

FY 2011 LOCAL PUBLIC TRANSIT REVENUE AND EXPENSE MANUAL

with Nonfinancial Operating Data Definitions



BUREAU OF PASSENGER TRANSPORTATION

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Acronyms/Definitions

Act 51	Act 51 of the Public Acts of 1951, as amended
CTF	Comprehensive Transportation Fund
DR	Demand-Response (acronym used on PTMS)
FTA	Federal Transit Administration
LH	Line-Haul (acronym used on PTMS)
OAR	Operating Assistance Report submitted on PTMS
BPT	Bureau of Passenger Transportation
PTMS	Public Transportation Management System
Contract	means 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).
Toll credits	are used by the state as "soft" match to a federal grant. Toll credits allow grant recipients to access and use the entire federal portion of the grant with no project-specific match.

Purpose of Manual & Reporting Requirements

This Manual should be used to report State Operating Assistance revenues and expenses on an Operating Assistance Report (OAR) submitted on PTMS. Budget, quarterly, and annual reconciled OARs are required to be submitted through PTMS. Budgets are due on February 1st 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 1st through September 30th). Quarterly OARs are due 40 days after the end of each quarter.

Use this Manual for all OARs unless directed otherwise. The CTF Specialized Services Program has its own manual called the “Specialized Services Manual” (effective 10/1/07) and can be found at our website <http://www.michigan.gov/mdotptd>. In the “Resources” box, click on

“Audit/Accounting Information”.

Basic Guidelines

A. Expenses are eligible for reimbursement under the State Operating Assistance Program if they are:

- Incurred for 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 unless otherwise provided for in this Manual;
- Based on an approved BPT cost allocation plan, if required;
- Based on the accrual accounting method;
- Not pass-through funds or funds transferred back to a general or similar fund;
- NOT funded under another CTF or capital program. Refer to Appendix A 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 BPT, 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 BPT Project Manager to obtain a written response from BPT.

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 BPT program, then the expenses may require an approved cost allocation plan (refer to Appendix B). If you are not sure whether or not you need a BPT approved cost allocation plan, please contact your BPT Project Manager.

D. When this Manual is silent, OMB Circular A-87 applies. This Manual is primarily intended to be consistent with the basic guidelines and cost principles of A-87. Any inconsistency should be brought to the attention of BPT.

Revenues

Revenue is defined as all income generated as a result of providing public transportation service. Please note that:

- Retained earnings used to cover an operating deficit is not revenue in that year. Retained earnings is money earned and reported in prior years and should not be reported again when used.
- Monies 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. However, any expenses associated with earning the cash donations must be subtracted out as ineligible under 55008 Other Ineligible Expenses.

Farebox and Charter Revenue

40100 Passenger Fares. Fees charged for passenger trips: (1) all monies put in the farebox including fares received from 50800 Purchased Transportation Services, (2) the cash equivalent of bus passes and transfers, (3) revenue earned from "Park and Ride" lots, and (4) School Tripper Service must be open to the general public.

Job Access/Reverse Commute (JARC) and New Freedom (NF) Programs

40100 Passenger Fares earned for the Federal Section 5316 Job Access/Reverse Commute (JARC) and Federal Section 5317 New Freedom (NF) must be subtracted out as ineligible under 57099 Other Ineligible Federal/State/Local.

40200 Contract Fares. Contractual fees paid by an organization (rather than by the passenger). This also includes federal and state funds, other than FTA or BPT funds, which are used to purchase service for passengers. This service must be available to the general public ("open door").

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". A BPT approved cost allocation plan 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 revenue is reported in this code. 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 hours and miles should be reported in the nonfinancial section under

codes 630 Charter Service Hours and 631 Charter Service Miles.

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 is provided: (1) there must be a BPT approved cost allocation plan, (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

Auxiliary Transportation Revenue is 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, a BPT approved cost allocation plan 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 BPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the BPT approved cost allocation plan.

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 BPT will either: (1) subtract out the revenue reported in this code, or (2) determine a reasonable ineligible expense amount.

Note: Do not confuse the expenses associated with 40615 Advertising revenue with the 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. 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 are earned from auxiliary services other than those specified in 40610 through 40620 and must be explained 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 BPT will either: (1) subtract out the revenue reported in this code, or (2) determine a reasonable ineligible expense amount.

