

Using the assigned or approved useful life, the annual depreciation expense is reported in this code, and nothing is subtracted out as ineligible under 55007 Ineligible Depreciation.

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<sup>6</sup> The Useful Life Guidelines offered in Appendix A are applicable to determine both the useful life of an asset for capital-needs planning purposes, and the yearly expense of an asset to be reimbursed by the 41101 State Operating Assistance Program. However, OPT only approves the useful life of an asset when the depreciation expense is eligible for 41101 State Operating Assistance reimbursement under the Federal and State Operating Assistance Programs.

- One hundred percent (100%) federal and/or state funds: the cost of the asset purchased pursuant to the capital contract is capitalized. The annual depreciation expense is reported in this code, and the entire depreciation amount is subtracted out as ineligible under 55007 Ineligible Depreciation.
- Federal, state, and local funds: the eligibility of local funds is contingent upon contractual requirements.<sup>7</sup> If the contract does not require a local share amount, the local funds contributed to purchase the asset are an eligible depreciation expense. If the contract requires a local share amount, that local share amount must be subtracted out as ineligible under 55007 Ineligible Depreciation. If the asset purchased has an assigned useful life, local funds are depreciated using that same useful life. Thus, OPT's approval of the useful life is not required.

Depending upon the asset being depreciated, the function classification could be *Operations*, *Maintenance*, or *General Administration*.

See Appendix A for: (1) an explanation to request OPT's approval of the useful life of an asset purchased with local funds and (2) Useful Life Guidelines.

If no "useful life" approvals are on file with OPT when required, then 100% of depreciation expense may be subtracted out as ineligible.

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<sup>7</sup> Where individual contractual requirements differ from this Manual, the language of the contract has precedence.

## Ineligible Expenses

**Ineligible expenses must be subtracted out as ineligible regardless of how small the dollar amount.** Due to shared funding, and the vast differences in the sizes of transit agencies, "materiality" cannot be used as a justification not to subtract out an ineligible expense.

Ineligible expenses include expenses that are:

- Not reimbursable according to this Manual,
- Funded under another CTF or capital program (refer to Appendix B),
- Associated with certain revenues, and
- Contractually obligated to be reimbursed even though the transit agency did not receive the contract funds.

### Code 540xx

**54000 Ineligible Refunds and Credits.** See 44000 Refunds and Credits.

### Codes 550xx

**55000 Ineligible JARC and NF Fares.** Ineligible JARC and NF farebox that must be subtracted out as ineligible as defined in the JARC and NF subsections under 40100 Passenger Fares.

**55004 Other Ineligible State Contracts.** Expenses associated with 41199 Other MDOT/OPT Contracts and Reimbursements unless the contract has a federal portion, then use 57099 Other Ineligible Federal/State/Local. Depending upon the contract and/or the expense, the function classification could be *Operations, Maintenance, or General Administration*.

On a Regular Service OAR, do not report any expenses associated with CTF programs that have their own individual reporting requirements (e.g., JARC, NF, Specialized Services). Expenses associated with other CTF programs must be allocated based on an OPT approved CAP. Costs in excess of the contract amount to provide the contractually required amount of service cannot be included in State Formula expenses. However, cost incurred to provide service in addition to the contractually required amount of service can be included in State Formula expenses if the service is open door.

If a Formula recipient is hired by a Specialized Services subrecipient to provide service, the revenue received from the Specialized Service recipient is ineligible and must be subtracted out as ineligible under this code. For further explanation, consult the Specialized Services Manual effective 10/1/15.

**55005 Ineligible Local Contracts.** Ineligibles associated with 40999 Other Local Contracts and Reimbursements. Additional explanation required in the comment field. Depending upon the contract and/or the expense, the function classification could be *Operations, Maintenance, or General Administration*.

**55006 Other Ineligible Interest Expense** includes: (1) interest paid under 51101 Interest on Long-Term Debt, and (2) interest expense under 51102 Interest on Short-Term Debt. *General Administration*

**55007 Ineligible Depreciation** include assets purchased with federal and/or state funds and/or local match. To determine when local match is eligible or ineligible, see the explanation under 51300 Depreciation.

Ineligible depreciation expense should be classified as either *Operations, Maintenance, or General Administration* based upon the 51300 Depreciation classification.

**55008 Other Ineligible Expenses** include:

- Appraisal costs incurred:

1: To sell an asset purchased either locally and/or with a capital contract is not an eligible expense. Per 40760 Gains from the Sale of Capital Assets, the proceeds from the disposal of a capital asset can be retained by the transit agency if used to pay for public transportation expenses. Therefore, proceeds earned from the sale of an asset can be used to cover any expenses/costs associated with selling the asset.

2: For some purpose other than buying or selling property is an eligible operating expense, and should be reported under 50399 Other Services.

Note: Appraisal costs should be capitalized rather than expensed. The cost of an appraisal is an allowable cost to a capital grant.

- Expenses associated with package delivery and meal delivery programs.
- Losses for which the transit agency is not properly insured.
- Expenses that do not meet the criteria established in 51200 Operating Leases and Rentals.
- Contributed services.
- Attorney fees and related expenses as explained in 50399 Other Services.
- Entertainment expenses (e.g., tickets to shows or sports events, gratuities, diversion such as Christmas parties, social activities, and any directly associated costs).

Note: Health and welfare costs associated with employee morale are an eligible expense (e.g., the costs of employee information publications, health or first-aid clinics and/or infirmaries, physical activities, employee counseling services, and any other expenses incurred in accordance with the transit agency's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance). However, costs incurred to celebrate and/or console an employee are ineligible (e.g., baby shower, funeral flowers).

- Alcoholic beverages, lottery tickets, and other nonbusiness expenses.
- Expenses incurred earning and/or making cash/charitable donations.



Note: A transit agency may participate in a charitable event provided the purpose of participating in the charitable event is to benefit public transportation.

- Expenses reported in 50800 Purchased Transportation Service that are not supported by an MDOT approved subcontract or urban agencies not certified through FTA as being exempt from obtaining MDOT approval.
- Fines, penalties, damages, and other settlements resulting from violations of, or failure of the transit agency to comply with federal, state, or local laws and regulations.
- Bad debt expense.
- Contributions to a contingency reserve. The term "contingency reserve" excludes self-insurance reserves, pension funds, and reserves for normal severance pay.
- Costs of organized fund-raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions.
- Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments. However, costs associated with investments covering pension, self-insurance, or other funds allowed by this Manual are eligible.
- Expenses that do not comply with this Manual.

Depending upon the expense, the function classification could be *Operations*, *Maintenance*, or *General Administration*. Please explain in the comment field.

