



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

ROBERT J. KLEINE  
STATE TREASURER

**DATE:** March 8, 2007

**TO:** Auditors of Local Units of Government in Michigan, Transit Authorities,  
Other interested parties

**FROM:** Suzanne Schafer, Administrator   
Local Audit and Finance Division

**SUBJECT:** Audit Guide for Transportation Authorities Exposure Draft

# EXPOSURE DRAFT

  

## PROPOSED AUDIT GUIDE FOR TRANSPORTATION AUTHORITIES

The Michigan Department of Transportation and the Michigan Department of Treasury has prepared this exposure draft for comment from persons interested in auditing and reporting issues.

Comments should be received by **April 20, 2007**, and should be addressed to Cary Jay Vaughn, CPA, Audit Manager, Department of Treasury, Local Audit and Finance Division, 1<sup>st</sup> Floor, PO Box 30728, Lansing, MI 48909-8228 or via the Internet to [treas\\_lafd@michigan.gov](mailto:treas_lafd@michigan.gov).

Comments or suggestions on any aspect of this exposure draft will be appreciated. To facilitate Treasury's and MDOT's consideration of responses, comments should be as specific as possible and include supporting reasons for each suggestion or comment.

1 **INTRODUCTION AND AUDITOR’S RESPONSIBILITY**

2  
3 This Guide illustrates transit schedules required by the Bureau of Passenger Transportation  
4 (BPT) of the Michigan Department of Transportation (MDOT) for the Federal Section 5311  
5 Program and the State Formula Fund Program. There are three appendixes of schedules.  
6 Appendix A is an example of BPT's schedules that are required for transit agencies with a  
7 September 30<sup>th</sup> year end. Appendix B is an example of BPT's schedules that are required for  
8 transit agencies with a year end other than September 30<sup>th</sup> (e.g., June 30<sup>th</sup> or December 31<sup>st</sup>).  
9 Appendix C is an example of BPT's schedules that are required for all audits regardless of the  
10 transit agency’s local year end. Therefore, an auditor auditing a transit agency with a September  
11 30<sup>th</sup> year end must use Appendix A and Appendix C. An auditor auditing a transit agency with a  
12 year end other than September 30<sup>th</sup> must use Appendix B and Appendix C.

13  
14 Transportation systems may operate either as an independent authority, a nonprofit corporation,  
15 or a component of a local government. Most transit agencies are accounted for as enterprise  
16 funds. However, a few may be accounted for as a special revenue fund. Auditors are expected to  
17 develop their own financial and compliance audit program because of the differences in auditing  
18 a city, township or county agency, or transportation authority. The examination of the financial  
19 records, accounts, and procedures shall be made in accordance with Generally Accepted  
20 Auditing Standards (GAAS) and Generally Accepted Governmental Auditing Standards  
21 (GAGAS). Financial and compliance audits should provide reasonable assurance that the entity’s  
22 financial statements present fairly the financial position, results of operations, and cash flows in  
23 accordance with generally accepted accounting principles (GAAP).

24  
25 Auditors shall consider this Guide, the referenced laws, regulations, and the Office of  
26 Management and Budget (OMB) Circulars in determining the compliance requirements that  
27 could have a direct and material effect on the programs included. OMB Circular A-133 requires  
28 the auditor to perform procedures to determine whether the non Federal entity has complied with  
29 laws, regulations, and the provisions of contract or grant agreements that could have a direct and  
30 material effect on each major program. Internal controls over various laws and regulations are to  
31 be examined and reported upon. Auditor judgment will determine audit procedures sufficient to  
32 achieve audit objectives. GAGAS requires that the auditors plan the audit to provide reasonable  
33 assurance that the financial statements are free of material misstatement resulting from violations  
34 of laws and regulations that have a direct and material effect on the determination of the financial  
35 statement amounts. Auditors also have the responsibility under GAGAS for other requirements,  
36 when specific information comes to the auditors’ attention that provides evidence concerning the  
37 existence of possible noncompliance that could have a material indirect effect on a major  
38 program.

39  
40 **AUTHORITY FOR AUDIT**

41  
42 The Michigan Department of Treasury Local Audit and Finance Division (LAFD) and the BPT  
43 are responsible for administering the audit requirements of the applicable state statutes and  
44 related Federal Transit Administration (FTA) programs. LAFD, as well as the MDOT Office of  
45 Commission Audits (OCA) and BPT are responsible for reviewing completed audits to ensure  
46 that the transportation standards and procedures set forth in this Guide have been followed.

48 **PERFORMING THE AUDIT**

49  
50 The audit must be performed by an independent Certified Public Accountant (CPA) registered  
51 with the Michigan State Board of Accountancy to practice in Michigan or by a qualified  
52 employee of the Department of Treasury. Financial and compliance audits should provide  
53 reasonable assurance that the transit agency’s financial statements present fairly the financial  
54 position, results of operations, and cash flows in accordance with GAAP. The examination of the  
55 financial records, accounts and procedures shall be made in accordance with GAAS and  
56 GAGAS.

57  
58 **AUDIT PROGRAM AND OBJECTIVES**

59  
60 Annual audits of operating and capital assistance programs are mandated to contain the  
61 information, statements, and schedules as identified in this Guide.

62  
63 The overall objectives of the auditor’s examination are to determine whether:

- 64
- 65 1. Financial operations are properly conducted, expenditures are used for the purposes specified  
66 in the Federal program/grant/contract and the MDOT Local Public Transit Revenue and  
67 Expense Manual (R&E Manual), and expenditures are adequately supported by  
68 documentation on file.
  - 69 2. Financial statements are fairly presented in accordance with GAAP.
  - 70 3. Applicable laws, regulations, and rules have been complied with and program equipment and  
71 facilities are being used to provide public transportation services.
  - 72 4. Appropriate fiscal operations and financial management of the programs have been followed.

73  
74  
75  
76  
77 Audit steps must be based on specific analyses of the transit agency’s files and records,  
78 documented physical observations, and documented discussions with transit agency officials.  
79 The auditor is not expected to expand the audit coverage beyond what is prescribed in this Guide  
80 unless material deficiencies in the financial statements are uncovered. The auditor should notify  
81 the Audit Manager of the Audit Section, Local Audit and Finance Division at the Michigan  
82 Department of Treasury and the BPT Administrator if the transit agency’s records are found to  
83 be unsuitable for an audit.

84  
85 All audit steps must be supported by and referenced to specific audit documentation that meet  
86 the American Institute of Certified Public Accountants (AICPA) standards and the more  
87 stringent GAGAS. If it is a Single Audit, the audit documentation must meet the additional  
88 requirements of the Single Audit Act and the related OMB Circular A-133 requirements. Audit  
89 documentation should be retained until MDOT has closed out the operating programs and  
90 contracts based on the final audit. This could be five years or more subsequent to the date of the  
91 final audit report. Audit documentation is subject to review by representatives from MDOT, the  
92 Michigan Department of Treasury, and/or Federal agencies at any time. Any audit  
93 documentation supporting items in dispute shall be retained until the audit dispute is resolved.

94

95 **SCOPE AND EXTENT OF TESTING**

96  
97 It is necessary to test the accounting records and employ audit procedures in order to respond to  
98 the requirements contained in this Guide. Some of the mandates of this Guide will require the  
99 auditor to extend or supplement general audit procedures. In these circumstances, the auditor  
100 should use professional judgment to determine the type of evidence required and the procedures  
101 needed to respond to the audit requirements involved.

102  
103 Sufficient information should be collected to permit an informed opinion on the audited  
104 operating expenses with particular attention given to expenses that are ineligible for  
105 reimbursement with Federal and State funds. Factors to consider in determining whether or not  
106 expenses are ineligible are:

- 107  
108 1. General cost guidelines stated in OMB Circular A-87 (A-87) for Section 5311 and the  
109 Local Public Transit Revenue and Expense Manual (R&E Manual) for State Formula  
110 Funds as well as specific expenses identified as ineligible.
- 111  
112 2. Capital money (e.g., Section 5307) used to pay for operating expenses. Any operating  
113 expenses paid for with capital money cannot be reimbursed a second time with Federal  
114 and State formula operating funds.
- 115  
116 3. Operating costs allocated to and paid for by an operating contract.
- 117  
118 4. Local match required by federal and/or state grant, contract, etc.
- 119  
120 5. Rebates, refunds, etc. of expenses (that currently are or were in prior periods), reimbursed  
121 by Federal and State formula operating funds.
- 122  
123 6. Sub-grantee contracts, audits performed on these contracts, and the operation of the  
124 subcontractor.
- 125  
126 7. The adequacy and reliability of the transit agency's accounting system, records,  
127 supporting documentation, and controls and prior audit experience with the transit  
128 agency.
- 129  
130 8. Other audit reports such as FTA Financial Management Oversight Reviews, Annual  
131 Single Audit, U.S. Government Accountability Office (GAO) or Office of Inspector  
132 General Reports, MDOT - OCA Reports, and Local Governmental Audits.

133  
134 Auditors should recognize that laws and regulations change periodically and that delays will  
135 occur between such changes and revisions to this Guide. Moreover, auditors should recognize  
136 that there may be provisions in contracts that are not specified by law or regulation and,  
137 therefore, the specifics of such are not included in this Guide. This Guide is not intended to set  
138 forth minimum procedures. The auditor is responsible for being familiar with contract  
139 provisions, program requirements, Federal and State requirements, and the like to provide a full  
140 and satisfactory audit. Because of the diversity of computer systems, both hardware and  
141 software, it is not practical for this Guide to provide suggested audit procedures to address each  
142 system.

144 Funds are to be used to pay for eligible operating expenses for public transportation purposes as  
145 defined in A-87 and the R&E Manual. Public transportation is defined as the movement of  
146 people and goods by a publicly or privately owned bus, water vehicle, railroad car, rapid transit  
147 vehicle, taxicab, aircraft, or other conveyance which provides general or special service to the  
148 public, but does not include charter, school buses, or sightseeing services.  
149

## 150 **STATE OPERATING PROGRAMS**

- 151
- 152 • **LOCAL BUS OPERATING ASSISTANCE PROGRAM** (State Formula Funds) are distributed to  
153 eligible public transit agencies/authorities according to Public Act 51 of 1951, as amended  
154 (Act 51). The calculation of State Formula Funds is explained on page 30.  
155
- 156 • **SPECIALIZED SERVICES** is the program that provides operating assistance for transportation  
157 services primarily for elderly persons and persons with disabilities. The amount of operating  
158 assistance is based on the annual application required by Act 51 and the funding available in  
159 MDOT's budget.  
160

## 161 **FEDERAL CAPITAL AND OPERATING PROGRAMS**

162

163 On August 10, 2005, President Bush signed the Safe, Accountable, Flexible, and Efficient  
164 Transportation Equity Act - A Legacy for Users (SAFETEA-LU). Listed below is a summary of  
165 FTA grants and grant programs. Simply because a grant program is listed below does not mean  
166 that BPT is participating in that grant program. More information about these programs may be  
167 found at: [http://www.fta.dot.gov/funding/grants\\_financing\\_263.html](http://www.fta.dot.gov/funding/grants_financing_263.html)  
168

- 169 • **SECTION 5303, 5305--METROPOLITAN PLANNING** provides funding to support the planning  
170 of transportation investment decisions in metropolitan areas. Funding is 80% Federal and  
171 20% Local.  
172
- 173 • **SECTION 5304, 5305--STATEWIDE PLANNING AND RESEARCH** provides funding to States  
174 for state-wide planning for nonurbanized areas, and other technical assistance activities.  
175 Funding is 80% Federal and 20% Local.  
176
- 177 • **SECTION 5307--LARGE URBAN CITIES** (Urbanized Area Formula Program) makes Federal  
178 resources available to urbanized areas for transit capital and operating assistance in  
179 urbanized areas.  
180
- 181 • **SECTION 5309--MAJOR CAPITAL INVESTMENTS - NEW STARTS** provides funds for  
182 construction of new fixed guideway systems or extensions to existing fixed guideway  
183 systems. Funding is 80% Federal and 20% Local.  
184
- 185 • **SECTION 5309, 5318--BUS AND BUS-RELATED PROGRAM** provides funding for buses, bus  
186 maintenance and administrative facilities, transfer facilities, park-and-ride stations, bus  
187 maintenance, passenger shelters and bus stop signs, and other bus-related purchases.  
188 Funding is 80% Federal and 20% Local.  
189
- 190 • **SECTION 5310--ELDERLY AND PERSONS WITH DISABILITIES PROGRAM** provides capital  
191 funds for transportation purposes to private, nonprofit corporations and associations, and  
192 public agencies for the specific purpose of assisting them in providing transportation  
193 services meeting the special needs of elderly persons and persons with disabilities. Funding  
194 is 80% Federal and 20% Local.