Nontransportation Revenue

Nontransportation Revenue is 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. A BPT approved cost allocation plan 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 BPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the BPT approved cost allocation plan.

40715 Rental of Revenue Vehicles is earned from renting transit agency revenue vehicles to other transit agencies or organizations providing public transportation. A BPT approved cost allocation plan 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 BPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the BPT approved cost allocation plan.

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. A BPT approved cost allocation plan 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 BPT will either: (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the BPT approved cost

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 Formula and Match for Capital Contracts

41101 State Operating Assistance received 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. Do not include State Operating Assistance received for previous years. When State Operating Assistance is redistributed based on annual reconciliations and annual CPA audits, BPT 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 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.

Note: The federal revenue received is reported in 41311. When toll credits are used for the state match, then no revenue is reported in this code and the PTMS deletes the unused code. Because this code is deleted once the OAR is saved, the Federal 41311 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 the appropriate assurance.

41112 Planning/Capital Cost of Contracting is the state share revenue received 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.

Note: The federal revenue received is reported in 41312. When toll credits are used for the state match, then no revenue is reported in this code and the PTMS deletes the unused code. Because this code is deleted once the OAR is saved, the Federal 41312 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 the appropriate assurance.

41113 Capital Contract Reimbursement for Administrative Expenses is the state revenue received 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.

Note: The federal revenue received is reported in 41313. When toll credits are used for the state match, then no revenue is reported in this code and the PTMS deletes the unused code. Because this code is deleted once the OAR is saved, the Federal 41313 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 the appropriate assurance.

41114 Other Capital Contract Reimbursement for Operating Expenses is the state revenue received under a capital contract to pay for operating expenses (e.g., lease expenses associated with office space or a building, contingencies, shop/maintenance equipment**, and miscellaneous bus equipment**). 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.

**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.

Note: The federal revenue received is reported in 41314. When toll credits are used for the state match, then no revenue is reported in this code and the PTMS deletes the unused code. Because this code is deleted once the OAR is saved, the Federal 41314 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 the appropriate assurance.

41199 Other MDOT/BPT Contracts and Reimbursements are revenue earned other than those specified in 41101 through 41114 and must be explained in the comment field. This code includes:

- Money received from the Specialized Services Program. Please consult the Specialized Services Manual (effective 10/1/07) for further explanation.
- Contractual money received from MDOT to fund additional routes while a major section of a local highway was closed for construction. If the contract is silent as to the eligibility of expenses or if revenues must be subtracted out as ineligible, seek written clarification from BPT.

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 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 Transit Contracts

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

Section 5311 Capital funding 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 A for further detail.

Do not include Federal Section 5311 money received for previous years. When Section 5311 is redistributed based on annual CPA audits, BPT 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. The revenue reported in this code does not need to be subtracted out as ineligible.

Section 5307 Capital funding 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 A for further detail.

Note: If a transit agency provides both nonurban (Section 5311) and urban (Section 5307) services, a BPT approved allocation plan 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 (e.g., because toll credits were used as the match), 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 (e.g., because toll credits were used as the match), 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 (e.g., because toll credits were used as the match), 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. If the state contract and authorization number(s) were not reported in 41114 (e.g., because toll credits were used as the match), 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/BPT 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 products and/or services that benefit transit operations and would need to be purchased if the products or 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.**

In order to report revenue associated with contributed products and/or services, the products and/or services received must be:

- Supported by actual documentation based on a BPT approved cost allocation plan. The comment field must state "CAP applied",
- Provided by individuals possessing the necessary skills,
- Would typically need to be purchased if not provided by donation, and
- Are not 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. If the cash equivalent of the expense is included in total expenses, then it must be subtracted out under 55008 Other Ineligible Expenses.

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

Current year reimbursements, credits, and/or refunds must be netted against expenses. In the comment field of the expense code, please state the dollar amount of the current year reimbursement, credit, or refund with an explanation.

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

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, schedulers.
- 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; also, equipment may be used for maintenance and for administration or operations. 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 BPT. 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.

Labor Expense

Labor expense is compensation paid or due employees in exchange for services.

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 State Operating Assistance and 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*

Fringe Benefit Expense

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 55008 Other Ineligible Expenses.

50200 Other 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:

- FICA (Social Security tax and 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 coverages 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 cost allocation plan 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.

- Whenever 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.