**55009 Ineligible Percent of Association Dues.** See 50903 Association Dues and Subscriptions. *General Administration*

**55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.** Expenses associated with 40699 Other Auxiliary Transportation Revenues and 40799 Other Nontransportation Revenue. Depending upon the expense, the function classification could be *Operations*, *Maintenance*, or *General Administration*. Please explain in the comment field.

**55011 Ineligible Preventive Maintenance.** Expenses reimbursed under revenue 41111 Preventive Maintenance (the state portion) and 41311 Preventive Maintenance (the federal portion). *Maintenance*.

**55015 Ineligible Charter Expense.** Expenses associated with 40500 Charter Service. *Operations* An OPT approved cost allocation will be based on charter hours, not charter miles; and must use a transit agency's total operating cost, not total eligible expenses.

## Codes 560xx

**56001 Ineligible Expenses Associated with the Sale of Maintenance Service.** Expenses associated with revenue 40710 Sale of Maintenance Services. *Maintenance*

**56002 Ineligible Expenses Associated with Advertising Revenue.** Expenses

associated with revenue 40615 Advertising. *General Administration*

**56004 Ineligible Expenses Associated with Rentals.** Expenses associated with revenue 40715 Rental of Revenue Vehicles, 40720 Rental of Buildings or Other Property, and 40725 Parking Lot Revenue. Ineligible rental expenses are classified as either *Operations*, *Maintenance*, or *General Administration* based upon the type of property rented.

## Codes 570xx

**57099 Other Ineligible Federal/State/Local.** Ineligibles (e.g., usually it is either the expenses incurred or the revenue received as determined by the language of the contract) associated with 41199 Other MDOT/OPT Contracts and Reimbursements and 41399 Other Federal Transit Contracts and Reimbursements. Generally, local match required by a FTA and/or MDOT contract is necessary for fulfillment of that contract, and therefore, is ineligible along with the FTA/MDOT grant. For example, the 20% local share for an FTA operating grant is an eligible expense for 41101 State Operating Assistance reimbursement. However, the 20% match for capital funds used to pay for fuel costs for vehicle operations, including utility costs for the propulsion of vehicles, are ineligible.

**If there is any question as to whether or not local match needs to be subtracted out as ineligible, contact your PM to obtain a written response from OPT.**

Depending upon the contract and/or the expense, the function classification could be *Operations*, *Maintenance*, or *General Administration*. Additional explanation may be provided in the comment field.

**57402 Ineligible RTAP.** Expenses reimbursed under revenue 41398 RTAP. Depending upon the type of expense reimbursed, the function classification could be *Operations*, *Maintenance*, or *General Administration*.

**57602 Ineligible Planning/Capital Cost of Contracting.** Expenses reimbursed under revenue 41112 Planning/Capital Cost of Contracting (the state portion) and 41312 Planning/Capital Cost of Contracting (the federal portion). Depending upon the contract and/or the expense, the function classification could be *Operations*, *Maintenance*, or *General Administration*.

**57603 Ineligible Administrative Expense Paid by Capital Contract** are expenses reimbursed under revenue 41113 Other Capital Contract Reimbursement for Administrative Expenses (the state portion) and 41313 Other Capital Contract Reimbursement for Administrative Expenses (the federal portion). *General Administration*.

**57604 Other Ineligible Operating Expense Paid by Capital Contract** are expenses reimbursed under revenue 41114 Capital Contract Reimbursement for Operating Expenses (the state portion) and 41314 Capital Contract Reimbursement for Operating Expenses (the federal portion). Depending upon the contract and/or the expense, the function classification could be *Operations*, *Maintenance*, or *General Administration*.

## Codes 580xx

**58002 Ineligible Interest on State Advances.** Interest charged on advances of revenue

41101 State Operating Assistance. *General Administration*

**58005 Ineligible Lobbying Expense.** See 50907 Lobbying. *General Administration*

**58009 Ineligible Loss on Disposal of Assets.** Any loss reported in expense code 50909 Loss on Disposal of Assets must be subtracted out as ineligible under this code.

**58010 Ineligible Benefits.** Report ineligible fringe benefits and other ineligible benefits not reported in “58020 Ineligible DB Pensions” and “58030 Ineligible OPEB” (e.g., an ineligible associated with 50210 DC Pensions would be reported in this code). Ineligible expenses should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification.

**58020 Ineligible DB Pensions.** Report the unpaid expense reported in 50220 DB Pensions. When the unfunded expense is paid in later years, the amount paid is reported in this code as a *negative* ineligible. Subtracting a negative ineligible expense will increase the total expenses to be reimbursed with 41101 State Operating Assistance. Negative DB pension amounts reported in this code are only allowable to the extent that previous pension amounts were subtracted out as ineligible.

**58030 Ineligible OPEB.** Report the unpaid expense reported in 50230 OPEB. When the unfunded expense is paid in later years, the amount paid is reported in this code as a *negative* ineligible. Subtracting a negative ineligible expense will increase the total expenses to be reimbursed with 41101 State Operating Assistance. Negative OPEB amounts reported in this code are only allowable to the extent that previous OPEB amounts were subtracted out as ineligible.

# Nonfinancial Operating Data

## Vehicle Statics

**610 Vehicle Hours.** Total hours used to operate all revenue vehicles (e.g., bus drivers' time behind the wheel, bus drivers' time doing pre-trip inspection, bus drivers' time driving deadhead miles). Include vehicle hours associated with 50800 Purchased Transportation Service. For all practical purposes, 610 Vehicle Hours should equate to driver hours.

"Deadhead" Travel Time and Mileage: For demand-response, travel time and mileage before the first passenger pickup and after the last passenger drop-off. For fixed route, travel time and mileage to the first scheduled stop and after the last scheduled stop, whether or not passengers board or exit at those points.

**611 Vehicle Miles.** Total miles traveled by revenue vehicles including deadhead miles and 50800 Purchased Transportation Service miles.

## Passengers

Unlinked Passenger Trips means that passengers are counted each time they board a vehicle no matter how many vehicles they use to travel from their origin to their destination.

**615 Unlinked Passenger Trips - Regular.** The number of passengers who board public transportation vehicles. Include all passengers except those described in 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities.

**616 Unlinked Passenger Trips - Elderly.** Number of passengers 65 years of age or older who board public transportation vehicles. The age limit defining "elderly" may be lower under local option.

**617 Unlinked Passenger Trips - Persons with Disabilities.** Number of passengers not defined as 616 - Elderly and who have a physical or mental impairment that substantially limits one or more of the major life activities of the individual who board public transportation vehicles.

**618 Unlinked Passenger Trips - Elderly Persons with Disabilities.** Number of passengers who meet the definition of both 616 - Elderly and 617 - Persons with Disabilities who board public transportation vehicles. Passengers counted here should not be counted under 616 and 617.