- 195 • **SECTION 5311--RURAL AND SMALL URBAN AREAS** (Nonurbanized Area Formula Program).  
 196 Program funds may be used for capital, administrative assistance, and operating (based on a  
 197 percentage of eligible expenses). The calculation of Section 5311 funds is explained on page  
 198 32.
- 199
- 200 • **SECTION 5311(B)(3)--RURAL TRANSIT ASSISTANCE PROGRAM** provides funding to assist in  
 201 the design and implementation of training and technical assistance projects and other  
 202 support services tailored to meet the needs of transit operators in nonurbanized areas.  
 203
- 204 • **SECTION 5314--NATIONAL RESEARCH AND TECHNOLOGY PROGRAM** provides funds to  
 205 conduct national research and the development of advanced transit technology. Funding is  
 206 80% Federal and 20% Local.  
 207
- 208 • **SECTION 5316--JOB ACCESS AND REVERSE COMMUTE PROGRAM (JARC)** provides  
 209 funding to develop transportation services for welfare recipients and low income individuals  
 210 to and from jobs, and to develop transportation services from urban centers to suburban  
 211 employment opportunities. Funding is 80% Federal and 20% Local for capital programs and  
 212 50/50 for operating programs.  
 213
- 214 • **SECTION 5317--NEW FREEDOM INITIATIVE** is a new formula grant program that  
 215 encourages service and facility improvements to address the transportation needs of persons  
 216 with disabilities that go beyond those required by the Americans with Disabilities Act.  
 217 Funding is 80% Federal and 20% Local for capital programs and 50/50 for operating  
 218 programs.  
 219
- 220 • **FLEXIBLE FUNDS FOR HIGHWAY AND TRANSIT FLEXIBLE FUNDING** is a funding  
 221 mechanism which allows some highway funds to be transferred to transit projects, and vice  
 222 versa. Flexible funds include Federal Highway Administration (FHWA) Surface  
 223 Transportation Program (STP) funds, and Congestion Mitigation and Air Quality  
 224 Improvement Program (CMAQ) and Federal Transit Administration (FTA) Urban Formula  
 225 Funds. Funding is 80% Federal and 20% Local.  
 226
- 227 • **CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM (CMAQ)** directs  
 228 funds toward transportation projects in Clean Air Act nonattainment areas for ozone and  
 229 carbon monoxide.  
 230

231 **CONTRACT PAYMENTS AND THE PUBLIC TRANSPORTATION MANAGEMENT**  
 232 **SYSTEM (PTMS)**  
 233

234 Payments made on the grant contracts are based on progress reports (in some cases through the  
 235 Public Transportation Management System (PTMS)) or billings submitted by the local agency to  
 236 BPT and are not to exceed the maximum contract amount. Final adjustments will be made based  
 237 on audit findings.  
 238

239 **AUDIT DUE DATES**

240  
241 **Transit Audit--the State requirement of Public Act 51 of 1951, as amended; and Public Act**  
242 **2 of 1968, as amended.**

243  
244 The audit required by state law is called the "transit audit" and must be submitted no later than  
245 six months after the local fiscal year ends. An extension of the audit due date may be requested  
246 in accordance with Treasury's Numbered Letter 2001-1 "Filing Extensions" at:  
247 [http://www.michigan.gov/treasury/1,1607,7-121-1751\\_2194-6003--,00.html](http://www.michigan.gov/treasury/1,1607,7-121-1751_2194-6003--,00.html). BPT gives further  
248 guidance on the submitting of annual audits in an External Procedure called "Audit Deadlines  
249 and Submitting a Deficit Elimination Plan" located at:  
250 [http://www.michigan.gov/documents/auditdeadlines\\_51531\\_7.pdf](http://www.michigan.gov/documents/auditdeadlines_51531_7.pdf)

251  
252 **SINGLE AUDIT ACT DUE DATE**

253  
254 If a Single Audit is performed on a local unit and it includes a transportation fund, copies of the  
255 report are expected to be filed within thirty days after completion of the audit, but no later than  
256 nine months after the end of the audit period. The BPT Auditing Specialist must be notified  
257 within four months after the fiscal year end if this extended filing period is going to be used.

258  
259 The due date for the State transit audit is a shorter period of time than the due date for the  
260 Federal Single Audit. Therefore, the transit audit must contain all the schedules required in this  
261 Guide.

262  
263 **DISTRIBUTION OF AUDIT REPORT**

264  
265 All audits required in accordance with Public Act 2 of 1968 and Public Act 71 of 1919 may be  
266 submitted via Treasury's Local Unit Audit Report Upload website at:  
267 <http://www.michigan.gov/treasury>. It is not mandatory to file the audit report electronically, but  
268 it is strongly recommended. Treasury is committed to improving the filing process of the audit  
269 reports and related documentation and reducing the cost associated with paper documents. All  
270 audits filed will be available for viewing or downloading on Treasury's website at:  
271 [http://www.michigan.gov/treasury/0,1607,7-121-1751\\_31038---,00.html](http://www.michigan.gov/treasury/0,1607,7-121-1751_31038---,00.html).

272  
273 If the audit is submitted via Treasury's Local Unit Audit Report Upload web site, then e-mail the  
274 BPT's Auditing Specialist at <mailto:ditrit@michigan.gov> to inform the specialist that the audit is  
275 available at Treasury's website. Audits can also be submitted through the U.S. mail, send one  
276 copy of the audit, the management letter and the auditing procedures report to: Michigan  
277 Department of Treasury, Local Audit and Finance Division, P.O. Box 30728, Lansing, Michigan  
278 48909-8228; and two copies of the audit and the management letter to: Trish D'Itri, Auditing  
279 Specialist, MDOT--BPT, P.O. Box 30050, Lansing, Michigan 48909.

280

281 **STATE AND FEDERAL RESOURCES**

282

283 When auditing public transportation programs, it is necessary to recognize that the specific  
284 terms, conditions, and restrictions incorporated into each individual program may vary. Hence,  
285 before commencing an audit, it is essential that the auditor become familiar with the  
286 terminology. Some materials listed below will be of assistance and should be followed:

287

288 **MICHIGAN DEPARTMENT OF TREASURY**

289

290 ▶ Webpage: <http://www.michigan.gov/treasury>

291

292 Information at this website includes:

293

294 • BULLETINS & ACCOUNTING MANUALS

295

-Uniform Chart of Accounts

296

-Bulletin for Audits of Local Units of Government, Use of this Bulletin is mandatory

297

-Uniform Reporting Format, After the Adoption of GASB No. 34

298

-Transportation Audit Guide

299

300 **MICHIGAN DEPARTMENT OF TRANSPORTATION**

301

302 ▶ BPT Webpage: [http://www.michigan.gov/mdot/0,1607,7-151-9625\\_21607---,00.html](http://www.michigan.gov/mdot/0,1607,7-151-9625_21607---,00.html)

303

304 Information at this website includes:

305

306 • AUDIT/ACCOUNTING INFORMATION

307

-Local Revenue and Expense Manual (promulgated annually)

308

-Yearly Audit Information Letter

309

-Transportation Audit Guide

310

311 • CATALOG OF FEDERAL DOMESTIC ASSISTANCE

312

313 • OMB CIRCULARS

314

315 • LAWS & REGULATIONS

316

State of Michigan:

317

-Public Act 51 of 1951, State Trunkline Highway System

318

-Comprehensive Transportation Fund Administrative Rules

319

-Public Act 55 of 1963, Mass Transportation System Authorities

320

-Public Act 196 of 1986, Public Transportation Authority Act

321

-Public Act 204 of 1967, Metropolitan Transportation Authorities Act of 1967

322

-Public Act 432 of 1982, Motor Bus Transportation Act

323

Federal Government:

324

-Safe, Accountable, Flexible, and Efficient Transportation Equity Act - A Legacy for  
Users (SAFETEA-LU) (Enacted August 10, 2005, as Public Law 109-59)

325

326 • RELATED LINKS

327

Federal Government:

328

-The US Department of Transportation <http://www.dot.gov>

329

-Federal Highway Administration (FHWA) <http://www.fhwa.dot.gov>

330

-Federal Transit Administration (FTA) <http://www.fta.dot.gov>

331

-Federal Transit Grant Programs

332

[http://www.fta.dot.gov/funding/grants\\_financing\\_263.html](http://www.fta.dot.gov/funding/grants_financing_263.html)

333

334 State of Michigan:  
335 -Michigan Legislature <http://www.legislature.mi.gov/>  
336  
337 Information at this website includes:  
338  
339 -Public Act 2 of 1968, as amended (MCL 141.421, *et al.*):  
340 The Uniform Budgeting and Accounting Act, and Public Act 140 of 1971, the Glenn Steil  
341 State Revenue Sharing Act. These public acts provide for financial and financial  
342 compliance audits of eligible governmental agencies and authorities.  
343 -Michigan Passenger Transportation Programs [http://www.michigan.gov/mdot/0,1607,7-151-11056\\_11266---,00.html](http://www.michigan.gov/mdot/0,1607,7-151-11056_11266---,00.html)  
344  
345 -Local Bus Operating Assistance Program  
346 -Specialized Services Program  
347 -Local Bus Capital Program  
348

#### 349 FEDERAL GOVERNMENT

350  
351 ► FTA Webpage: <http://www.fta.dot.gov>  
352

353 Information at this website includes:  
354

- 355 • STATUTES AND LEGISLATION  
356 -Federal Transit Laws - 49 U.S.C. Chapter 53  
357 -SAFETEA-LU  
358
- 359 • REGULATIONS  
360 -FTA Regulations  
361 -U.S. DOT Regulations  
362 -Buy America  
363 -Charter Bus Service  
364
- 365 • GUIDANCE  
366 -Circulars (e.g., 4220.1E Procurement - Third Party Contracting Requirements)  
367
- 368 • FEDERAL REGISTER PUBLICATIONS  
369

#### 370 OTHER WEBSITES

371  
372 ► Government Accountability Office: <http://www.gao.gov> for Yellow Book requirements  
373

374 ► Catalog of Federal Domestic Assistance (CFDA): <http://www.cfda.gov>  
375

376 The CFDA provides summary information about each program and includes the name and  
377 telephone number of a Federal contact person. CFDA numbers for Federal programs include:  
378

20.505 for Section 5303	Federal Transit Metropolitan Planning Grants
20.515 for Section 5304	State Planning and Research
20.507 for Section 5307	Federal Transit Formula Grants (Urban)
20.500 for Section 5309	Federal Transit Capital Investment Grants
20.513 for Section 5310	Capital Assistance Program for Elderly Persons With Disabilities
20.509 for Section 5311	Formula Grants for Other Than Urbanized Areas (Nonurban)
20.516 for Section 5316	Job Access/Reverse Commute
20.521 for Section 5317	New Freedom Program

379  
380

- 381 ▶ OMB publications, including OMB Circulars: <http://www.omb.gov>  
382 Audits of States, Local Government, and Non-Profit Organizations (OMB Circular A-133),  
383 as revised June 24, 1997 (Includes revisions published in *Federal Register* June 27, 2003)  
384  
385 ▶ Compliance Supplement for audits under OMB Circular A-133  
386 This supplement is specific to the Section 5307 and 5309 programs and not all of the  
387 provisions are applicable to other programs  
388

### 389 **LOCAL PUBLIC TRANSIT REVENUE AND EXPENSE MANUAL (R&E MANUAL)**

390  
391 The audit report is expected to identify revenues and expenses that are ineligible for  
392 reimbursement based on either the R&E Manual or Circular A-87. Generally, expenses are  
393 ineligible if:

- 394  
395 -Not reasonably documented as being related to the program/grant.  
396 -Unreasonable in light of evidence reviewed by the auditor.  
397 -Approval is required by BPT, but not obtained.  
398 -Incurred for something other than public transportation purposes.  
399 -Determined to be ineligible by the R&E Manual, A-87, or contractual provisions.  
400

### 401 **NONFINANCIAL INFORMATION**

402  
403 Nonfinancial information is data such as miles, passengers, hours, vehicles equipped with lifts,  
404 and gallons of gasoline consumed (or gallon equivalent of an alternative fuel). The only  
405 nonfinancial information required to be in the audit is: (1) mileage, and/or (2) any other  
406 nonfinancial data that is used to allocate costs based on a BPT approved cost allocation plan  
407 (e.g., passengers or hours). Nonfinancial information is reported on the nonfinancial section of  
408 Operating Assistance Report (OAR) Schedule 4 (Schedule 4N in Appendix C) and the auditor  
409 must state that the methodology used for compiling the nonfinancial information has been  
410 reviewed and the recording method has been found to be adequate and reliable.  
411

412 The auditor should discuss the methods used to gather nonfinancial data with the transit agency.  
413 The performance indicators required to be in the audit, that being miles and possibly passengers  
414 or hours, are explained in the R&E Manual and must be compiled consistently with their  
415 definitions. If the auditor in his or her professional opinion believes that the method of gathering  
416 data is vulnerable to material error, the auditor should draw sample data and extrapolate results  
417 using commonly accepted statistical techniques to estimate the data.  
418

### 419 **FINANCIAL INFORMATION**

420  
421 A Management's Discussion and Analysis (MD&A) and the basic financial statements such as  
422 the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets;  
423 and the Statement of Cash Flows are required to be in the audit even though this Guide does not  
424 give examples. Examples of an MD&A and basic financial statements are included in the  
425 Michigan Department of Treasury's "Uniform Reporting Format after the Adoption of GASB  
426 No. 34." The web address for this document at the time this Guide was promulgated is:  
427 [http://www.michigan.gov/documents/unifrepformatgasb34\\_47528\\_7.pdf](http://www.michigan.gov/documents/unifrepformatgasb34_47528_7.pdf).  
428

429 Governmental Accounting Standards Board (GASB) Statement No. 34 allows a special purpose  
430 government, that engages only in a single type of activity (e.g., only in governmental activities or  
431 only business-type activities), to issue a simplified version of the statements. An alternative  
432 presentation is included in Appendix C of the Uniform Reporting Format after the Adoption of  
433 GASB No. 34.