50201 Pensions. Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the transit agency or governmental unit.

The accounting for pension costs is complex with its methods of measurement and recognition. Complying with pronouncements issued by the Governmental Accounting Standards Board and the accounting principles established by the American Institute of Certified Public Accountants should not undermine the intent of Act 51 which is to reimburse public transportation expenses. The dollar amount reported in this code is the actual, out of pocket pension expense. Below is guidance to determine actual, out of pocket expense.

- (1) For pension plans financed on a pay-as-you-go method, eligible expenses are limited to those representing actual payments to retirees or their beneficiaries.
- (2) Pension expense calculated using an actuarial cost-based method are eligible, provided:
 - Such policies meet the test of reasonableness;
 - The methods of cost allocation are not discriminatory;
 - The cost assigned to each fiscal year is determined in accordance with generally accepted accounting principles, as prescribed in Accounting Principles Board Opinion No. 8 issued by the American Institute of Certified Public Accountants; and
 - The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are ineligible and must be subtracted out under 58007 Ineligible Fringe Benefits.
- "Funded" means an actual out-of-pocket expense for the transit agency. Actuarial gains used to offset pension expense are not considered "paid." Costs paid more than six

months after the end of the fiscal year are eligible in the year paid.

Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are eligible. Late payment charges on such premiums are ineligible and must be subtracted out under 58007 Ineligible Fringe Benefits.

Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are ineligible and must be subtracted out under 58007 Ineligible Fringe Benefits.

A lump sum payment necessary to buy into a pension plan (e.g., Municipal Employee Retirement System) for prior years of service and the annual installments are eligible expenses as long as the above criteria are met.

A voluntarily payment of an unfunded accrued liability amount is eligible if it is an actual out-of-pocket expense, and the transit agency has no authority to request/obtain the money back.

Costs should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification. Pension expense not meeting the above criteria is not eligible and must be subtracted out under 58007 Ineligible Fringe Benefits.

If the transit agency or local unit uses derivative instruments or products in their pension 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 BPT Project Manager to obtain a written response from BPT.

PENSION OBLIGATION BONDS: The eligibility of interest on bonds issued to fund unfunded actuarial accrued pension liability (UAAL) 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 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.

50202 Other Post-Employment Benefits. Benefits other than pension provided at or after separation from employment as part of the total compensation for services.

Other Post-Employment Benefits (OPEB) include retiree health care insurance, life insurance benefits to retirees, disability insurance, etc. recorded as an expense are eligible provided the 50201 Pension criteria is met. OPEB expense not meeting the above criteria is not eligible and must be subtracted out as ineligible. Please use 58007 Ineligible Fringe Benefits and include an explanation in the comment field.

Note: 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 50201 Pensions.

Service Expense

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 incurred for an annual CPA audit are eligible for reimbursement under the State Operating Assistance program. *General Administration* Audit costs are only eligible for Section 5311 reimbursement if in accordance with OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

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.
- Extended warranty costs.
- 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 reimbursement under Act 51. 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 for purposes of reimbursement under Act 51. 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 reimbursement under Act 51. 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*
- Media advertising for employee vacancies. *General Administration*
- 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*

Material, Purchase, and Supply Expense

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. *Operations* CNG fuel credits for using alternative fuels must be subtracted out as ineligible under 54000 Ineligible Prior Year Refunds and Credits and explained in the comment field.

Note: Federal and state taxes are included in the price of gasoline. Governmental public transit agencies are usually exempt from paying these taxes. In the event these taxes have been paid on gasoline purchases, it may be possible for the transit agency to receive a refund. BPT has an external procedure on tax refunds on gasoline purchases. This external procedure is at <http://www.michigan.gov/mdotptd>. In the “Resources” box, click on “Reference Manual for Transit Agencies”. In the “Accounting – Financial” section, click on “Tax Refunds – Motor Fuel Purchases.”

If a refund is received, do NOT net that refund against this expense code. Any refunds that offset or reduce this expense code must be subtracted out as ineligible under 54000 Ineligible Prior

Year Refunds and Credits and explained in the comment field.

50402 Tires and Tubes. *Operations*

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.

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 the 51300 code 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 for under 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.