**620 Total unlinked Passenger Trips** is computer-generated by adding: Code 615 Unlinked Passenger Trips - Regular + code 616 Unlinked Passenger Trips - Elderly + 617 Unlinked Passenger Trips - Persons with Disabilities + 618 Unlinked Passenger Trips - Elderly Persons with Disabilities. PTMS will display a pop-up window if the sum of 621 Total Line-Haul Unlinked Passenger Trips and 622 Total Demand-Response Unlinked Passenger Trips does not equal the sum of codes 615 thru 618.

Note: The total passenger count should include passengers associated with 50800 Purchased Transportation Service.

**621 Total Line-Haul Unlinked Passenger Trips (Passengers).** The total number of passengers picked up on a regular schedule at designated bus stops, who board public transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

**622 Total Demand-Response Unlinked Passenger Trips (Passengers).** Total number of passengers that received door-to-door service who board public transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

**623 Total Unlinked Taxicab Trips.** If taxicabs are used for some or all of the service, report the number of those unlinked passenger trips.

Note: Report taxicab annual vehicle (revenue) miles and unlinked passenger trips as demand response.

**625 Days Operated.** Number of day's revenue vehicles are available for service.

## Vehicle Information

Report the number of agency owned revenue vehicles purchased with MDOT and/or FTA funds (e.g., buses, rapid transit vehicles, railroad cars, water vehicles) except administration or parts running vehicles. Vehicles operated by other agencies through a purchase-of-service agreement or vehicles funded through other sources should not be included in this count.

Note: The number of vehicles in the PTMS vehicle inventory will not necessarily match the number of vehicles reported in 653 Total Line-Haul Vehicles and 655 Total Demand-Response Vehicles.

**652 Number of Personal Vehicles in Service.** Vehicles that are used by the transit providers to transport passengers in revenue service but are owned by private individuals, typically an employee of the agency or a volunteer driver.

**653 Total Line-Haul Vehicles.** The actual physical count of all revenue vehicles used primarily for line-haul service.

**654 Line-Haul Vehicles with Lifts.** The number of line-haul vehicles included in the 653 count that is equipped with a lift or a ramp.

**655 Total Demand-Response Vehicles.** The actual physical count of all revenue vehicles used primarily for demand-response service.

**656 Demand-Response Vehicles with Lifts.** The number of demand-response vehicles included in the 655 count that is equipped with a lift or a ramp.

**658 Total Transit Vehicles** is computer-generated by adding the number of vehicles reported in 653 Total Line-Haul Vehicles and 655 Total Demand-Response Vehicles.

For example, assume a transit agency has 10 line-haul buses of which 5 are equipped with lifts/ramps and 5 demand-response buses of which all are equipped with lifts/ramps. Code 658 will be computer generated and will equal 15.

	<u>with</u> lifts/ramps	code	<u>without</u> lifts/ramps	Total	Code
LH Vehicles	5	<b>654 LH w/ Lifts</b>	5	10	<b>653 Total LH Vehicles</b>
DR Vehicles	5	<b>656 DR w/ Lifts</b>	0	5	<b>655 Total DR Vehicles</b>
Total	10		5	15	<b>655 Total Vehicles</b>

## Routes, Miles, Hours

**601 Number of Routes (Line-Haul Only).** Total number of routes operated by a transit agency.

**602 Total Route Miles (Line-Haul Only).** Total round-trip miles of each of the routes in 601, excluding deadhead miles.

**630 Charter Service Hours.** Total vehicle hours used to provide charter service, including deadhead hours.

**631 Charter Service Miles.** Total vehicle miles used to provide charter service, including both the miles under contract and deadhead miles.

**634 Other Service Hours.** Total hours of service other than those described in 610 Vehicle Hours and 630 Charter Service Hours. Please explain the service provided in the comment field.

**635 Other Service Miles.** Total miles associated with 634 Other Service Hours and all miles other than those described in 611 Vehicle Miles and 631 Charter Service Miles.

**659 LPG (propane) or CNG (compressed natural gas) - Gallons Equivalent Consumed.**

**660 Diesel/Gasoline - Gallons Consumed.**

Code 659 plus 660 should equal the total amount of fuel consumed by the transit agency.

## Employees

**661 Total Transit Agency Employees** (full time equivalent ("FTE")). All staff (e.g., transit manager, bookkeeper, bus drivers). FTEs are determined by dividing all employee hours worked (including contract employees' hours worked) by 2080 hours for reconciled OAR or 520 hours for quarterly reports (round to the nearest whole employee). Do not count transit board members. If an operator contracts with a private vendor for transportation service, it should include contractor employee hours in the employee hour count.

**662 Total Revenue Vehicle Operators** (FTE). Drivers and other transit agency employees who perform driver type duties (e.g., completing pre-trip inspections). These employees are also included in 661. FTE equals total driver hours (including contract driver hours) worked divided

by 2080 hours for reconciled OAR or 520 hours for quarterly reports (round to the nearest whole employee). For example:

Assume a transit agency has 30 employees of which 14 are drivers.

All employees except drivers	16	Code
Drivers	14	<b>662 Total Revenue Vehicle Operators</b>
	30	<b>661 Total Transit Agency Employees</b>

**665 Number of Volunteer Drivers.** Individuals who drive vehicles in revenue service to transport passengers for the transit provider but are not employees of the transit provider and are not compensated for their labor.

Note: Robberies, assaults, and other crimes or misdemeanors should not be included in the data below:

## Accidents and Injuries

**801 Property Damage Only (PDO) Accidents w/damage equal to or greater than \$1,000 but less than \$25,000.** Report the number of accidents involving a transit agency vehicle that causes damage to that vehicle and/or other vehicles and/or property but **does not result in injury or death**. Report the PDO accidents that equal or exceed \$1,000 to \$24,999 in damage. Property damage includes, but is not limited to the following: Transit and non-transit vehicle damage, stations as well as non-transit facilities. Estimated damage includes transit property damage, damage to other vehicles, property involved in the accident that is not owned by the transit agency, and the cost of clearing wreckage.

**802 PDO Accidents w/damage equal to or greater than \$25,000.** Report the number of accidents involving a transit agency vehicle that causes damage to that vehicle and/or other vehicles and/or property but **does not result in injury or death**. Report the PDO accidents that equal or exceed \$25,000 in damage. Property damage includes, but is not limited to the following: Transit and non-transit vehicle damage, stations as well as non-transit facilities. Estimated damage includes transit property damage, damage to other vehicles, property involved in the accident that is not owned by the transit agency, and the cost of clearing wreckage.