434  
435 Grants should be clearly identified in the financial statements and the supplemental information.  
436 All grants should have the contract and authorization number as well as a descriptive title. If a  
437 grant amount is included in the OAR Schedule 4 as an eligible expense for State Formula Funds  
438 and then subtracted out as ineligible on the same schedule, the grant should also be identified on  
439 Schedule 2 - Expenditures of Federal and State Awards and Schedule 3 - Operating and Contract  
440 Expenses.

441

442 **EXAMPLES OF TRANSIT NOTES TO THE FINANCIAL STATEMENTS**

443

444 Listed below are examples of transit specific related Notes to the Financial Statements. This list  
445 is not intended to be all-inclusive. Language similar to the underlined language is mandatory and  
446 must be included in every annual audit. The examples in Appendixes A, B, and C use a fictitious  
447 transit agency named "Dial-A-Ride Transit." The following examples also make reference to  
448 "Dial-A-Ride Transit." For ease of illustration purposes, the examples in these Notes to the  
449 Financial Statements are based on a September 30th year end.

450

451 **NOTE--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

452

453 **Capital Assets and Depreciation**

454

455 Capital assets are stated at cost or fair market value at the date of purchase/gift. Costs relating to  
456 maintenance and repairs are charged to expense, whereas those for renewals and betterments,  
457 when significant in amount, are capitalized. Depreciation on all assets is provided on the straight-  
458 line basis over the estimated useful lives as defined in the R&E Manual and/or as approved by  
459 BPT.

460

461 The eligible depreciation of \$19,481 (\$240,454 total depreciation reported in PTMS code 51300  
462 for both Urban and Nonurban less ineligible depreciation of \$220,973 reported in PTMS code  
463 55007 Ineligible Depreciation includes only the depreciation of assets purchased with local funds  
464 and where the useful life of the asset purchased has been approved by BPT. The ineligible  
465 depreciation amount of \$220,973 includes \$3,500 of depreciation associated with a snow plow  
466 purchased with local money where the useful life of the asset was not approved by BPT. We  
467 recommended on Schedule 6 that the Dial-A-Ride Transit get approval of the useful life of all  
468 assets purchased with local funds.

469

470 NOTE--DUE TO/FROM OTHER GOVERNMENTAL UNITS

471

472 Due to State Government

473

474 The Dial-A-Ride Transit receives funding from the State of Michigan for the Local Bus  
 475 Operating Assistance Program. The computation of the amount due to the State of Michigan is as  
 476 follows:

477

	<u>Urban</u>	<u>Non-Urban</u>
Net Eligible Expenses	\$ 3,653,368	\$ 70,843
Funding Rate	<u>0.32438220889</u>	<u>0.38437574823</u>
Funding Earned	\$ 1,185,088	\$ 27,230
Funding Received	\$ 1,193,090	\$ 27,118

478 Due to State Government \$7,890

479

480 Due From Federal Government

481

482 The Dial-A-Ride Transit receives funding from the U.S. Department of Transportation under  
 483 Section 5311 Operating Grants. The computation of the amount due from the Federal  
 484 government is as follows:

485

	<u>Non-Urban</u>
Net Eligible Expenses	\$ 69,749
Funding Rate	<u>0.1095</u>
Section 5311 Revenue	\$ 7,638
Funding Received	\$ 7,035

486 Due From Federal Government \$ 603

487

488

489 NOTE--RISK MANAGEMENT

490

491 The Transit Agency is exposed to various risks of loss related to torts, theft of, damage to, and  
 492 destruction of assets; errors and omissions; injuries to employees and natural disasters. The  
 493 Transit Agency carries commercial insurance to cover these risks. Management believes such  
 494 coverage is sufficient to preclude any significant uninsured losses to the Transit Agency. Settled  
 495 claims have not exceeded this coverage in any of the past four years.

496

497 ***If the Transit is required to make additional payments to replenish pool reserves, the risk***  
 498 ***management note should disclose this information in the following format:***

499 The Dial-A-Ride Transit participates in a risk pool. The transit agency is responsible for the first  
500 \$5,000 per claim and the risk pool will cover up to \$4,000,000 per claim. In the fiscal periods  
501 ending November 30, 2002, 2003, and 2004, the pool incurred over \$4.8 million, \$3.9 million  
502 and \$589,600, respectively, in losses due to lawsuits. As a result of these losses, each member is  
503 required to pay a share of the total liability over the next two years to help replenish depleted  
504 reserves. The transit agency is required to make the following estimated payments:

<u>Fiscal Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Total</u>
September 30, 2006	\$ 13,130	\$ 11,996	\$ 17,625	\$ 42,751
September 30, 2007	<u>13,130</u>	<u>11,996</u>	<u>-</u>	<u>25,126</u>
	<u>\$ 26,260</u>	<u>\$ 23,992</u>	<u>\$ 17,625</u>	<u>\$ 67,877</u>

505 These amounts are only estimates. The actual outcomes of the lawsuits still in progress may  
506 cause these liabilities to be adjusted accordingly.

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508

509 NOTE--CHANGES IN CAPITAL ASSETS

510

511 Capital asset activity for the year ended September 30, 2006 is as follows:

512

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 25,000			\$ 25,000
Subtotal	<u>25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>25,000</u>
Capital Assets Being Depreciated				
Buildings	613,167	379,779		992,946
Vehicles	738,466	43,448	42,146	739,768
Furniture and Equipment	142,160	122,584		264,744
Subtotal	<u>1,493,793</u>	<u>545,811</u>	<u>42,146</u>	<u>1,997,458</u>
Less Accumulated Depreciation for				
Buildings	269,577	33,094		302,671
Vehicles	398,570	187,156	42,146	543,580
Furniture and Equipment	134,702	20,204		154,906
Subtotal	<u>802,849</u>	<u>240,454</u>	<u>42,146</u>	<u>1,001,157</u>
Net Capital Assets Being Depreciated	<u>690,944</u>	<u>305,357</u>	<u>-</u>	<u>996,301</u>
Business-Type Activities Total				
Capital Assets--Net of Depreciation	<u>\$ 715,944</u>	<u>\$ 305,357</u>	<u>\$ -</u>	<u>\$ 1,021,301</u>

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514

515 NOTE--COST ALLOCATION PLANS

516

517 The Dial-A-Ride Transit has three cost allocation plans where the methodology has been  
518 approved by the BPT. Those cost allocations are for urban and nonurban service, charter service,  
519 and rental income. The cost allocation plan associated with rent is between the Dial-A-Ride  
520 Transit and the County Commission on Aging for shared facilities. Under the cost allocation  
521 plan, the Commission on Aging reimburses the Dial-A-Ride Transit at a rate of \$250 per month  
522 that equates to expenses. These cost allocation plans were adhered to in the preparation of the  
523 financial statements.

524

525 The Dial-A-Ride Transit does not have a cost allocation plan to allocate expenses associated with  
526 the maintenance of local law enforcement vehicles. We calculated the expense to be \$5,636, of  
527 which \$5,068 and \$568 were subtracted out as ineligible on OAR Schedule 4E (Urban) and OAR  
528 Schedule 4E (Nonurban), respectively, and on Schedule 5. We recommended on Schedule 6 that  
529 the Dial-A-Ride Transit submit a methodology to allocate costs for vehicle maintenance and  
530 receive approval of the methodology from BPT.

531

532 NOTE--EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

533

534 Ineligible expenses are classified appropriately according to the definition in the Local Public  
535 Transit Revenue and Expense Manual (R&E Manual). Audit costs are the only costs in which  
536 eligibility differs from the State R&E Manual and the Federal OMB Circular A-87. The Dial-A-  
537 Ride Transit did not incur expenses associated with 40615 Advertising revenue and, therefore,  
538 no expenses are subtracted out as ineligible on OAR Schedule 4E (Urban) or on Schedule 5.

539

540 NOTE--NONFINANCIAL DATA

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542 The methodology used for compiling mileage on OAR Schedule 4N (Urban) and 4N (Non  
543 Urban) has been reviewed and found to be an adequate and reliable method for recording vehicle  
544 mileage. Because expenses associated with providing Charter service is based on vehicle hours,  
545 we also reviewed the methodology used for compiling hours and found it to be an adequate and  
546 reliable method.

547

548 NOTE--CONTINGENCIES

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550 Amounts received or receivable under grant programs are subject to audit and adjustment by the  
551 grantor agencies, principally the Federal and State governments. Any disallowed claims,  
552 including amounts already collected, may constitute a liability of the transit agency. The amount,  
553 if any, of expenditures which may be disallowed by the grantor cannot be determined at this time  
554 although the transit agency expects such amounts, if any, to be immaterial.

555

556 **BUREAU OF PASSENGER TRANSPORTATION (BPT) SCHEDULES**

557

558 The examples in Appendixes A, B, and C use a fictitious transit agency named "Dial-A-Ride  
559 Transit." The Dial-A-Ride Transit has an Urban and Nonurban system. Therefore, Appendix C  
560 has two sets of OAR Schedule 4 that consist of three OAR Schedules for the Urban system and  
561 three OAR Schedules for the Nonurban system. The Dial-A-Ride Transit does not operate any  
562 other programs such as the Federal Job Access/Reverse Commute (JARC) or the New Freedom  
563 Initiative Program. If the Dial-A-Ride Transit did participate in one of these operating programs,  
564 then an OAR Schedule would be required for that program. Other schedules in Appendix A and  
565 Appendix B might have a generic label like 'another operating program' which represents how  
566 operating revenues and expenses from another operating program would be included in the  
567 schedules. Because Dial-A-Ride Transit does not have any other operating program like JARC or  
568 New Freedom Initiative, no numbers are given in the example.

569

570 The examples in the appendixes are simplified. Do not draw any conclusions from the use of  
571 information in the schedules. For example, farebox associated with the Dial-A-Ride Transit is  
572 100 % linehaul for the urban system and 100 % demand response for the nonurban system. It is  
573 inappropriate to conclude that urban systems are always linehaul and that nonurban systems are  
574 always demand response. The R&E Manual should be consulted to understand financial and  
575 nonfinancial terms and categories used in the examples.

576

577 Categories of expenses and/or revenues, numbers, and totals chosen to be footnoted are arbitrary.  
578 Footnotes may be limited due to space. A footnote might appear on a particular schedule and not  
579 on another schedule where the same footnote would be appropriate.

580

581 The footnotes on the example schedules are intended to assist in understanding how all the  
582 schedules are interrelated. Similar footnotes are not necessary in the presentation of these  
583 schedules in the annual audit.