Utility, Insurance, and Tax Expense

50500 Utilities. Payments made to utility companies (e.g., telephone, electric, gas, water, sewer, 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 are eligible expenses (e.g., replacement of small hand tools).
- Provisions for a reserve under a self-insurance program are allowable to the extent that types of coverage, extent of coverage, rates, and premiums would have been allowed had insurance been purchased to cover the risks. However, provision 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 BPT'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 ninety (90) percent of the transit agency's total insurance cost is reported under 50603 Liability Insurance *Operations* and ten (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 Prior Year Refunds and Credits and explained in the comment field.

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).

Purchased Transportation Expense

50800 Purchased Transportation Service is where the buyer (prime contractor) is a 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. MDOT approval is not required if the prime contractor is certified in accordance with commission policy. 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.

Miscellaneous Expense

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, Community Transportation Association of America, 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. *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 Expense

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 to the extent of interest earned under 41400 Interest Income and must be subtracted

out under 55006 Other Ineligible Interest Expense. *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.

Lease, Depreciation, Rehabilitation Expense

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.

51300 Depreciation is a means of allocating the cost of fixed assets to periods benefiting from asset use. The expense reflects an asset's loss in service value. An asset with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year must be capitalized and

depreciated over its useful life.

The depreciation associated with an asset purchased with federal and/or state funds and required local match is not eligible and must be subtracted out under 55007 Ineligible Depreciation. If an asset is purchased with local funds, the depreciation expense is eligible if: (1) the asset is reasonable and necessary, and (2) BPT approves the useful life of the asset; otherwise, the expense is not eligible and must be subtracted out under 55007 Ineligible Depreciation. Depending upon the asset being depreciated, the function classification could be *Operations, Maintenance, or General Administration*.

In order to obtain approval of the useful life of an asset purchased with local money, please submit a written request to your BPT Project Manager 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).
- The state contract and authorization number if the asset was partially purchased with federal or state money. If the asset was purchased entirely with local money, then there would not be a state contract or authorization number.
- The cost of the asset.
- Depreciation category (See Depreciation Schedule - e.g., Trucks - light duty).
- Useful life. If the asset is new, use the useful life listed in the Depreciation Schedules (see below). If the purchased asset is used, 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, technological developments. Please explain how the useful life was determined.
- Method of depreciation. The straight line method of depreciation must be used. *Use of any other depreciation method must be approved by BPT.*
- Any other information BPT may deem necessary.

The depreciation method selected cannot be changed without prior approval of BPT. Depreciation records indicating the amount of depreciation taken each fiscal year must be 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 review of the transit agency's compliance with its maintenance plan.

The depreciation schedule for vehicles is the same as "Replacement Schedule For Transit Agencies' Capital Items".

DEPRECIATION SCHEDULE

Buses:

Useful Life*

	<u>Buses Delivered Prior to 1/1/08</u>	<u>Buses Delivered on or after 1/1/08</u>
Small (Body on van cut-away)		
- Light duty chassis - less than 30 feet	5 years or 150,000 miles	Altoona Testing
Medium (Body on truck chassis)		
- Medium duty chassis - less than 30 feet	7 years or 200,000 miles	Altoona Testing
- Heavy duty chassis - 30 feet to 34 feet	10 years or 350,000 miles	Altoona Testing
Large		
- Heavy duty chassis – 35 feet to 60 feet	12 years or 500,000 miles	Altoona Testing
Cars, Minivans, Maxivan, Van Conversion: (under 13,000 lbs. g.v.w.)		4 years or 100,000 miles
Trucks:		
Light duty (under 13,000 lbs. g.v.w.)		4 years
Heavy duty (over 13,000 lbs. g.v.w.)		7 years
Maintenance:		
Equipment & Fixtures		
- Roller cabinets, portable tool stands, compressors, hoists, diagnostic equipment, lift truck, engine stands, brake Lathes, bus washers, etc.		12 years
Tools		
- Lawn mowers, snow blowers, power/hand tools, etc.		5 years
Office:		
Furniture & Fixtures		
- Desks, files, safes, etc. (i.e. non-structural components of the building)		12 years
Equipment		
- Computer and data handling equipment, radios, telephone systems, copy machines, etc.		5 years
Buildings:		
New:		40 years

* Useful life is obtained from Alternative Depreciation System Recovery Periods according to IRS Publication 946.