**803 Injuries.** Report the number of injuries that require immediate medical attention away from the scene. Immediate medical attention includes, but is not limited to, transport to the hospital by ambulance. If an individual is transported immediately from the accident to a hospital or physician's office by another type of emergency vehicle, by passenger vehicle, or through other means of transport, this is also considered an injury. An individual seeking medical care several hours after an accident or in the days following an accident is not considered to have received immediate medical attention. In cases that are less clear-cut, judgment should be used to determine whether the injury sustained caused the individual to immediately seek medical attention. The medical attention received must be at a location other than the location at which the accident occurred. The intent of this distinction is to exclude accidents that only require minor first aid or other assistance received at the scene. This distinction is not, however, intended to be burdensome for the transit provider. It is not a requirement that an agency follow up on each person transported by ambulance, for example, to ensure that they actually received medical attention at the hospital. It is acceptable to count each person immediately transported by ambulance as an injury. If, however, an agency representative does choose to follow-up with the

hospital and finds that, though an individual was transported to the hospital, he did not receive any medical attention, this individual does not need to be reported as an injury. Rule of thumb: If they were transported, report it.

**804 Fatalities.** Report the number of death(s) or suicide(s) confirmed within 30 days of a reported accident. Only report transit caused deaths. Do not include deaths in or on transit property that are a result of illness or other natural causes.

**820 Number of Evacuations for Life Safety Reasons.** A condition requiring all passengers/customers and employees to depart a transit vehicle or transit property due to the presence of imminent danger. This condition does not include transfer from one vehicle to another due to the mechanical failure of a vehicle.

Reporting Examples:

*Example 1:* (The tables indicate the required entries into the safety codes for each example.):

A bus collides with a stop sign. Two passengers on the bus are injured and transported by ambulance to the hospital. The bus sustains \$1,500 in damage.

801 PDO Accidents w/damage equal to or greater than \$1,000 to \$24,999.	802 PDO Accidents w/damage equal to or greater than \$25,000	803 Injuries	804 Fatalities	820 Number of Evacuations for Life Safety Reasons
		2		

*Example 2:*

A demand response vehicle hits a deer which results in the death of 1 transit employee, 2 transit passengers requiring immediate medical attention away from the scene, and \$26,000 in estimated property damage.

801 PDO Accidents w/damage equal to or greater than \$1,000 to \$24,999.	802 PDO Accidents w/damage equal to or greater than \$25,000	803 Injuries	804 Fatalities	820 Number of Evacuations for Life Safety Reasons
		2	1	

*Example 3:*

A bus is crushed by a falling tree while parked at a doctor's office. No one is injured. The bus sustains \$25,000 in estimated damage.

801 PDO Accidents w/damage equal to	802 PDO Accidents	803 Injuries	804 Fatalities	820 Number of



<b>or greater than \$1,000 to \$24,999.</b>	<b>w/damage equal to or greater than \$25,000</b>			<b>Evacuations for Life Safety Reasons</b>
	1			

*Example 4:*

A suspicious package is spotted at a transfer center, and 30 people are evacuated from the area while police investigate.

<b>801 PDO Accidents w/damage equal to or greater than \$1,000 to \$24,999.</b>	<b>802 PDO Accidents w/damage equal to or greater than \$25,000</b>	<b>803 Injuries</b>	<b>804 Fatalities</b>	<b>820 Number of Evacuations for Life Safety Reasons</b>
				1

*Most Important*

**Seek Assistance From OPT Whenever Necessary**

If you have any questions please contact your PM or visit our website at <http://michigan.gov/mdotptd>.

If you have any problems connecting to the PTMS, please contact: Elaine Luo at 335-2552 or at [LuoY@michigan.gov](mailto:LuoY@michigan.gov) or Kathy Urda at (517) 335-2575 or at [urdak@michigan.gov](mailto:urdak@michigan.gov).

**APPENDIX A:  
DEPRECIABLE/USEFUL LIFE - DEPRECIATION/REPLACEMENT SCHEDULE**

**I. Terms:**

Asset: Property which cost \$5,000 or more and has a determinable useful life of greater than one year.

Capitalize: To classify a cost as a long-term investment, rather than charging it to current year operations. However, the depreciation expense related to the capitalized cost will be a current year operations expense.

Depreciation Schedule, Depreciable Life, Replacement Schedule, Useful Life: the time of recovering the cost of using property. These four terms generally have the same meaning.

**II. To Obtain OPT Approval of Useful Life:<sup>8</sup>**

In order to obtain approval of the useful life of an asset purchased with any local funds, please submit a written request to your PM that includes the following information:

- Description of the asset (e.g., 2007 GMC Pick-up Truck with snow plow; nonrevenue vehicle).
- Identification number of the asset (e.g., VIN #1GTGK24K7SE502591).
- Date placed in service.
- Use and condition.
- The state contract and authorization number if the asset was partially purchased with federal or state funds.<sup>9</sup> If the asset was purchased entirely with local funds, then there would not be a state contract or authorization number.
- The cost of the asset.
- Asset Class (See below VI. Determining Useful Life: A. New Assets, USEFUL LIFE - DEPRECIATION/REPLACEMENT SCHEDULE).
- Explanation of how the useful life was determined.
- Warranty coverage (e.g., type of coverage and duration).
- Straight line method of depreciation will be used.
- Any other information OPT may deem necessary.

Depreciation records indicating the amount of depreciation taken each fiscal year must be

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<sup>8</sup> OPT requests transit agencies to input the useful life of equipment and facilities into the PTMS. This useful life information is used to determine: (1) the transit agency's capital needs, and (2) when, and how much, federal and/or state funds are needed to meet the capital needs of the transit agency. Do not confuse the identification of useful life for capital need purposes with the requirement to obtain approval from OPT for the useful life of assets purchased with local money.

<sup>9</sup> If the local funds are depreciated using the same useful life assigned for the federal and state funds, OPT approval of the useful life for the local funds is not required.

maintained.

Approval of the depreciation of replacement engines, transmissions, differentials, and drive axles, that were originally purchased with federal and/or state funds, will be based, in part, on the review of the transit agency's compliance with its maintenance plan.

### **III. When Does Depreciation Begin:**

Depreciation begins when the asset is placed in service or ready to be placed in service.

### **IV. Improvement/Replacement, Changes to Existing Asset:**

If a new or used asset is purchased to improve, replace a part of, or modify (including attachments, accessories, or auxiliary and component parts) an existing asset, treat the improvement, replacement, or modification as a separate depreciable asset.

### **V. Multiple Units of the Same / Auxiliary and Component Parts:**

Groups of equipment or furniture that consist of multiple units of the same or similar product with a total value of \$5,000 or more and a useful life of greater than one year should be capitalized.