584

585 **Updating this Guide is a continuing process and revisions will be issued periodically.**  
586 **Questions, observations, and recommendations are invited. For clarification of the content**  
587 **of this Guide, please contact BPT's Auditing Specialist at (517) 335-2535 or at**  
588 **[ditrit@michigan.gov](mailto:ditrit@michigan.gov).**

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**Appendix A**

# BPT SCHEDULES

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**Required in all Audits Based on a September 30th Year End**

**Schedule 1--Local Revenues**

600 This schedule is not necessary if all of a transit agency's revenue can be reported on one OAR.  
601 For example, if a transit agency is only a nonurban system and does not receive other FTA  
602 and/or MDOT funding for another operating program, then OAR Schedule 4R (Nonurban)  
603 (Appendix C) is the only revenue schedule required. This statement is only true for transit  
604 agencies with a September 30<sup>th</sup> year end.  
605

**Schedule 2--Expenditures of Federal and State Awards**

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**Schedule 3--Operating and Contract Expenses**

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610 This schedule is not necessary if all of a transit agency's revenue can be reported on one OAR.  
611 For example, if a transit agency is only a nonurban system and does not receive other FTA  
612 and/or MDOT funding for another operating program, then OAR Schedule 4R (Nonurban)  
613 (Appendix C) is the only revenue schedule required. This statement is only true for transit  
614 agencies with a September 30<sup>th</sup> year end.  
615

**OAR Schedules 4--See Appendix C**

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**Schedule 5--Operating Assistance Calculation (See Appendix C)**

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**Schedule 6--Comments and Recommendations (See Appendix C)**

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622 Schedules 1 through 3 must agree with the audited financial statements and total to the OAR  
623 Schedules 4 in Appendix C.  
624

**Dial-A-Ride Transit  
Local Revenues  
For the Year Ended September 30, 2006\***

**SCHEDULE 1  
of Appendix A**

Line Haul--Farebox (Urban)	\$	957,216	<i>i</i>
Demand Response--Farebox (Nonurban)		36,842	<i>ii</i>
Another Operating Program--Farebox			
County Commission on Aging--Contract Fares**		8,500	<i>iii</i>
State of Michigan Department of Community Health--Contract Fares		12,000	<i>iii</i>
Charter		2,599	<i>iv</i>
Advertising		14,500	<i>v</i>
Sale of Maintenance Service		6,408	<i>v</i>
Rent		3,000	<i>v</i>
Sale of Equipment		-	<i>v</i>
Tax Levy		743,820	<i>vi</i>
County Commission on Aging--Operating Assistance**		8,500	<i>vii</i>
Interest Income		1,241	<i>viii</i>
		<u>          </u>	
Total	\$	<u>1,794,626</u>	<i>ix</i>

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Footnotes:

- \* The Year Ended September 30, 2006 is (October 1, 2005 through September 30, 2006).
- \*\* Revenue received from the County Commission on Aging is classified differently because the County Commission on Aging contractually obligated some funds to specifically purchase service while other funds were received to support the transportation system in general without purchasing any particular service for passengers.
- i* Reconciles with PTMS code 40100 on OAR Schedule 4R (Urban) (Appendix C).
- ii* Reconciles with PTMS code 40100 on OAR Schedule 4R (Nonurban) (Appendix C).
- iii* The County Commission on Aging and the Michigan Department of Community Health have entered into a contract with the transit agency to provide service. Therefore, these revenues are code 40200 Contract Fares. The sum of \$8,500 + \$12,000 reconciles with PTMS code 40200 on OAR Schedule 4R (Nonurban) (Appendix C).
- iv* Revenue of \$2,599 agrees with PTMS code 40500 on OAR Schedule 4R (Urban) (Appendix C). Expenses associated with providing Charter service are ineligible and must be subtracted out on both OAR Schedule 4E (Urban) (Appendix C) and Schedule 5 (Appendix C).
- v* Expenses associated with these revenues must be either: (1) subtracted out as ineligible on OAR Schedule 4E (Urban) (Appendix C) & 4E (Nonurban) (Appendix C) and Schedule 5 (Appendix C), or (2) explained in the Notes to the Financial Statements (see Explanation of ineligible expenses per the BPT R& E Manual on pg. 14) as to why no expenses associated with these revenues were subtracted out as an ineligible on OAR Schedules 4E (Urban) & 4E (Nonurban) and Schedule 5 (in Appendix C).
- vi* Reconciles with PTMS code 40800 on OAR Schedules 4R (Urban) & 4R (Nonurban) (Appendix C).
- vii* The County Commission on Aging helps fund transportation in general without purchasing any particular service, therefore, the revenue is code 40910 Local Operating Assistance as reported on OAR 4R (Urban) (Appendix C).
- viii* Interest expense of \$2,222 earned and reported in PTMS code 51102 (Appendix C) is ineligible to the extent interest income is earned and should be subtracted out as ineligible on OAR Schedule 4E (Urban) (Appendix C).
- ix* Total of \$1,794,626 must reconcile with the financial statements.

**SCHEDULE 2  
of Appendix A**

<b>Dial-A-Ride Transit Expenditures of Federal and State Awards For the Year Ended September 30, 2006</b>									
Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures				Prior Year's Expend.	Award Amount Remaining
				Total	Federal	State	Local		
<u>U.S. Department of Transportation</u>									
Direct Assistance									
Federal Transit Operating Grant--Section 5307	20.507	MI-90-X420	\$ 521,073	\$ 521,073	\$ 521,073				<i>i</i>
Passed Through Michigan Department of Transportation									
Federal Transit Capital Grants									
Capital Grant--Section 5309 (80/20)**	20.500	2002-0050/Z3	296,960	215,233	172,187	\$ 43,046	\$ -	\$ 65,382	\$ 16,345 <i>ii</i>
Capital Grant--Section 5309 (80/20)**		2002-0050/Z7	373,797	265,924	212,739	53,185	-	-	107,873 <i>ii</i>
Operating Assistance--Section 5311	20.509	2002-0050/Z9	7,638	7,638	7,638				<i>iii</i>
Rural Transit Assistance Program (RTAP)		N/A	3,046	3,046	3,046				<i>iv</i>
<u>Michigan Department of Transportation</u>									
Operating Assistance--Act 51									
Urban	N/A	N/A	1,185,088	1,185,088		1,185,088			<i>v</i>
Nonurban		N/A	27,230	27,230		27,230			<i>vi</i>
Specialized Services	N/A	2002-0050/Z4	43,152	43,152		43,152			<i>vii</i>
Another Operating Contract (e.g., JARC)									<i>viii</i>
<b>TOTALS</b>			<b>\$ 2,457,984</b>	<b>\$ 2,268,384</b>	<b>\$ 916,683</b>	<b>\$ 1,351,701</b>	<b>\$ -</b>	<b>\$ 65,382</b>	<b>\$ 124,218</b>
				<i>ix</i>					
						<i>x</i>			

**\*\*Participation percentages used to determine the Federal and State share of the expenditures must be included in this schedule.<sup>xi</sup>**

*SCHEDULE 2  
of Appendix A*

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Footnotes to the Expenditures of Federal and State Awards Schedule (of Appendix A):

- i* Reconciles with PTMS code 41302 on OAR Schedule 4R (Urban) (Appendix C).
  - ii* Federal and State capital expenditures of \$481,157 (\$172,187 + \$212,739 + \$43,046 + \$53,185) must reconcile with the financial statements.
  - iii* Reconciles with PTMS code 41301 on OAR Schedule 4R (Nonurban) (Appendix C).
  - iv* Reconciles with PTMS code 41398 on OAR Schedule 4R (Nonurban) (Appendix C) and must be subtracted out as ineligible in PTMS code 57402 on OAR Schedule 4E (Nonurban) (Appendix C).
  - v* Reconciles with PTMS code 41101 on OAR Schedule 4R (Urban) (Appendix C).
  - vi* Reconciles with PTMS code 41101 on OAR Schedule 4R (Nonurban) (Appendix C).
  - vii* In this example, the transit agency does not provide the service and, therefore, an OAR Schedule 4 (in Appendix C) is not required. The specialized service funds were expensed by the transit agency when passed on to another entity and, therefore, must be included in Schedule 3 (Appendix A).
  - viii* This is just an example as to how another operating program, such as JARC, would be reported on this schedule.
  - ix* The total Current Year Federal Expenditures of \$916,683 must reconcile with the financial statements.
  - x* The total Current Year State Expenditures of \$1,351,701 must reconcile with the financial statements.
  - xi* Participation percentages can vary. For example, page 5 states that the participation percentage for the Job Access/Reverse Commute Program is 80% Federal and 20% Local for capital programs and 50/50 for operating programs.
- Any capital money (e.g., Section 5307) used to pay for operating expenses must be subtracted out as ineligible on OAR Schedule 4E and Schedule 5 (Appendix C).**

<b>Dial-A-Ride Transit</b>					
<b>Operating and Contract Expenses</b>					
<b>For the Year Ended September 30, 2006</b>					
<u>Expenses</u>	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Another Operating Contract<sup>i</sup></u>	<u>Total</u>
Labor	\$ 2,290,010	\$ 23,707			\$ 2,313,717
Fringe Benefits	502,587	12,530			515,117
Audit Costs	8,545	1,094			9,639
Services	154,760	19,228			173,988
Material and Supplies	413,428	10,491			423,919
Utilities	56,002	585			56,587
Insurance	59,300	605			59,905
Purchased Service	101,505		\$ 43,152		144,657
Miscellaneous	30,001	4,694			34,695
Interest	2,222				2,222
Operating Leases	28,459				28,459
Depreciation	214,780	25,674			240,454 <sup>ii</sup>
<b>Total Expenses</b>	<b><u>\$ 3,861,599<sup>iii</sup></u></b>	<b><u>\$ 98,608<sup>iv</sup></u></b>	<b><u>\$ 43,152<sup>v</sup></u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,003,359<sup>vi</sup></u></b>

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Footnotes:

- i* The contract language associated with this operating program (e.g., JARC) will state how expenses are to be determined and reported. This is the same operating program that is represented on Schedule 1 and 2 (Appendix A).
- ii* Total Depreciation reconciles with "Accumulated Depreciation Increases" reported in the Notes to the Financial Statements. (See note on Changes in Capital Assets on pg. 12.)
- iii* Total Expenses Urban reconciles with OAR Schedule 4E (Urban) (Appendix C) and Schedule 5 (Appendix C).
- iv* Total Expenses Nonurban reconciles with OAR Schedule 4E (Nonurban) (Appendix C) and Schedule 5 (Appendix C).
- v* Total Specialized Services reconciles with the amount of Specialized Services reported on Schedule 2 (Appendix A).
- vi* Total Expenses - The total of \$4,003,359 must reconcile with the financial statements.

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## Appendix B

# BPT SCHEDULES

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### Required in all Audits Based on a June 30th or December 31st Year End

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Examples in this Appendix use a June 30th Year End

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**Schedule 1--Local Revenues (Based on a June 30th Year End)**

**Schedule 1A--Local Revenues (Based on a September 30th Year End)**

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**Schedule 2--Expenditures of Federal and State Awards (Based on a June 30th Year End)**

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**Schedule 2A--Federal and State Awards - Operating Revenue Only (Based on a June 30th Year End)**

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**Schedule 2B--Federal and State Awards - Operating Revenue Only (Based on a September 30th Year End)**

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**Schedule 3--Operating and Contract Expenses (Based on a June 30th Year End)**

**Schedule 3A--Operating Expenses Split Between a June 30 and September 30 Year End (Based on a June 30th Year End)**

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**Schedule 3B--Operating Expenses by Program (Based on a September 30th Year End)**

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**OAR Schedule 4--(See Appendix C for the following examples):**

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**OAR Schedule 4R (Urban)--Urban Regular Service Revenue Report**

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**OAR Schedule 4E (Urban)--Urban Regular Service Expense Report**

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**OAR Schedule 4N (Urban)--Urban Regular Service Nonfinancial Report**

754

**OAR Schedule 4R (Nonurban)--Nonurban Regular Service Revenue Report**

755

**OAR Schedule 4E (Nonurban)--Nonurban Regular Service Expense Report**

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**OAR Schedule 4N (Nonurban)--Nonurban Regular Service Nonfinancial Report**

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**OAR Schedule 4R (Another Operating Program)--(e.g., JARC Service Revenue Report)**

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**Schedule 5--Operating Assistance Calculation (See Appendix C)**

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**Schedule 6--Comments and Recommendations (See Appendix C)**

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For transit agencies with a year end other than September 30th, revenues and expenses must be reported based on the two different year ends. The BPT schedules that report revenues and expenses based on the local year end must agree with the financial statements. The schedules that report revenues and expenses based on the September 30th year end must agree with OAR Schedule 4. Transit agencies with a year end other than September 30th must use information from the prior year audit to complete schedules 1A, 2B, and 3B.

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Revenues reported on schedules 1A and 2B must total to the revenues reported on OAR Schedule 4R (Urban) & 4R (Nonurban) (Appendix C). Expenses reported on schedule 3B must total to the expenses reported on OAR Schedule 4E (Urban) & 4E (Nonurban) (Appendix C).

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Schedule 3A splits urban and nonurban (Act 51 recipients) expenses based on the local year end. Schedule 3B is based on a September 30th year end. Mutual columns in Schedule 3A and 3B must agree. This schedule uses information from the prior year audit to complete the schedule.