Please note: Local costs *in excess* of the contract amount (therefore, *not* required under the contract) may be eligible for reimbursement if:

- The related local costs are reasonable and necessary, and
- BPT approves the useful life of the item being depreciated; otherwise, the expense is not eligible and must be subtracted out under 55007 Ineligible Depreciation.

If you need approval of the useful life of an asset, please contact your BPT Project Manager. If no "useful life" approvals are on file with the BPT, then 100% of depreciation will be subtracted out as ineligible.

Costs capitalized under a capital contract are depreciated under this code and subtracted out as ineligible under 55007 Ineligible Depreciation.

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 A), and
- Associated with certain revenues.
- Contractually obligated to be reimbursed even though the transit agency did not receive the contract funds.

Ineligible Depreciation, Loss on Disposal, and Charter Expense

55007 Ineligible Depreciation include assets purchased with:

- Federal and/or state funds and/or local match.
- Local funds where the useful life of the asset was not approved by BPT or the asset is not reasonable and necessary.

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

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.

55015 Ineligible Charter Expense. Expenses associated with 40500 Charter Service. *Operations* A BPT 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.

Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue

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 could be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the type of property rented.

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.

Ineligible Expenses Associated with non-FTA and non-MDOT/BPT Contracts

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

Ineligible Expenses and/or Revenues Associated with Federal and/or State Contracts

55011 Ineligible Preventive Maintenance. Expenses reimbursed under revenue 41111 Preventive Maintenance (the state portion) and 41311 Preventive Maintenance (the federal portion). *Maintenance* If toll credits are used for the state match, then only the federal revenue reported in 41311 must be subtracted out as ineligible.

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*. If toll credits are used for the state match, then only the federal revenue reported in 41312 must be subtracted out as ineligible.

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* If toll credits are used for the state match, then only the federal revenue reported in 41313 must be subtracted out as ineligible.

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*. If toll credits are used for the state match, then only the federal revenue reported in 41314 must be subtracted out as ineligible.

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/BPT Contracts and Reimbursements and 41399 Other Federal Transit Contracts and Reimbursements. 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.

Note: 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 grant and MDOT match. However, for an FTA operating grant that is 80% federal and 20% local, the local share required by the contract is an eligible expense.

40100 Passenger Fares earned for the Federal Section 5316 Job Access/Reverse Commute (JARC) and Federal Section 5317 New Freedom (NF) must be subtracted out as ineligible under this code. For example, if a JARC and/or NF service incurred \$100,000 in operating expenses and earned \$10,000 in farebox, then the farebox would be subtracted out as ineligible and the reimbursement would be based on \$90,000 of eligible expenses.

55004 Other Ineligible State Contracts. Expenses associated with 41199 Other MDOT/BPT 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*.

Do not report any expenses associated with CTF programs that have their own individual reporting requirements (e.g., JARC, Specialized Services). Expenses associated with other CTF programs must be allocated based on a BPT approved cost allocation plan. Costs in excess of the contract amount to provide the contractually required amount of service cannot be included in Local Bus Operating expenses. However, cost incurred to provide service in addition to the contractually required amount of service can be included in Local Bus Operating 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 10/1/07.

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*.

Ineligible Interest Expense

58002 Ineligible Interest on State Advances. Interest charged on advances of revenue 41101 State Operating Assistance. *General Administration*

55006 Other Ineligible Interest Expense includes: (1) interest paid under 51101 Interest on Long-Term Debt, and (2) 51102 interest expense that equates to 41400 Interest Income. "41400 Interest Income" means interest earned on all local, state, and federal operating revenues including retained earnings. *General Administration*

Ineligible Miscellaneous Expense

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

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

58007 Ineligible Fringe Benefits. See 50201 Pensions and 50202 Other Post-Employment Benefits. Ineligible expenses should be classified as either *Operations*, *Maintenance*, or *General Administration* based upon the 501xx Salaries and Wages classification.

55008 Other Ineligible Expenses include:

- **Appraisal costs obtained:**
 - 1: To buy an asset. Appraisal costs should be capitalized rather than expensed. The cost of an appraisal is an allowable cost to a capital grant.
 - 2: To sell an asset purchased with 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.
 - 3: For some purpose other than the buying or selling property is an eligible operating expense, and should be reported under 50399 Other Services.
- Expenses associated with package delivery and meal delivery programs.
- 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 products and services.
- Attorney fees and related expenses as explained in 50399 Other Services.
- Entertainment expenses.
- 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.
- 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 identify these expenses in the comment field.