Example: Tools and cart purchased together as a unit and costs \$5,000 would be capitalized and depreciated.

Groups of equipment not intended to be used in conjunction with each other and individually do not cost \$5,000 or more do not have to be capitalized.

Example: The Transit agency purchases three laptop computers at a price of \$2,500 each. These computers are for individual employee use, operate separately, and are not a part of the dispatch, GPS, or other system. These computers can be expensed and do not have to be capitalized.

Note: Regardless of the accounting policy of the property (expensed or capitalized), if property is purchased with a capital contract, it must be entered into PTMS.

### **VI. Determining Useful Life:**

#### **A. New Assets:**

The following schedule should be used to determine the depreciable/useful life of a new asset. This schedule is not intended to be all inclusive. If the asset is not listed on the schedule, the TA should use one of the following methods to determine the useful life:

- Generally accepted accounting principles,
- Independent evaluation,
- Manufacturer's estimated useful life,
- IRS Publication 946 (class life),
- Industry standards,
- Proven useful life developed at a federal test facility.

## USEFUL LIFE - DEPRECIATION/REPLACEMENT SCHEDULE

Asset Class:	Description:	Depreciable/Useful Life:
Bus: Small body on van cut-away	Light duty chassis - less than 30 feet	Delivered prior to 1/1/08: 5 years or 150,000 miles. Delivered on or after 1/1/08: Altoona testing
Bus: Medium body on truck chassis/trolleys	Medium duty chassis - less than 30 feet	Delivered prior to 1/1/08: 7 years or 200,000 miles. Delivered on or after 1/1/08: Altoona testing
Bus: Medium body on truck chassis/trolleys	Heavy duty chassis - 30 feet to 34 feet	Delivered prior to 1/1/08: 10 years or 350,000 miles. Delivered on or after 1/1/08: Altoona testing
Bus: Large	Heavy duty chassis - 35 feet to 60 feet	Delivered prior to 1/1/08: 12 years or 500,000 miles. Delivered on or after 1/1/08: Altoona testing
Cars, minivans, standard van, conversion van	under 13,000 lbs gross vehicle weight (gvw)	4 years or 100,000 miles
Trucks	Light duty (under 13,000 lbs gvw),	4 years
Trucks	Heavy duty (over 13,000 lbs gvw)	6 years
Office furniture and fixtures	Desks, files, safes	10 years
Office equipment	Copiers, radios (digital/analog, 911, repeater, voice antenna, automatic vehicle locators), fax, phones	5 years
Computers and peripheral equipment	Computers, card readers, card punches, high speed printers, mass storage units, data entry devices	6 years

**USEFUL LIFE SCHEDULE CONTINUED**

Software	<p>Costs related to the purchase of the software should be capitalized. Costs of upgrades and enhancements that enable the software to perform tasks that it would previously be incapable of performing should be capitalized.</p> <p>Fees paid for training, conversion costs, and software maintenance are to be expensed.</p>	3 years
Maintenance tools, equipment	Power/hand tools, lawn mowers, snow blowers	5 years
Maintenance equipment and fixtures	<p>Vehicle hoist/lift (four/six post life, in-ground, drive-on, scissor lift-electric or hydraulic), transmission flush and exchange unit, floor sweeper/scrubber, pressure washer/steam cleaner (hot/cold)/parts cleaner/steamer - upholstery cleaner, portable/vehicle installed generator, brake lathes/milling machines/drill press/grinders, lubrication and fuel dispensing equipment, carbon monoxide detectors/fuel leak detectors, roller cabinets, portable tool stands, compressors, diagnostic equipment, tractors - utility, lawn &amp; attachments (e.g. back blades, snow blowers, mower decks).</p>	12 years
Passenger bus shelter		10 - 15 years
Buildings	Administration, maintenance garages, cold storage building/bus shelter	40 years
Land	Cannot be depreciated	0 years

## B. Used Assets:

If a used asset is purchased, the transit agency must determine a useful life based on such factors as: type of construction, nature of the equipment, past usage patterns, age, mileage, and technological developments. The asset class will remain the same as listed above under new assets. Acceptable methods to determine useful life include, but are not limited to:

- Transit agency's independent auditor to recommend a useful life,
- Manufacturer's estimated useful life,
- Internal Revenue Service guidelines (IRS Publication 946),
- Industry standards.

## APPENDIX B: FEDERAL GRANT PROGRAMS

Section 5307 and Section 5311 are federal formula grant programs that provide assistance for operating, capital, and planning. For both of these federal formula grant programs, there are two different types of revenue: operating revenue and capital revenue.

### Federal Operating Revenue:

Section 5307 operating assistance reimburses up to 50 percent of a transit agency's net deficit while Section 5311 reimburses operating expenses based on a percentage calculated by OPT. These federal formula funds are reported in 41302 Section 5307 and 41301 Section 5311, respectively, and does not need to be subtracted out as ineligible.

### Federal Capital Revenue:

Both the Section 5307 and Section 5311 programs permit the use of capital funds to pay for operating expenses. **Operating expenses paid for under a capital contract cannot be reimbursed a second time under a formula program, whether federal or state.** Operating expenses include such things as:

- 1: Preventive maintenance, planning/capital cost of contracting, project administration, leased office space, bus rehab inspections, and contingencies.
- 2: The purchase of tires and other materials and supplies.
- 3: The purchase of assets with an initial, individual cost of less than \$5,000 and/or an estimated useful life of less than one year.

Note: the purchase of assets with an initial, individual cost of more than \$5,000 and/or an estimated useful life in excess of one year are capitalized. The revenue associated with these capitalized purchases are not reported on a Regular Service OAR. However, the annual depreciation associated with these capitalized purchases are reported in 51300 Depreciation and subtracted out as ineligible under 55007 Ineligible Depreciation.

The following PTMS codes should be used when reporting operating revenues and expenses paid for under a capital contract:

### Preventive Maintenance:

Revenue Codes:	41111 (State) & 41311 (Fed): Preventive Maintenance
Expense Code(s):	Use appropriate expense code(s)
Ineligible Expense code:	55011 Ineligible Preventive Maintenance

**Planning and/or Capital Cost of Contracting:**

Revenue Codes:	41112 (State) & 41312 (Fed): Planning/Capital Cost of Contracting
Expense Code(s):	Use appropriate expense code(s)
Ineligible Expense code:	57602 Ineligible Planning/Capital Cost of Contracting

**Project Administration:**

Revenue Codes:	41113 (State) & 41313 (Fed): Capital Contract Reimbursement for Administrative Expense
Expense Code(s):	Use appropriate expense code(s)
Ineligible Expense code:	57603 Other Ineligible Administrative Expense Paid by Capital Contract

**All Other Operating Expenses:**

Revenue Codes:	41114 (State) & 41314 (Fed): Other Capital Contract Reimburse for Operating Expenses
Expense Code(s):	Use appropriate expense code(s)
Ineligible Expense code:	57604 Other Ineligible Operating Expense Paid by Capital Contract



## APPENDIX C: Cost Allocation Plans

Cost allocations are an essential part of doing business in terms of: planning, controlling costs, identifying funding sources (e.g., formula, contractual), and preparing financial statements. Examples as to when a CAP must be submitted to OPT for approval are given in an external procedure located at:

[http://www.michigan.gov/documents/costallocation\\_51525\\_7.pdf](http://www.michigan.gov/documents/costallocation_51525_7.pdf).