**SCHEDULE 1  
of Appendix B**

<b>Dial-A-Ride Transit Local Revenues Year Ended June 30, 2006</b>			
	7/1/05 to 9/30/2005 <sup>i</sup>	10/1/05 to 6/30/2006 <sup>ii</sup>	Total
Line Haul--Farebox (Urban)	\$ 314,226	\$ 647,511	\$ 961,737 <sup>iii</sup>
Demand Response--Farebox (Nonurban)	14,166	47,548	61,714 <sup>iii</sup>
Another Operating Program--Farebox			
County Commission on Aging--Contract Fares**		9,000	9,000 <sup>iv</sup>
State of Michigan Department of Community Health--Contract Fares		12,500	12,500 <sup>iv</sup>
Charter	488	2,344	2,832 <sup>iii</sup>
Advertising	3,625	11,375	61,714 <sup>iii</sup>
Sale of Maintenance Service	2,166	5,854	8,020 <sup>iii</sup>
Rent	750	2,250	3,000 <sup>iii</sup>
Sale of Equipment		2,002	2,002 <sup>iii</sup>
Tax Levy	254,421	499,412	753,833 <sup>iii</sup>
County Commission on Aging Operating Assistance**		8,500	8,500 <sup>v</sup>
Interest Income	684	782	1,466 <sup>iii</sup>
<b>Total</b>	<b>\$ 590,526</b>	<b>\$ 1,249,078</b>	<b>\$ 1,839,604 <sup>vi</sup></b>

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**Footnotes:**

- \*\* Revenue received from the County Commission on Aging is classified differently because the County Commission on Aging contractually obligated some funds to specifically purchase service while other funds were received to support the transportation system in general without purchasing any particular service for passengers.
- i** This column is the same in both this Schedule and Schedule 1A (Appendix B).
- ii** Revenues in this column will be used in Schedule 1A of the next year's audit.
- iii** All these revenues are defined in the R&E Manual which is promulgated annually and can be obtained at:  
[http://www.michigan.gov/mdot/0,1607,7-151-9625\\_21607-34498--,00.html](http://www.michigan.gov/mdot/0,1607,7-151-9625_21607-34498--,00.html).
- iv** The County Commission on Aging and the Michigan Department of Community Health have entered into a contract with the transit agency to provide service. Therefore, these revenues are code 40200 Contract Fares.
- v** The County Commission on Aging helps fund transportation in general without purchasing any particular service. Therefore, these revenues are code 40910 Local Operating Assistance.
- vi** The total of \$1,839,604 must reconcile into the basic financial statements.

**SCHEDULE 1A**  
**of Appendix B**

<b>Dial-A-Ride Transit</b>			
<b>Local Revenues</b>			
<b>Based on a September 30, 2005 Year End</b>			
	10/1/04 to 6/30/2005 <sup>i</sup>	7/1/05 to 9/30/2005 <sup>ii</sup>	Total
Line Haul--Farebox (Urban)	\$ 642,990	\$ 314,226	\$ 957,216 <sup>iii</sup>
Demand Response--Farebox (Nonurban)	22,676	14,166	36,842 <sup>iv</sup>
Another Operating Program--Farebox			
County Commission on Aging--Contract Fares**	8,500		8,500 <sup>v</sup>
State of Michigan Department of Community Health--Contract Fares	12,000		12,000 <sup>v</sup>
Charter	2,111	488	2,599 <sup>vi</sup>
Advertising	10,875	3,625	14,500 <sup>vii</sup>
Sale of Maintenance Service	4,242	2,166	6,408 <sup>vii</sup>
Rent	2,250	750	3,000 <sup>vii</sup>
Sale of Equipment			<sup>vii</sup>
Tax Levy	489,399	254,421	743,820 <sup>viii</sup>
County Commission on Aging--Operating Assistance**	8,500		8,500 <sup>ix</sup>
Interest Income	557	684	1,241 <sup>x</sup>
<b>Total</b>	<b>\$ 1,204,100</b>	<b>\$ 590,526</b>	<b>\$ 1,794,626 <sup>xi</sup></b>

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\*\* Revenue received from the County Commission on Aging is classified differently because the County Commission on Aging contractually obligated some funds to specifically purchase service while other funds were received to support the transportation system in general without purchasing any particular service for passengers.

**SCHEDULE 1A**  
**of Appendix B**

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Footnotes to the Local Revenues Schedule 1A (based on September 30, 2005 Year End):

- i* Revenues in this column are taken from Schedule 1 of the prior year's audit.
- ii* This column is the same in both this Schedule and Schedule 1 (Appendix B).
- iii* Reconciles with PTMS code 40100 on OAR Schedule 4R (Urban) (Appendix C).
- iv* Reconciles with PTMS code 40100 on OAR Schedule 4R (Nonurban) (Appendix C).
- v* The County Commission on Aging and the Michigan Department of Community Health have entered into a contract with the transit agency to provide service. Therefore, the sum of these revenues (\$8,500+\$12,000) are code 40200 Contract Fares OAR Schedule 4R (Nonurban) (Appendix C).
- vi* Revenue of \$2,599 agrees with PTMS code 40500 on OAR Schedule 4R (Urban) (Appendix C). Expenses associated with providing Charter service are ineligible and must be subtracted out on both OAR Schedule 4E (Urban) (Appendix C) and Schedule 5 (Appendix C).
- vii* Expenses associated with these revenues must be either: (1) subtracted out as ineligible on OAR Schedule 4E (Urban) (Appendix C) & 4E (Nonurban) (Appendix C) and Schedule 5 (Appendix C); or (2) explained in the Notes to the Financial Statements (see explanation of ineligible expenses per the BPT R&E Manual on *pg.* 13) as to why no expenses associated with these revenues were subtracted out as ineligible on both the OAR Schedule 4E and Schedule 5.
- viii* Reconciles to the sum of PTMS code 40800 on OAR Schedule 4R (Urban) (Appendix C) & 4R (Nonurban) (Appendix C).
- ix* The County Commission on Aging helps fund transportation in general without purchasing any particular service, therefore, the revenue is 40910 Local Operating Assistance as reported on OAR 4R (Urban) (Appendix C).
- x* Interest expense of \$2,222 incurred and reported in PTMS code 51102 (Appendix C) is ineligible to the extent interest income of \$1,241 is earned and reported in PTMS code 41400 on OAR 4R (Urban) (Appendix C); and should be subtracted out as ineligible on OAR Schedule 4E (Urban) (Appendix C).
- xi* Total of \$1,794,626 sums to PTMS codes 401, 402, 405, 206s, 207s, 408, 409s, and 414 on OAR Schedules 4R (Urban) (Appendix C) & 4R (Nonurban) (Appendix C).

**SCHEDULE 2  
of Appendix B**

<b>Dial-A-Ride Transit Expenditures of Federal and State Awards For the Year Ended June 30, 2006</b>									
Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expend.	Award Amount Remaining	
				Total	Federal	State			Local
<u>U.S. Department of Transportation</u>									
Direct Assistance									
Federal Transit Operating Grant--Section 5307	20.507	MI-90-X420	\$ 517,707	\$ 517,707	\$ 517,707			<i>i</i>	
Passed Through Michigan Department of of Transportation									
Federal Transit Capital Grants	20.500								
Capital Grant--Section 5309 (80/20)**		2002-0050/Z3	296,960	215,233	172,187	\$ 43,046	\$ 65,382	\$ 16,345 <i>ii</i>	
Capital Grant--Section 5309 (80/20)**		2002-0050/Z7	373,797	265,924	212,739	53,185		107,873 <i>ii</i>	
Operating Assistance--Section 5311	20.509	2002-0050/Z9	9,662	9,662	9,662			<i>i</i>	
Rural Transit Assistance Program (RTAP)		N/A	3,210	3,210	3,210			<i>i</i>	
<u>Michigan Department of Transportation</u>									
Operating Assistance--Act 51									
Urban	N/A	N/A	1,219,708	1,219,708		1,219,708		<i>iii</i>	
Nonurban		N/A	18,461	18,461		18,461		<i>iii</i>	
Specialized Services	N/A	2002-0050/Z4	43,152	43,152		43,152		<i>iv</i>	
Another Operating Contract (e.g., JARC)								<i>v</i>	
<b>TOTALS</b>			<b>\$ 2,482,657</b>	<b>\$ 2,293,057</b>	<b>\$ 915,505</b>	<b>\$ 1,377,552</b>	<b>\$ -</b>	<b>\$ 65,382</b>	<b>\$ 124,218</b>

*vi*                      *vii*

**\*\*Participation percentages used to determine the Federal and State share of the expenditures must be included in this schedule. *viii***

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**SCHEDULE 2  
of Appendix B**

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Footnotes to the Expenditures of Federal and State Awards Schedule (of Appendix B):

- i* These Federal operating grants are also reported on Schedule 2A (Appendix B).
- ii* Federal and State capital expenditures of \$481,157 (\$172,187 + \$212,739 + \$43,046 + \$53,185) must reconcile with the financial statements.
- iii* The total Current Year Act 51 State Expenditures of \$1,238,169 (\$1,219,708 + \$18,461) reconciles to State Operating Assistance reported on Schedule 2A (Appendix B).
- iv* In this example, the transit agency does not provide the service and, therefore, an OAR Schedule 4 (Appendix C) is not required. The specialized service funds were expensed by the transit agency when passed on to another entity and, therefore, must be included in Schedule 3 (Appendix B).
- v* This is just an example as to how another operating program, such as JARC, would be reported on this schedule.
- vi* The total Current Year Federal Expenditures of \$915,505 must reconcile with the financial statements.
- vii* The total Current Year State Expenditures of \$1,377,552 must reconcile with the financial statements.
- viii* Participation percentages can vary. For example, page 5 states that the participation percentage for the Job Access/Reverse Commute Program is 80% Federal and 20% Local for capital programs and 50/50 for operating programs.

**Any capital money (e.g., Section 5307) used to pay for operating expenses must be subtracted out as ineligible on OAR Schedule 4E and Schedule 5 (Appendix C).**

**Dial-A-Ride Transit  
Federal And State Awards  
Operating Revenue Only**

*SCHEDULE 2A for Appendix B*

<b>For the Year Ended June 30, 2006</b>			
	<u>7/1/05 to 9/30/2005<sup>i</sup></u>	<u>10/1/05 to 6/30/2006</u>	<u>Total</u>
Michigan Department of Transportation			
Local Bus Operating (Act 51)	\$ 309,542	\$ 928,627	\$ 1,238,169 <sup>ii</sup>
Federal Transit Administration			
Section 5307	129,427	388,280	517,707 <sup>iii</sup>
Section 5311	1,950	7,712	9,662 <sup>iii</sup>
RTAP		3,210	3,210 <sup>iii</sup>
<b>Total</b>	<u>\$ 440,919</u>	<u>\$ 1,327,829</u>	<u>\$ 1,768,748</u>

*SCHEDULE 2B for Appendix B*

<b>Based on a September 30, 2005 Year End</b>			
	<u>10/1/04 to 6/30/2005<sup>iv</sup></u>	<u>7/1/05 to 9/30/2005<sup>i</sup></u>	<u>Total</u>
Michigan Department of Transportation			
Local Bus Operating (Act 51)	\$ 902,776	\$ 309,542	\$ 1,212,318 <sup>v</sup>
Federal Transit Administration			
Section 5307	391,646	129,427	521,073 <sup>vi</sup>
Section 5311	5,688	1,950	7,638 <sup>vii</sup>
RTAP	3,046		3,046 <sup>viii</sup>
<b>Total</b>	<u>\$ 1,303,156</u>	<u>\$ 440,919</u>	<u>\$ 1,744,075</u>

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**Footnotes:**

- i** This column is the same in both schedules.
- ii** This State Operating Assistance amount is also reported on Schedule 2 (Appendix B).
- iii** These Federal operating grants are also reported on Schedule 2 (Appendix B).
- iv** Revenues in this column are taken from Schedule 2A (Appendix B) of the prior year audit.
- v** Reconciles with the sum of PTMS codes 41101 on OAR Schedule 4R (Urban) (Appendix C) & OAR Schedule 4R (Nonurban) (Appendix C).
- vi** Reconciles with PTMS code 41302 on OAR Schedule 4R (Urban) (Appendix C).
- vii** Reconciles with PTMS code 41301 on OAR Schedule 4R (Nonurban) (Appendix C).
- viii** RTAP revenue reconciles with PTMS code 41398 on OAR Schedule 4R (Nonurban) (Appendix C) and must be subtracted out as ineligible on both OAR Schedule 4E (Nonurban) (Appendix C) and Schedule 5 (Appendix C).