54000 Ineligible Prior Year Refunds and Credits. See 44000 Prior Year Refunds and Credits.

Nonfinancial Operating Data

Public Service

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.

615 Passengers - Regular. All passengers except those described in 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities.

616 Passengers - Elderly. Number of passengers 65 years of age or older. The age limit defining "elderly" may be lower under local option.

617 Passengers - 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, a record of such an impairment, or being regarded as having such an impairment.

618 Passengers - Elderly Persons with Disabilities. Number of passengers who meet the definition of both 616 - Elderly and 617 - Persons with Disabilities. Passengers counted here should not be counted under 616 and 617.

621 Total Line-Haul Passengers. Total number of passengers picked up on a regular schedule at designated bus stops.

622 Total Demand-Response Passengers. Total number of passengers that received door-to-door service.

Code 620 Total Passengers is computer-generated by adding the number of passengers reported in 615 - Regular, 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities. PTMS will display a pop-up window if the sum of 621 Total Line-Haul Passengers and 622 Total Demand-Response Passengers does not equal the sum of 615 - Regular, 616 - Elderly, 617 - Persons with Disabilities, and 618 - Elderly Persons with Disabilities.

Please note: The total passenger count should include passengers associated with 50800 Purchased Transportation Service. See example on the next page.

For example, assume a transit agency transported 144 passengers during the fiscal year. Code 620 must add to 144.

	LH Passengers	DR Passengers	Total Passengers	Code
Regular	120	0	120	615 Regular
Elderly	4	10	14	616 Elderly
Persons w/ Disabilities	0	6	6	617 w/ Disabilities
Elderly w/ Disabilities	1	3	4	618 Elderly w/ Disabilities
Total	125	19	144	620 Total
Code	621 LH	622 DR		

625 Days Operated. Number of days 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, but do not include such vehicles as 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. Please 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.

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. See example on the next page.

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	654 LH w/ Lifts	5	10	653 Total LH Vehicles
DR Vehicles	5	656 DR w/ Lifts	0	5	655 Total DR Vehicles
Total	10		5	15	655 Total Vehicles

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.

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). See example on the next page.

For example, assume a transit agency has 30 employees of which 14 are drivers.

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

663 Number of Accidents. Total collision, noncollision, and station accidents resulting in a fatality, personal injury, or property damage. This information is based on the transit agency's accident/incident reports, not on claims filed. Robberies, assaults, and other crimes or misdemeanors should not be included in the number of accidents.

664 Number of Fatal Accidents. Report transit caused deaths.

Most Important

Seek Assistance From BPT Whenever Necessary

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

If you have any problems connecting to the PTMS, please contact Kathy Urda at (517) 335-2575 or at urdak@michigan.gov.

APPENDIX A: 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 the BPT. 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 B: 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 cost allocation plan must be submitted to BPT for approval are given in an external procedure located at:

http://www.michigan.gov/documents/costallocation_51525_7.pdf.

A listing of BPT approved cost allocation plans can be obtained at:

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 the transit agency's Project Manager.

The total cost to provide public transportation service must be supported by formal accounting records and appropriately allocated. To the extent feasible, cost allocation plans should be presented in a single document. The cost allocation plan 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 BPT. 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 operation and maintenance of buildings and the expenses of unit heads and their immediate staff.

Approval/Documentation:

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 cost allocation plans to the cognizant agency (which most likely will be FTA). **A copy of any cost allocation plan/methodology that: (1) was approved by FTA, and (2) used to allocate expenses reported on the PTMS must also be submitted to BPT for approval.** All approved cost allocation plans/methodologies must be retained for audit and other future review/oversight.

For information and/or assistance in developing a cost allocation plan, consult the following federal guidelines/regulation:

- Cost Allocation Plan requirements per FTA Circular 5010.1C
Web Address: http://www.fta.dot.gov/laws/circulars/leg_reg_4114.html
- PART 225 – Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87)
Web Address: http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html
- Implementation Guide for Office of Management and Budget Circular A-87
Web Address: <http://rates.psc.gov/fms/dca/asmb%20c-10.pdf>

APPENDIX C: 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

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 above.
- 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 D: Credit Card Policy

A transit agency must adopt a credit card policy in accordance with Public Act 266 of 1995 by resolution. 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.