A listing of OPT approved CAPs can be obtained at:

[http://www.michigan.gov/documents/costallocation\\_61937\\_7.pdf](http://www.michigan.gov/documents/costallocation_61937_7.pdf).

This listing is updated periodically. To determine if a plan was approved since the last update or to get a copy, contact your PM.

The total cost to provide public transportation service must be supported by formal accounting records and appropriately allocated. The allocated costs should not exceed the program or contract amount. Any additional costs are considered a part of your normal operating service. To the extent feasible, CAPs should be presented in a single document. The CAP should be on file at the transit agency's office and should contain, but not necessarily be limited to, the following:

1. The method used to distribute costs, which must agree with the methodology approved by OPT. The method must be measurable (e.g., hours, miles, passengers, square footage, number of checks written, employee wages, etc.).
2. Identification of direct costs. Direct costs are those that can be identified specifically with a particular program. Examples of direct costs include 50101 Drivers' Salaries and Wages and 50800 Purchased Transportation Services.
3. Identification of indirect costs. Indirect costs are those that are: (1) incurred for a common or joint purpose benefiting more than one cost objective, and (2) not readily assignable to any one cost objective specifically benefited without effort disproportionate to the results achieved. Examples of indirect costs are utilities, maintenance of buildings, management salaries.
4. Depending upon the program a methodology of how farebox will be allocated may be required in the CAP.
5. All approved CAPs/methodologies must be retained for audit and other future review/oversight.

Note: 2 CFR Part 225 Cost principles for State, Local and Indian Tribal governments (OMB Circular A-87) defines "Cost allocation plan" to mean a central service cost allocation plan, public assistance cost allocation plan, and indirect cost rate proposal. Each of these terms are further defined in the circular. Transit agencies who are direct grantees of FTA must submit CAPs to the cognizant agency (which most likely will be FTA). A copy of any CAP/methodology that: (1) was approved by FTA, and (2) used to allocate expenses reported on the PTMS must also be submitted to OPT for approval.

## APPENDIX D: Cash and Investment Policies

A transit agency must comply with: (1) Sections 1 and 5 of "Investment of Surplus Funds of Political Subdivisions," Act No. 20 of the PA of 1943, being Sections 129.91 and 129.95 of the Michigan Compiled Laws, and (2) Section 6 of "Surplus Funds in Treasury", Act No. 105 of PA of 1855, being Sections 21.146 of the Michigan Compiled Laws. These sections of state law are complex and the below summary on the single issue of investment securities is not intended to be used as a substitution for reading the Acts.

A transit agency should not keep a non-interest bearing cash balance that would exceed the amount required to sustain operations more than 30 days. Whenever the balance exceeds this limitation, the excess funds should be invested only in the following securities which have a maturity date on or before the date the funds are needed for disbursement:

- In bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution (provided it offers no illegal discriminatory lending practices).
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In repurchase agreements consisting of instruments listed in the first bullet.
- In bankers' acceptances of banks in the United States.
- Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- In mutual funds registered under the Investment Company Act of 1940 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - The purchase of securities on a when-issued or delayed delivery basis.
  - The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- In obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- In investment pools organized under the Surplus Funds Investment Pool Act.
- In investment pools organized under the Local Government Investment Pool Act.

Excess funds shall not be invested in a financial institution found to have engaged in an illegal, discriminatory lending practice related to a mortgage loan or home improvement loan application. Public Funds may not be deposited in financial institutions located in states other than Michigan.

## **Appendix E: Credit Card Policy**

A transit agency must adopt a credit card policy in accordance with Public Act 266 of 1995 by resolution. Provided below is a summary of the Act which is not intended to be used as a substitution for reading the Act. Essentially, the written credit card policy must:

- Name an officer or employee of the transit agency who is responsible for overseeing (e.g., issuance, accounting, monitoring, and retrieval) compliance with the credit card policy.
- State that the credit card can only be used by an officer or employee to purchase goods and services that relate to the official business of the transit agency.
- State that each time the credit card is used, documentation must be submitted that details the goods or services purchased, cost, date of purchase, and the official business.
- State that the officer or employee issued the card is responsible for its protection and custody.
- Require the officer or employee to notify the transit agency immediately if the credit card is lost or stolen.
- Require the officer or employee to surrender the credit card immediately upon termination from the transit agency.
- Require a system of internal controls to monitor the use of the credit card.
- Require approval of credit card invoices before payment.
- Require payment in full (including interest due) on an extension of credit under the credit card within 60 days of the initial statement date.
- State the disciplinary measures that will be taken for unauthorized use of the credit card.

The total combined authorized credit limit of all credit cards issued by a local unit shall not exceed 5% of the total budget of the local unit for the current fiscal year.

## **APPENDIX F:**

### **OPERATING ASSISTANCE REPORT (OAR) At - A - Glance Instructions for FY 2017**

The OAR should only include information associated with financial and non-financial operating data for the Service Type specified.

Report all revenue earned and all expenses incurred from October 1, 2016 thru September 30, 2017.