**SCHEDULE 3**  
**of Appendix B**

<b>Dial-A-Ride Transit</b>					
<b>Operating and Contract Expenses</b>					
<b>For the Year Ended June 30, 2006</b>					
<u>Expenses</u>	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract<sup>ii</sup></u>	<u>Total</u>
Labor	\$2,359,910	\$ 24,607			\$ 2,384,517
Fringe Benefits	412,592	15,230			427,822
Audit Cost	7,975	1,294			9,269
Services	145,764	18,848			164,612
Material and Supplies	463,445	11,191			474,636
Utilities	66,022	665			66,687
Insurance	62,297	585			62,882
Purchased Service	98,502		\$ 43,152		141,654
Miscellaneous	46,000	3,350			49,350
Interest	1,228				1,228
Operating Leases	27,460				27,460
Depreciation	220,772	26,094			246,866 <sup>iii</sup>
<b>Total Expenses</b>	<u><u>\$3,911,967</u></u> <sup>i</sup>	<u><u>\$101,864</u></u> <sup>i</sup>	<u><u>\$ 43,152</u></u> <sup>iv</sup>	<u><u>\$ -</u></u>	<u><u>\$ 4,056,983</u></u> <sup>v</sup>

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918 Footnotes:

919 **i** The total expenses Urban and Nonurban columns on Schedule 3A (Appendix B) has the  
920 same information.

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922 **ii** The operating contract language associated with this operating program (e.g., JARC) will  
923 state how expenses are to be determined and reported. This operating program is also  
924 reported on Schedules 3A & 3B (Appendix B) split between the different year ends of the  
925 State of Michigan (which is September 30th) and the local year end of the transit agency  
926 which is either a June 30th year end or a December 31st year end.

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928 **iii** Total Depreciation would agree with "Accumulated Depreciation Increases" reported in the  
929 Notes to the Financial Statements, if the example used in the notes was based on a June  
930 30th year end.

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932 **iv** Total Expense Specialized Services - because the transit agency does not provide the  
933 specialized service, the pass-through money recorded as an expense by the transit agency  
934 does not need to be split out in Schedule 3A (Appendix B). The total of \$43,152 reconciles  
935 with Specialized Services reported on Schedule 2 (Appendix B).

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937 **v** The total expenses of \$4,056,983 must reconcile with the financial statements.

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<b>Dial-A-Ride Transit</b>						
<b>Operating Expenses Split Between a June 30 and September 30 Year End</b>						
<b>For the Year Ended June 30, 2006</b>						
<u>Expenses</u>	<b>Urban</b>			<b>Nonurban</b>		
	07/01/05 to 09/30/05	10/01/05 to 06/30/06	Total	07/01/05 to 09/30/05	10/1/05 to 06/30/06	Total
Labor	\$ 537,502	\$ 1,822,408	\$ 2,359,910	\$ 6,927	\$ 17,680	\$ 24,607
Fringe Benefits	130,647	281,945	412,592	2,132	13,098	15,230
Audit Cost		7,975	7,975		1,294	1,294
Services	58,690	87,074	145,764	5,207	13,641	18,848
Material and Supplies	113,357	350,088	463,445	3,223	7,968	11,191
Utilities	18,500	47,522	66,022	246	419	665
Insurance	19,825	42,472	62,297	201	384	585
Purchased Service	25,376	73,126	98,502			-
Miscellaneous	13,500	32,500	46,000	523	2,827	3,350
Interest		1,228	1,228			-
Operating Leases	7,115	20,345	27,460			-
Depreciation	33,695	187,077	220,772	7,418	18,676	26,094
<b>Total Expenses</b>	<b>\$ 958,207 <sup>i</sup></b>	<b>\$ 2,953,760 <sup>ii</sup></b>	<b>\$ 3,911,967 <sup>iii</sup></b>	<b>\$ 25,877 <sup>i</sup></b>	<b>\$ 75,987 <sup>ii</sup></b>	<b>\$ 101,864 <sup>iii</sup></b>

<b>Another Operating Program</b>			
<b>(e.g., JARC) <sup>iv</sup></b>			
<u>Expenses</u>	07/01/05 to 09/30/05 <sup>i</sup>	10/01/05 to 06/30/06 <sup>ii</sup>	Total
Labor	\$	\$	\$
Fringe Benefits			
Audit Costs			
Services			
Material and Supplies			

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**Footnotes:**

**i** Total expenses Urban and Nonurban 07/01/05 to 09/30/05--Expenses in this column are used in Schedule 3B (Appendix B).

**ii** Total expenses Urban and Nonurban 10/01/05 to 06/30/06--Expenses in this column will be used in Schedule 3B (Appendix B) of the next year's audit.

**iii** Total expenses Urban and Nonurban--This column is also on Schedule 3 (Appendix B).

**iv** Total expenses Urban/Nonurban--This is the same operating program that appears on Schedule 2 and 3 (Appendix B).

<b>Dial-A-Ride Transit Operating Expenses By Program Based on a September 30, 2005 Year End</b>						
<u>Expenses</u>	<b>Urban</b>			<b>Nonurban</b>		
	10/01/04 to 06/30/05	07/01/05 to 09/30/05	Total	10/01/04 to 06/30/05	07/01/05 to 09/30/05	Total
Labor	\$ 1,752,508	\$ 537,502	\$ 2,290,010	\$ 16,780	\$ 6,927	\$ 23,707
Fringe Benefits	371,940	130,647	502,587	10,398	2,132	12,530
Audit Costs	8,545		8,545	1,094		1,094
Services	96,070	58,690	154,760	14,021	5,207	19,228
Material and Supplies	300,071	113,357	413,428	7,268	3,223	10,491
Utilities	37,502	18,500	56,002	339	246	585
Insurance	39,475	19,825	59,300	404	201	605
Purchased Service	76,129	25,376	101,505			
Miscellaneous	16,501	13,500	30,001	4,171	523	4,694
Interest	2,222		2,222			
Operating Leases	21,344	7,115	28,459			
Depreciation	181,085	33,695	214,780			
	<u>18,256</u>	<u>7,418</u>	<u>25,674</u>			
Total Expenses	<u>\$ 2,903,392</u> <sup>i</sup>	<u>\$ 958,207</u> <sup>ii</sup>	<u>\$ 3,861,599</u> <sup>iii</sup>	<u>\$ 72,731</u> <sup>i</sup>	<u>\$ 25,877</u> <sup>ii</sup>	<u>\$ 98,608</u> <sup>iv</sup>

<b>Another Operating Program (e.g., JARC)</b>			
<u>Expenses</u>	10/01/04 to 06/30/05	07/01/05 to 09/30/05	Total
Labor	\$	\$	\$
Fringe Benefits			
Audit Costs			
Services			
Material and Supplies			

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**Footnotes:**

- i** Total Expenses Urban and Nonurban 10/01/04 to 06/30/05--The expenses in this column are taken from Schedule 3A (Appendix B) of the prior year audit.
- ii** Total Expenses Urban and Nonurban 07/01/05 to 09/30/05--Schedule 3A (Appendix B) has the same column of information.
- iii** Total Expenses Urban--Reconciles with total expenses reported on OAR Schedule 4E (Urban) (Appendix C) and Schedule 5 (Appendix C).
- iv** Total Expenses Nonurban--Reconciles with total expenses reported on OAR Schedule 4E (Nonurban) (Appendix C) and Schedule 5 (Appendix C).

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Appendix C

# BPT SCHEDULES

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**Required in all Audits**

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- OAR Schedule 4R Urban--Revenues**
- 4E Urban--Expenses**
- 4N Urban--Nonfinancial**
- OAR Schedule 4R Nonurban--Revenues**
- 4E Nonurban--Expenses**
- 4N Nonurban--Nonfinancial**

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An OAR Schedule 4 is required for every OAR required by BPT to be submitted on the PTMS. OAR Schedule 4 must include all three components: revenues, expenses, and nonfinancial information. The schedule heading for each component should be labeled with an R for revenues, E for expenses and N for nonfinancial. The schedule heading should also include a descriptive word that identifies the Comprehensive Transportation Fund (CTF) program associated with that OAR (i.e., "Urban," "Nonurban," "JARC" for Job Access/Reverse Commute).

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**Schedule 5--Operating Assistance Calculation**

Schedule 5 summarizes the urban and nonurban total expenses and ineligible expenses reported on OAR Schedule 4E (Urban) & 4E (Nonurban) and then calculates the State and Federal operating assistance based on total eligible expenses.

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**STATE OPERATING ASSISTANCE CALCULATION:**

There is a fixed amount of State operating funds available and the distribution percentage changes based on the state-wide eligible expenses. Transit agencies are reimbursed based on a percentage of their total eligible operating expenses. The reimbursement percentages are initially calculated based on budgeted expenses and then recalculated based on reconciled expenses and promulgated annually in the Audit Information Letter (when available).

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The reimbursement amount has both a maximum cap amount and a minimum floor amount.

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Statutory Cap

Nonurbanized areas and urbanized areas under 100,000 population can receive up to 60% of eligible operating expenses. Urbanized areas over 100,000 population can receive up to 50% of eligible operating expenses.

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Mandatory Floor

An agency must receive, at a minimum, the amount received for eligible operating expenses in FY 1997, contingent upon the local share requirements set forth in Act 51, as amended.

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**FEDERAL SECTION 5311 CALCULATION** (see footnote xiii, xiv, xv, and xvii on page 41). Total operating expenses less ineligible expenses, multiplied by reimbursement percentage which equals the operating assistance if greater than the floor.

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**OAR SCHEDULE 4R (Urban)  
of Appendix C**

**Dial-A-Ride Transit  
Urban Regular Service Revenue Report  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)<sup>i</sup>**

Code	Description	Amount
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 957,216
<b>405 :</b>	<b>Charter Service</b>	
40500	Charter Service	\$ 2,599 <sup>ii</sup>
<b>406 :</b>	<b>Auxiliary Trans Revenues</b>	
40615	Advertising	\$ 14,500 <sup>iii</sup>
<b>407 :</b>	<b>NonTrans Revenues</b>	
40710	Sales of Maintenance Services	\$ 5,768 <sup>iii</sup>
40720	Rental of Bldgs or Other Property	\$ 2,700 <sup>iii</sup>
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for/by Transit Agency	\$ 740,020
<b>409 :</b>	<b>Local Revenue</b>	
40910	Local Operating Assistance	\$ 8,500
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	\$ 1,185,088 <sup>iv</sup>
<b>413 :</b>	<b>Federal Contracts</b>	
41302	Federal Section 5307 (Operating Funds Only)	\$ 521,073
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Income	\$ 1,241 <sup>v</sup>
<b>Total Revenues</b>		<b><u>\$ 3,438,705</u></b>

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**Footnotes**

- i* For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii* The Notes to the Financial Statements (see section on Cost Allocation Plans on *pg.* 13) must state that expenses are accounted for by a cost allocation plan where the methodology is approved by Passenger Transportation Division (PTD). Expenses must be subtracted out as ineligible on OAR Schedule 4E (Urban) (Appendix C) and Schedule 5 (Appendix C). Hours and miles must be reported on OAR Schedule 4N (Urban) (Appendix C).
- iii* The Notes to the Financial Statements (see section on Cost Allocation Plans on *pg.* 13) must state that expenses are accounted for by a cost allocation plan where the methodology is approved by BPT. Expenses associated with this revenue must be subtracted out as ineligible on OAR Schedule 4E (Urban) (Appendix C) and Schedule 5 (Appendix C). If no expenses are associated with earning this revenue, then that must be stated in the Notes to the Financial Statements (see section on Explanation of Ineligible Expenses per the BPT R&E Manual on *pg.* 14).
- iv* Reconciles with the amount of State Operating Assistance calculated on Schedule 5 (Appendix C).
- v* Interest expense is ineligible to the extent that interest income is earned and reported above. Interest expense of \$1,241 must be subtracted out as ineligible on OAR Schedule 4E (Urban) (Appendix C) and Schedule 5 (Appendix C).

**OAR SCHEDULE 4E (Urban)  
of Appendix C**

**Dial-A-Ride Transit  
Urban Regular Service Expense Report  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)<sup>i</sup>**

Code	Description	Operations	Maintenance	Gen. Admin.	Total
<b>501</b>	<b>Labor</b>				
50101	Operators' Salaries & Wages	\$ 1,473,002			\$ 1,473,002
50102	Other Salaries & Wages	\$ 120,885	\$ 196,475	\$ 260,079	\$ 577,439
50103	Dispatchers' Salaries & Wages	\$ 239,569			\$ 239,569
<b>502</b>	<b>Fringe Benefits</b>				
50200	Other Fringe Benefits	\$ 306,058	\$ 32,317	\$ 41,822	\$ 380,197
50201	Pensions	\$ 98,524	\$ 10,403	\$ 13,463	\$ 122,390
<b>503</b>	<b>Services</b>				
50302	Advertising Fees			\$ 22,464	\$ 22,464
50305	Audit Cost			\$ 8,545	\$ 8,545 <sup>ii</sup>
50399	Other Services	\$ 10,993	\$ 62,204	\$ 59,099	\$ 132,296
<b>504</b>	<b>Material and Supplies</b>				
50401	Fuel & Lubricants	\$ 168,983			\$ 168,983
50402	Tires & Tubes	\$ 36,653			\$ 36,653
50499	Other Materials & Supplies	\$ 4,469	\$ 194,425	\$ 8,898	\$ 207,792
<b>505</b>	<b>Utilities</b>				
50500	Utilities			\$ 56,002	\$ 56,002
<b>506</b>	<b>Insurance</b>				
50603	Liability Insurance	\$ 52,052			\$ 52,052
50699	Other Insurance			\$ 7,248	\$ 7,248
<b>508</b>	<b>Purchased Trans Service</b>				
50800	Purchased Trans Service	\$ 101,505			\$ 101,505
<b>509</b>	<b>Misc Expenses</b>				
50902	Travel, Meetings, & Training	\$ 583	\$ 367	\$ 9,948	\$ 10,898
50903	Association Dues & Subscriptions			\$ 5,705	\$ 5,705
50999	Other Misc Expenses	\$ 9,979	\$ 475	\$ 2,944	\$ 13,398

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Footnotes:

*i* For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending 2005.

*ii* Per OMB Circular A-133, audit costs are allowable charges to Federal Awards if a Single Audit is required and conducted under the provisions of A-133. Otherwise, audit costs are ineligible for Federal Section 5307 Operating Assistance and should be subtracted from total Federal expenses on Schedule 5 (Appendix C).

**OAR SCHEDULE 4E (Urban)  
of Appendix C**

**Dial-A-Ride Transit  
Urban Regular Service Expense Report  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)<sup>i</sup>**

Code	Description	Operations	Maintenance	Gen. Admin.	Total
<b>511 :</b>	<b>Interest Expense</b>				
51102	Interest on Short-Term Debt			\$ 2,222	\$ 2,222 <sup>ii</sup>
<b>512 :</b>	<b>Operating Leases &amp; Rentals</b>				
51200	Operating Leases & Rentals	\$ 17,275	\$ 62	\$ 11,122	\$ 28,459
<b>513 :</b>	<b>Depreciation</b>				
51300	Depreciation	\$ 172,537	\$ 5,211	\$ 37,032	\$ 214,780
<b>550 :</b>	<b>Ineligible Expenses</b>				
55006	Other Ineligible Interest Expense			\$ 1,241	\$ 1,241 <sup>ii</sup>
55007	Ineligible Depreciation	\$ 157,357	\$ 5,001	\$ 35,032	\$ 197,390 <sup>iii</sup>
55015	Ineligible Charter	\$ 2,332			\$ 2,332 <sup>iv</sup>
<b>560 :</b>	<b>Ineligible Expenses</b>				
56001	Ineligible Expenses Associated w/ Sale of Maintenance Service		\$ 5,068		\$ 5,068 <sup>iv</sup>
56004	Ineligible Expenses Associated w/ Rental			\$ 2,200	\$ 2,200 <sup>iv</sup>
<b>Total Expenses</b>					<b>\$ 3,861,599 <sup>v</sup></b>
<b>Total Ineligible Expenses</b>					<b>\$ 208,231 <sup>vi</sup></b>
<b>Total Eligible Expenses</b>					<b>\$ 3,653,368 <sup>vi</sup></b>

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**Footnotes:**

- i** For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii** Interest expense is ineligible to the extent that interest income is earned and reported in PTMS code 41400 on OAR Schedule 4R (Urban) (Appendix C). Therefore, \$1,241 must be subtracted out as ineligible on this schedule and on Schedule 5 (Appendix C).
- iii** Ineligible depreciation includes \$3,150 (urban portion) for a snow plow purchased with local money in which the useful life of the asset was not approved by BPT. Notes to the Financial Statement (see section on the Summary of Significant Accounting Policies on pg. 10) must state that eligible depreciation only includes the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.
- iv** The Notes to the Financial Statements (see section on Cost Allocation Plans on pg. 13) must state that expenses are accounted for by a cost allocation plan where the methodology is approved by BPT.
- v** For transit agencies on a September 30th year end, this total appears on Schedule 3 (Appendix A) and Schedule 5 (Appendix C). For transit agencies on a June 30th year end, this total appears on Schedule 3B (Appendix B) and Schedule 5 (Appendix C).
- vi** This total appears on Schedule 5 (Appendix C).

*OAR SCHEDULE 4N (Urban)  
of Appendix C*

**Dial-A-Ride Transit  
Urban Regular Service Nonfinancial Report  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)i**

**Public Service**

Code	Description	Weekday	Saturday	Sunday	Total	
610	Vehicle Hours	125,910	16	1	125,927	<i>ii</i>
611	Vehicle Miles	511,130	111	11	511,252	<i>iii</i>

**Miscellaneous Information**

Code	Description	Quantity	
630	Charter Service Hours	74	<i>iv</i>
631	Charter Service Miles	378	

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**Footnotes:**

- i* For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii* Vehicle hours of 125,927 are required because the charter cost allocation methodology is based on vehicle hours. See the section on Nonfinancial Data in the Notes to the Financial Statements (on *pg.* 13) which states that the methodology used for compiling vehicle hours was reviewed and found to be an adequate and reliable method for recording vehicle hours.
- iii* Miles are required for all CTF operating programs in which the transit agency provided the service. Miles are not reported for the Specialized Services program because the transit agency did not provide the service. The transit agency acted as a pass-through entity. See the section on Nonfinancial Data in the Notes to the Financial Statements which states that the methodology used for compiling vehicle miles was reviewed and found to be an adequate and reliable method for recording vehicle miles.
- iv* Charter hours are required because the charter cost allocation methodology is based on vehicle hours.

**OAR SCHEDULE 4R (Nonurban)  
of Appendix C**

**Dial-A-Ride Transit  
Nonurban Regular Service Revenue Report  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)i**

Code	Description	Amount
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 36,842
40200	Contract Fares	\$ 20,500 <sup>ii</sup>
<b>407 :</b>	<b>NonTrans Revenues</b>	
40710	Sales of Maintenance Services	\$ 640 <sup>iii</sup>
40720	Rental of Buildings or Other Property	\$ 300 <sup>iii</sup>
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for/by Transit Agency	\$ 3,800
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	\$ 27,230 <sup>iv</sup>
<b>413 :</b>	<b>Federal Contracts</b>	
41301	Section 5311 (Operating Funds Only)	\$ 7,638
41398	RTAP	\$ 3,046 <sup>v</sup>
<b>Total Revenues</b>		<b>\$ 99,996</b>

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Footnotes:

- i** For transit agencies with a September 30<sup>th</sup> year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30<sup>th</sup> year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii** The contract with the County Commission on Aging for \$8,500 and the Michigan Department of Community Health for \$12,000 states that the money is to be used for nonurban service only. Because the contract with the transit agency is to purchase service, the revenues are code 40200 Contract Fares.
- iii** The Notes to the Financial Statements (see section on Cost Allocation Plans on *pg.* 13) must state that expenses are accounted for by a cost allocation plan where the methodology is approved by BPT. Expenses must be subtracted out as ineligible on OAR Schedule 4E (Nonurban) (Appendix C) and Schedule 5 (Appendix C).  
If no expenses are associated with earning this revenue, then that must be stated in the Notes to the Financial Statements (see section on Explanation of Ineligible Expenses per the BPT R&E Manual on *pg.* 14).
- iv** Reconciles with the amount of State Operating Assistance calculated on Schedule 5 (Appendix C).
- v** The expenses associated with RTAP revenue are ineligible and must be subtracted out on OAR Schedule 4E (Nonurban) (Appendix C) and Schedule 5 (Appendix C).

**OAR SCHEDULE 4E (Nonurban)  
of Appendix C**

**Dial-A-Ride Transit  
Nonurban Regular Service Expense Report  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)i**

Code	Description	Operations	Maintenance	Gen. Admin.	Total
<b>501 : Labor</b>					
50101	Operators' Salaries & Wages	\$ 14,730			\$ 14,730
50102	Other Salaries & Wages		\$ 3,552	\$ 2,830	\$ 6,382
50103	Dispatchers' Salaries & Wages	\$ 2,595			\$ 2,595
<b>502 : Fringe Benefits</b>					
50200	Other Fringe Benefits	\$ 3,500	\$ 2,167	\$ 1,884	\$ 7,551
50201	Pensions	\$ 3,161	\$ 1,001	\$ 817	\$ 4,979
<b>503 : Services</b>					
50305	Audit Cost			\$ 1,094	\$ 1,094 <sup>ii</sup>
50399	Other Services	\$ 3,099	\$ 8,220	\$ 7,909	\$ 19,228
<b>504 : Material and Supplies</b>					
50401	Fuel & Lubricants	\$ 5,762			\$ 5,762
50402	Tires & Tubes	\$ 1,851			\$ 1,851
50499	Other Materials & Supplies	\$ 446	\$ 2,144	\$ 288	\$ 2,878
<b>505 : Utilities</b>					
50500	Utilities			\$ 585	\$ 585
<b>506 : Insurance</b>					
50603	Liability Insurance	\$ 529			\$ 529
50699	Other Insurance			\$ 76	\$ 76
<b>509 : Misc Expenses</b>					
50902	Travel, Meetings, & Training		\$ 1,225	\$ 1,334	\$ 2,559
50903	Association Dues & Subscriptions			\$ 670	\$ 670
50999	Other Misc Expenses	\$ 119	\$ 27	\$ 1,319	\$ 1,465
<b>513 : Depreciation</b>					
51300	Depreciation	\$ 19,250	\$ 721	\$ 5,703	\$ 25,674

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Footnotes:

- i* For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii* Per OMB Circular A-133, audit costs are allowable charges to Federal Awards if a Single Audit is required and conducted under the provisions of A-133. Otherwise, audit costs are ineligible for Federal Section 5311 Operating Assistance and should be subtracted from total Federal expenses on Schedule 5 (Appendix C).

**OAR SCHEDULE 4E (Nonurban)  
of Appendix C**

**Dial-A-Ride Transit  
Nonurban Regular Service Expense Report  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)i**

Code	Description	Operations	Maintenance	Gen. Admin.	Total
<b>550 :</b>	<b>Ineligible Expenses</b>				
55007	Ineligible Depreciation	\$ 17,659	\$ 702	\$ 5,222	\$ 23,583 <sup>ii</sup>
55009	Ineligible Percent of Assoc. Dues			\$ 318	\$ 318 <sup>iii</sup>
<b>560 :</b>	<b>Ineligible Expenses</b>				
56001	Ineligible Expenses Associated w/ Sale of Maintenance Service		\$ 568		\$ 568 <sup>iv</sup>
56004	Ineligible Expenses Associated w/ Rental			\$ 250	\$ 250 <sup>iv</sup>
<b>574 :</b>	<b>Ineligible Expenses</b>				
57402	Ineligible RTAP			\$ 3,046	\$ 3,046 <sup>v</sup>
				<b>Total Expenses</b>	<b>\$ 98,608 <sup>vi</sup></b>
				<b>Total Ineligible Expenses</b>	<b>\$ 27,765 <sup>vii</sup></b>
				<b>Total Eligible Expenses</b>	<b>\$ 70,843 <sup>viii</sup></b>

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**Footnotes:**

- i* For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii* Ineligible depreciation includes \$350 (nonurban portion) for a snow plow purchased with local money in which the useful life of the asset was not approved by BPT. Notes to the Financial Statements (see section on Summary of Significant Accounting Policies on pg. 10) must state that eligible depreciation only includes the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.
- iii* The percentage of association dues ineligible for Federal and State reimbursement is promulgated annually in the Audit Information Letter and can be obtained in Audit/Accounting Information at:  
[http://www.michigan.gov/mdot/0,1607,7-151-9625\\_21607---,00.html](http://www.michigan.gov/mdot/0,1607,7-151-9625_21607---,00.html)
- iv* Notes to the Financial Statements (see section on Cost Allocation Plans on pg. 13) must state that expenses are accounted for by a cost allocation plan where the methodology is approved by BPT.
- v* Reconciles with RTAP revenue reported in PTMS code 41398 on OAR Schedule 4R (Nonurban) (pg.35 in Appendix C).
- vi* For transit agencies on a September 30th year end, this total appears on Schedule 5 (Appendix C) and Schedule 3 (Appendix A). For transit agencies on a June 30th year end, this total appears on Schedule 5 (Appendix C) and Schedule 3B (Appendix B).
- vii* This total appears on Schedule 5 (Appendix C).

*OAR SCHEDULE 4N (Nonurban)  
of Appendix C*

**Dial-A-Ride Transit  
Nonurban Regular Service Nonfinancial Report  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)<sup>i</sup>**

<b>Public Service</b>					
<b>Code</b>	<b>Description</b>	<b>Weekday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Total</b>
611	Vehicle Miles	5,111	11	1	5,123 <sup>ii</sup>

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Footnotes:

- i* For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii* Miles are required for all CTF operating programs in which the transit agency provided the service. Miles are not reported for the Specialized Services program because the transit agency did not provide the service. The transit agency acted as a pass-through entity. See the Nonfinancial Data Section in the Notes to the Financial Statements (pg. 13) which states that the methodology used for compiling vehicle miles was reviewed and found to be an adequate and reliable method for recording vehicle miles.