Indicates a change to the code

REVENUES:

Code	Description		Amount Description	Notes
40100	Passenger Fares		Farebox from passenger or group if per passenger	"farebox" MUST BE open to the general public
40400	Package Delivery/Meal Delivery Prgm	*	Incidental, packages, Meals on Wheels	Exp. inelig. under 55008
40500	Charter Service	*	closed door svc., non regular route, incidental, CAP based on hours. (SEE MANUAL)	Exp. inelig. under 55015, report hours, miles on non-fin (630, 631)
40610	Concessions	**	candy \$\$, newstands, etc.	Exp. inelig. under 55010
40615	Advertising		signs on bus & property	Exp. inelig. under 56002, need comment
40620	Intercity Ticket Sales		Greyhound, Indian trails ticket sales	
40699	Other Auxiliary Transportation Rev		catch all! Explain in comment field	Exp. inelig. under 55010 or comment
40710	Sale of Maintenance Services	*	svc to non owned vehicles, equip.	Exp. inelig. under 56001 or comment
40715	Rental of Revenue Vehicles	*	\$\$ from renting revenue vehicles to others	Exp. inelig. under 56004 or comment
40720	Rental of Bldgs or Other Property	*	\$\$ from renting bldg/property to others	Exp. inelig. under 56004 or comment
40725	Parking Lot Revenue	*	\$\$ from parking fees other then park & ride	Exp. inelig. under 56004 or comment
40760	Gains from the Sale of Capital Assets		\$\$ from sale of asset. Do Not use if property exchanged.	itemize gains w/price, gain. See maual
40799	Other NonTransportation Revenue	**	catch all! Explain in comment field	Exp. inelig. under 55010 or comment
40800	Taxes Levied Directly for/by TA		e.g. millage (property tax)	
40910	Local Operating Assistance	**	\$\$ recd from local govt. other then tax in 40800.	CAP needed if include value of goods/service recd from local unit.
40930	Local Service Contract/Federal Source		old contract fares federal \$\$ fund source	
40940	Local Service Contract/State Source		old contract fares state \$\$ fund source	
40950	Local Service Contract/Local Source		old contract fares local \$\$ fund source	
40980	Local Service Contract/Competitive Bid		competitive bid covers fully allocated costs	
40999	Other Local Contracts & Reimburse		catch all! Explain in comment field	Rev. or exp. MAY be inelig. under 55005
41101	State Operating Assistance		FORMULA \$\$ from state, use % and multiply by elig. expenses.	DO NOT include State Operating Assist. from previous years.
41110	Line-Item Municipal Credit		approp. pd to those under the Metro Transport Author. Act.	
41111	Preventive Maintenance (20% state Share)	***	\$\$ recd under capital contract to pay for maintence.	Inelig. under 55011
41112	Planning/Capital Cost of Contracting	***	\$\$ recd under capital contract to pay for contractors deprect and interest costs	Inelig. under 57602
41113	Capital Contract Reimbursement for Administrative Expenses	***	\$\$ recd from capital K to pay for administrative expenses	Inelig. under 57603
41114	Other Capital Contract Reimburse for Operating Expenses	***	\$\$ recd from capital K to pay for operating expenses.	Inelig. under 57604
41199	Other MDOT/OPT Contracts & Reimburse	***	catch all! Explain in comment field	Either rev. or expense MAY be inelig. under 55004, or 57099, if local match use
41301	Section 5311 (operating)		NONURBAN federal operating assist.	Use % & multiply by elig. Expenses
41302	Section 5307 Operating		URBAN federal operating assistance	
41311	Preventive Maintenance (80% fed Share)	***	\$\$ recd under capital contract to pay for maintence.	Inelig. under 55011
41312	Planning/Capital Cost of Contracting	***	\$\$ recd under capital contract to pay for contractors deprect and interest costs	Inelig. under 57602
41313	Capital Contract Reimbursement for Administrative Expenses	***	\$\$ recd from capital K to pay for administrative expenses	Inelig. under 57603
41314	Other Capital Contract Reimburse for Operating Expenses	***	\$\$ recd from capital K to pay for operating expenses	Inelig. under 57604
41398	RTAP		NONURBAN federal funds for training technical assist., research	Inelig. under 57402. The revenue and inelig. Should match.
41399	Other Federal Transit Contracts & Reimburse	***	catch all! Explain in comment field	Inelig. under 55003, 57099, if local match use approp. inelig.
41400	Interest Income		Interest earned except if earned from capital projects	
43000	Contributed Services	*	cash equiv. of donated svc. TA would have to purchase if serv wasn't donated	Inelig. Under 55008
44000	Refunds and Credits		Report refund and subtract out as inelig.	inelig. Under 54000

\* Requires a cost allocation plan. \*\*May require a cost allocation plan. Both need "cap applied" comment.

\*\*\*list the state contract and authorization # or assurance in the comment field. Page 52

EXPENSES:

		Function Description:		
Code	Description	Operations	Maint.	Gen. Admin
50101	Operators' Salaries & Wages	Bus Drivers		
50102	Other Salaries & Wages	dispatchers, drivers, schedulers & their supers	maintenance people, and their supervisors	office people, and their supervisors, TA mgr
50103	Dispatchers' Salaries & Wages	Dispatchers		
50200	Fringe Benefits	Payments made or due by the TA on the employees' behalf.		
50210	DC Pensions	Pay-as-you-go 401K, and Deferred Comp 457		
50220	DB Pensions	See Manual		
50230	Other Post-Employment Benefits	Benefits other than pension at separation as part of total compensation		
50302	Advertising Fees (see manual may be ineligible)			All advertising fees and marketing exp.
50305	Audit Cost			\$\$ paid for the annual CPA audit. Ineligible 5311 (usually).
50399	Other Services (explain in comment field)	Explain in comment field.	Contract maintenance svc., explain in comment field.	Professional, & Tech., Ads for employees, explain in comment field.
50401	Fuel & Lubricants	gas, diesel fuel, propane, lube oil, trans fluid, grease		
50402	Tires & Tubes	tires, innertubes		
50404	Major Purchases (costs<\$5,000)	costly bus parts explain in comment field!	shop tools, hardware explain in comment field!	copier, computers, printers, refrigerator, explain!
50499	Other Materials & Supplies	bus parts	vehicle maintenance parts	Supplies; copier, cleaning, office forms
50500	Utilities			
50603	Liability Insurance	Premium payments. Usually operations 90% of exp.		
50699	Other Insurance			fidelity bonds, business records, errors and omissions.
50700	Taxes and fees	Commcl drivers license, vehicle license, registr. fee		property tax
50800	Purchased Transportation Service	Pay for svc provided by others Usually operations		
50902	Travel & Mtgs, and Training		maint. seminar	acct. train, annual meet
50903	Association Dues and Subscriptions			fee for membership in tranport org., subscrip to transport publication. Lobbying is inelig.
50907	Lobbying			Expenses Inelig. under 58005
50909	Loss on Disposal of Assets	Report loss here and back out as ineligible.		
50999	Other Miscellaneous Expenses	explain	explain	explain
51101	Interest on Long-Term Debt			Interest exp. on \$\$ borrowed for > 1yr inelig. under 55006
51102	Interest on Short-Term Debt			Interest exp. on \$\$ borrowed for < 1 yr. net of interest income. Interest Income inelig. under 55006.
51103	Interest on State Advances			All expense Inelig. under 58002
51104	Interest on Capital Lease	Must meet criteria on pg 24 of R&E manual.		
51200	Operating Leases & Rentals	See R&E manual for criteria page 24.		
51300	Depreciation	Asset value > \$5,000 w/useful life > 1 yr., must be capitalized and depreciated over useful life. Aset purchased w/fed., state fund inelig. Under 55007.		