**OAR SCHEDULE 4R**  
**(Another Operating Program)**  
**of Appendix C**

**Dial-A-Ride Transit**  
**(e.g.,) JARC Service Revenue Report<sup>i</sup>**  
**For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)<sup>ii</sup>**

Code	Description	Amount
401 :	Farebox Revenue	
40100	Passenger Fares	
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<b>Total Revenues</b>		<b>\$</b>

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Footnotes:

- i For illustration purposes, this OAR would be required for the operating program reported on Schedules 1, 2, and 3 (Appendix A) and on Schedules 1, 1A, 2, 3, 3A and 3B (Appendix B). If this were an actual OAR in an annual audit, then it would also have an expense schedule [e.g., OAR Schedule 4E (e.g., JARC)] and a nonfinancial schedule [e.g., OAR Schedule 4N (e.g., JARC)].
- ii For transit agencies with a September 30<sup>th</sup> year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30<sup>th</sup> year end, this schedule would be for the fiscal year ending September 30, 2005.

**SCHEDULE 5  
of Appendix C**

**Dial-A-Ride Transit  
Operating Assistance Calculation  
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)<sup>i</sup>**

	Urban	Nonurban
Total Expenses	\$ 3,861,599 <sup>ii</sup>	\$ 98,608 <sup>ii</sup>
Less Ineligible Expenses <sup>iii</sup>		
Interest Expense	\$ 1,241 <sup>iv</sup>	
Depreciation	197,390 <sup>v</sup>	\$ 23,583 <sup>v</sup>
Association Dues		318 <sup>vi</sup>
Charter	2,332 <sup>vii</sup>	
Sale of Maintenance Service	5,068 <sup>viii</sup>	568 <sup>viii</sup>
Rental	2,200 <sup>ix</sup>	250 <sup>ix</sup>
RTAP		3,046 <sup>x</sup>
Total Ineligible Expenses Per R&E Manual	\$ 208,231 <sup>ii</sup>	\$ 27,765 <sup>ii</sup>
<b>Total State Eligible Expenses</b>	<b>\$ 3,653,368 <sup>ii</sup></b>	<b>\$ 70,843 <sup>ii</sup></b>

Eligible Expenses for State Reimbursement	\$ 3,653,368	\$ 70,843
x Reimbursement Percentage <sup>xi</sup>	x 0.32438220889	x 0.38437574823
State Operating Assistance <sup>xii</sup>	\$ 1,185,088 <sup>xiii</sup>	\$ 27,230 <sup>xiii</sup>

**Total Federal Eligible Expenses**

Less Additional Federal Ineligible Expenses Per A-87

Audit Costs \$ 1,094 <sup>xiv</sup>

Eligible Expenses for Federal Reimbursement		\$ 69,749 <sup>xv</sup>
x Reimbursement Percentage	n/a <sup>xvi</sup>	x 0.1095 <sup>xvii</sup>
Federal Section 5307 and Section 5311 Operating Assistance	\$ 521,073	\$ 7,638

**SCHEDULE 5  
of Appendix C**

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Footnotes to the Operating Assistance Calculation Schedule:

- i For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii These totals reconcile with the totals reported on OAR Schedule 4E (Urban) (Appendix C) and OAR Schedule 4E (Nonurban) (Appendix C).
- iii Ineligible expenses are defined in the R&E Manual which is promulgated annually and can be located at: [http://www.michigan.gov/mdot/0,1607,7-151-9625\\_21607-34498--,00.html](http://www.michigan.gov/mdot/0,1607,7-151-9625_21607-34498--,00.html)
- iv Reconciles to PTMS code 55006 Other Ineligible Interest Expense on OAR Schedule 4E (Urban) (Appendix C).
- v Reconciles to PTMS code 55007 Ineligible Depreciation on OAR Schedule 4E (Urban) and OAR Schedule 4E (Nonurban) (Appendix C).
- vi Reconciles to PTMS code 55009 Ineligible Percent of Association Dues on OAR Schedule 4E (Nonurban) (Appendix C).
- vii Reconciles to PTMS code 55015 Ineligible Charter on OAR Schedule 4E (Urban) (Appendix C).
- viii Reconciles to PTMS code 56001 Ineligible Expenses Associated with Sale of Maintenance Service on OAR Schedule 4E (Urban) and OAR Schedule 4E (Nonurban) (Appendix C).
- ix Reconciles to PTMS code 56004 Ineligible Expenses Associated with Rental on OAR Schedule 4E (Urban) and OAR Schedule 4E (Nonurban) (Appendix C).
- x Reconciles to PTMS code 57402 Ineligible RTAP on OAR Schedule 4E (Nonurban) (Appendix C).
- xi Reimbursement percentages are promulgated annually in the Audit Information Letter and can be obtained at: [http://www.michigan.gov/mdot/0,1607,7-151-9625\\_21607-34498--,00.html](http://www.michigan.gov/mdot/0,1607,7-151-9625_21607-34498--,00.html)  
Reimbursement percentages are calculated based on budget numbers and then recalculated based on reconciled and audited numbers. Because the reimbursement percentage changes, the final amount of State Formula Funds will be different from this amount.
- xii The amount of State Formula Funds calculated in this row is for the fiscal year ending 2006 for transit agencies with a September 30th year end. The amount of State Formula Funds calculated in this row is for the fiscal year ending September 30, 2005 for transit agencies with a June 30th year end.
- xiii Reconciles to PTMS code 41101 State Operating Assistance on OAR Schedule 4R (Urban) and OAR Schedule 4R (Nonurban) (Appendix C).
- xiv Reconciles with PTMS code 50305 "Audit Cost" on OAR Schedule 4E (Nonurban) (Appendix C).
- xv The total Federal eligible expense is the total State eligible expense of \$70,843 less additional Federal ineligible expenses per A-87 (in this case, audit costs of \$1,094).
- xvi Federal urban amount is promulgated annually in the Federal Register at: <http://www.gpoaccess.gov/fr/index.html>
- xvii The Federal Section 5311 percentage is promulgated annually in the Audit Information Letter and can be obtained at: [http://www.michigan.gov/mdot/0,1607,7-151-9625\\_21607-34498--,00.html](http://www.michigan.gov/mdot/0,1607,7-151-9625_21607-34498--,00.html)

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**Dial-A-Ride Transit**

**Comments and Recommendations**

STATUTORY COMPLIANCE

Our review of procedures for compliance with statutory requirements disclosed the following exceptions:

Revenue and Expense Manual--Cost Allocation Plan for Sale of Maintenance Services

*Condition:* As stated in the Notes to the Financial Statements, Dial-A-Ride Transit did not submit a cost allocation plan to BPT for approval for the sale of maintenance services.

*Criteria:* Noncompliance with the Local Public Transit Revenue and Expense Manual, PTMS code 40710 Sale of Maintenance Services.

*Effect:* Dial-A-Ride Transit is unaware of its cost to provide outside maintenance services and required additional costs to be backed out as ineligible.

*Recommendation:* We recommend that the Dial-A-Ride Transit submit a plan explaining the methodology to allocate costs for vehicle maintenance and obtain approval of the methodology from BPT.

Revenue and Expense Manual--Approval of Useful Life for Locally Purchased Asset

*Condition:* As stated in the Notes to the Financial Statements, Dial-A-Ride Transit did not obtain approval for the useful life of a snow plow purchased with local funds.

*Criteria:* Noncompliance with the Local Public Transit Revenue and Expense Manual, PTMS code 55007 Ineligible Depreciation.

*Effect:* Failure to obtain approval of the useful life of a locally purchased asset could result in the loss of State Operating Assistance.

*Recommendation:* We recommend that the Dial-A-Ride Transit obtain approval from BPT for the useful life of all assets purchased with local funds, as explained in the Depreciation section of the R & E Manual.

1303 **SUMMARY OF SIGNIFICANT CHANGES TO THIS AUDIT GUIDE SINCE IT WAS**  
1304 **LAST REVISED IN APRIL 1991**  
1305

1306 The Local Audit and Finance Division, Bureau of Local Government Services of the Michigan  
1307 Department of Treasury (Treasury) in conjunction with the Bureau of Passenger Transportation  
1308 of the Michigan Department of Transportation (BPT) has revised the Audit Guide for  
1309 Transportation Authorities and Agencies in Michigan (Guide). There are five significant changes  
1310 to the Guide since it was last revised in April 1991.  
1311

1312 *First*  
1313

1314 The Guide no longer addresses compliance issues like Charter and School Bus. The revised  
1315 Guide references the Office of Management and Budget (OMB) Circular A-133, which  
1316 addresses these types of compliance issues. The 1991 Audit Guide suggested audit steps for  
1317 certain areas of compliance like Control of Cash, Cash Management, Operating Expenses,  
1318 Project Revenues, Senior Citizens and Handicappers, and Charter and School Bus as stated  
1319 above. The revised Guide gives complete reference to the auditor's professional judgment and  
1320 discretion to develop an audit program to determine whether the entity has complied with laws,  
1321 regulations, and contractual provisions that could have a direct and material effect on each of  
1322 these subjects.  
1323

1324 *Second*  
1325

1326 Nonfinancial data, such as miles, passengers, and hours used to allocate costs based on a BPT  
1327 approved cost allocation plan must be reported on the nonfinancial section of OAR Schedule 4  
1328 (Schedule 4N in Appendix C). For example, OAR Schedule 4N (Urban) on page 36 reports  
1329 charter hours because the cost associated with providing charter service is allocated based on a  
1330 BPT approved cost allocation plan methodology. The 1991 Audit Guide (as does the revised  
1331 Guide) required the auditor to report mileage and to state that the methodology used for  
1332 compiling mileage has been reviewed and found to be an adequate and reliable method for  
1333 recording vehicle mileage. In addition to reporting on mileage, the revised Guide also requires  
1334 the review and reporting of any nonfinancial data that is used to allocate costs based on a BPT  
1335 approved cost allocation plan.  
1336

1337 *Third*  
1338

1339 For transit agencies with a local year end other than September 30th, the revised Guide requires  
1340 additional schedules to present financial information on a September 30th year end (e.g.,  
1341 Schedules in Appendix B such as 1A, 2B, and 3B). The 1991 Audit Guide (as does the revised  
1342 Guide) required transit agencies with a June 30th or a December 31st year end to split its twelve  
1343 months of revenues and expenses into nine months and three months based on the State's  
1344 September 30th year end (e.g., in Appendix B, Schedule 1, Schedule 2A, and Schedule 3A). It  
1345 has always been the responsibility of the Office of Commission Audits (OCA) and the BPT to  
1346 sum the necessary nine or three months of revenues and expenses in the prior year's audit with  
1347 the necessary nine or three months of revenues and expenses in the current year audit to obtain  
1348 twelve months of revenues and expenses based on the State's September 30th year end. The  
1349 revised Guide now requires the annual audit to include this compilation of prior year and present  
1350 year revenues and expenses to show information on the September 30th year end (Schedules 1A,  
1351 2B, and 3B in Appendix B).

1352 **SUMMARY OF SIGNIFICANT CHANGES TO THIS AUDIT GUIDE SINCE IT WAS**  
1353 **LAST REVISED IN APRIL 1991** (Continued)

1354

1355 *Fourth*

1356

1357 Ineligible expenses that meet the definition in the Local Public Transit Revenue and Expense  
1358 Manual (R&E Manual) and are classified under the appropriate Public Transportation  
1359 Management System (PTMS) code do not need to be explained unless: (1) the R&E Manual  
1360 requires an explanation in the PTMS comment field, (2) the expense is only ineligible because of  
1361 some form of noncompliance, or (3) ineligibility differs between the R&E Manual for State  
1362 Formula Funds and OMB Circular A-87 (A-87) for the Federal Section 5311 Program. The  
1363 revised Guide is selective when requiring an explanation of ineligible expenses, unlike the 1991  
1364 Audit Guide that required an explanation for all ineligible expenses.

1365

1366 *Fifth*

1367

1368 Expenses associated with Auxiliary Transportation Revenue (406) and Nontransportation  
1369 Revenue (407) must be subtracted out as ineligible on OAR Schedule 4E (Urban) (Appendix C)  
1370 and 4E (Nonurban) (Appendix C) and Schedule 5 (Appendix C). If no expenses are associated  
1371 with earning 406 and 407 revenue, then the Notes to the Financial Statements must state so (see  
1372 Explanation of Ineligible expenses per BPT R & E Manual on page 14 of the revised Guide). The  
1373 1991 Audit Guide did not require an affirmative statement that no expenses are associated with  
1374 earning 406 and 407 revenue.