INELIGIBLE EXPENSES:

Code	Description	Function Description:		
		Operations	Maint.	Gen. Admin
54000	Ineligible Refunds and Credits	See 44000 Refunds and Credits		
55000	Ineligible JARC and NF Fares	Only for JARC and NF Programs		
55004	Other Ineligible State Grants	Expenses associated w/revenue code 41199.		
55005	Ineligible Local Contracts	The local share match of state and fed. Contracts. Exp. Assoc. w/ 40999		
55006	Other Ineligible Interest Expenses			Interest paid under 51101 Int. on LT Debt, and 51102 interest exp. = to 41400 Interest income.
55007	Ineligible Depreciation	Depreciation on assets purchased w/federal and/or state funds and/or local match.		
55008	Other Ineligible Expenses	explain	explain	explain
55009	Ineligible Percent of Association Dues			Lobbying exp. assoc. with memberships in transport organ.
55010	Other Ineligible Expenses Associated w/Aux. & Nontrans Rev.	Exp. Assoc. W/ revenue codes 40699, 40799		
55011	Ineligible Preventive Maintenance		100% of the \$\$ recd from capital contract to pay for maint. exp.	
55015	Ineligible Charter Expense	Expenses associated w/40500 Charter Service. See page 26		
56001	Inelig. Exp. Assoc. with the Sale of Maintenance Service		Exp. assoc. w/40710 Sale of Maint. Svc.	
56002	Ineligible Expenses Associated w/Advertising revenue			Expenses associated w/40615 Advertising.
56004	Ineligible Expenses Associated w/Rentals.	Exp. Assoc. w/rev. codes: 40715 Rental of Revenue Vehicles, 40720 Rental of Buildings or Other Pro., 40725 Parking Lot Revenue		
57099	Other Ineligible Fed/State/Local	explain	explain	explain
57402	Ineligible RTAP	Expenses reimbursed under revenue 41398 RTAP.		
57602	Ineligible Planning/Capital Cost of Contracting	Expenses reimburs under revenue 41112 (State), and 41312 (Federal) Capital Cost of Contracting.		
57603	Ineligible Administrative Expense Paid by Capital Contract			Expenses reimburse under revenue 41113 (State), 41313 (Fed)Other Capital Cont.
57604	Other Ineligible Operating Expense Paid by Capital Contract	Expenses reimburs under revenue 41114 (State), 41314 (Fed) Other Capital Contract		
58002	Ineligible Interest on State Advances			Interest charged on advances of 41101 State Operating Assistance
58005	Ineligible Lobbying Expense			Expense reported in 50907 Lobbying
58009	Ineligible Loss on Disposal of Assets	Expenses reported in 50909.		
58010	Ineligible Benefits	Ineligible fringe benefit not reported in 58020 or 58030.		
58020	Ineligible DB Pensions	Report unpaid ARC reported in 50220 DB Pensions, when paid report as		
58030	Ineligible OPEB	Report unpaid ARC reported in 50230 OPEB, when paid report as negative.		

NonFinancial Operating Data:

Code	Description	Weekday	Saturday	Sunday
<b>Public Service</b>				
610	Vehicle Hours	Total hours used to operate revenue vehicles for service type reported. Includes: Drive time, inspection, deadhead miles.		
611	Vehicle Miles	Total miles traveled by revenue vehicles for service type reported including headhead		
615	Unlinked Passenger Trips - Regular	All passengers except those reported in 616,617,618 for service type reported.		
616	Unlinked Passenger Trips - Elderly	Passengers >65. Local option may lower age requirement.		
617	Unlinked Passenger Trips - Persons w/Disabilities	Passengers <65 that have physical and/or mental impairments.		
618	Unlinked Passenger Trips - Elderly Persons w/Disabilities	Passengers >65 that have physical and/or mental impairments. Local option may lower age requirement.		
621	Total Line-Haul Unlinked Passenger Trips	Total # of passengers picked up at a regular schedule bus stops .		
622	Total Demand-Response Unlinked Passenger Trips	Total # of passengers that recd door to door service.		
623	Total Unlinked Taxi cab Trips	Total # of passengers using taxicab service.		
625	Days Operated	# of days revenue vehicles available for service.		
<b>Vehicle Information</b>				
652	Number of Personal vehicles in service	Typically in use by employee or volunteer driver.		
653	Total Line-Haul Vehicles	# of Revenue vehicles used for line-haul service type reported		
654	Line-Haul Vehicle w/Lifts	# of Line-haul vehicles w/lifts or ramps for service type reported		
655	Total Demand-Response Vehicle	# of Revenue vehicles used for DR service for service type reported		
656	Demand-Response Vehicle w/Lifts	# of Demand-response vehicles w/lifts or ramps for service type reported		
658	Total Transit Vehicles	Computer generated data, adds code 653 + code 655.		
<b>Miscellaneous</b>				
601	Number of Routes (Line Haul Only)	Total # of routes operated by TA.		
602	Total Route Miles (Line Haul Only)	Total round trip miles of each route in 601 excludes deadhead		
630	Charter Service Hours	Total vehicle hrs to provide charter svc. include deadhead		
631	Charter Service Miles	Total vehicle miles to provide charter svc include deadhead		
634	Other Service Hours (Explain)	Total hrs of svc other than those in 601 & 630		
635	Other Service Miles	Total miles of svc other than those in 602 & 631		
659	LPG (propane) or CNG (compressed natural gas) Consumed	LPG or CNG consumed which is NOT part of 660		
660	Diesel/Gasoline - Gallons Consumed			
661	Total Transit Agency Employees (Full-Time Equiv)	FTE determined by dividing ALL employee hours worked by 2080 hours for service type reported.		
662	Total Revenue Vehicle Operators (Full-Time Equiv)	Add all Drivers hrs/2080 for service type reported.		
665	Number of Volunteer Drivers	No. of driver's that are not compensated.		
<b>Safety Data</b>				
801	Property Damage Only (PDO) Accidents w/damage \$1,000 to \$24,999	Number of accidents that cause damage to vehicle and property but <b>does not result in any injury.</b>		
802	PDO Accidents w/damage equal to or greater than \$25,000	Number of accidents that cause damage to vehicle and property but <b>does not result in any injury.</b>		
803	Injuries	Number of injuries that require immediate medical attention away from the scene.		
804	Fatalities	A death or suicide confirmed within 30 days of a reported incident. Does not include deaths in or on transit property that are a result of illness or natural causes.		
820	Evacs for Life Safety Reason	Evacuations from transit vehicle or property due to imminent danger.		