FY 2027 Local Public Transit Revenue and Expense Manual with Nonfinancial Operating Data Definitions

Office of Passenger Transportation

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Acronyms

Act 51	Public Act 51 of 1951, as amended
CTF	Comprehensive Transportation Fund
CAP	Cost Allocation Plan
CPA	Certified Public Accountant
DB	Defined Benefit
DC	Defined Contribution
DR	Demand-Response (acronym used on PTMS)
FTA	Federal Transit Administration
JARC	Job Access and Reverse Commute Program
LH	Line-Haul (acronym used on PTMS)
LBOA	Local Bus Operating Assistance (State operating)
MPO	Metropolitan Planning Organization
MDOT	Michigan Department of Transportation
NF	New Freedom Program
OPT	Office of Passenger Transportation
OAR	Operating Assistance Report
OPEB	Other Post-Employment Benefits
PM	OPT Project Manager
PTMS	Public Transportation Management System
RTAP	Rural Transit Assistance Program
TA	Transit Agency

Definitions

Accrual Basis	Revenues are recorded when earned, regardless of the time of payment or the receipt of cash. Expenses are recorded when incurred regardless when payment is made. For example, enter in code 41101 State Operating Assistance the eligible expense amount multiplied by the current reimbursement percentage regardless of the amount received. For code 41301 Section 5311, enter the eligible expense amount multiplied by the current reimbursement percentage regardless of the amount received.
Contracts:	Contract: A legally binding agreement between parties regardless of the terminology used at the different governmental levels (e.g., federal grant, state master agreement and project authorizations, and local contract). Competitively Bid Contract: A contract or agreement to provide transit service in which there was a competitive bid process. In a competitive bid process, a transit agency (TA) must bid the fully allocated costs. Negotiated Contract: A contract or agreement to provide transit service in which there is no competitive bid process.
Deviated Fixed Flex Route:	Transit service that operates along a fixed alignment or (Flex) Route generally during fixed times but may deviate from the route alignment to pick up or drop off passengers who have requested the deviation. A cost allocation plan (CAP) may be used to determine the financial data; Office of Passenger Transportation (OPT) approval of the CAP is not required. Nonfinancial data must be actual and cannot be allocated. Report total deviated fixed route expenses on the operating assistance report (OAR) summary page in the comment section.

Purpose of Manual and Reporting Requirements

This manual is used to report revenues, expenses and nonfinancial data on an OAR that is required to be submitted on the Public Transportation Management System (PTMS) for the following operating programs:

- State Operating Assistance (e.g., Regular Service, LBOA)
- Job Access and Reverse Commute Program (JARC)
- New Freedom (NF) Program

Budget OARs are due with the annual application on Feb. 1 of each year. Annual reconciled OARs are due 40 days after the end of the state's fiscal year and must be based on that year (e.g., Oct. 1 through Sept. 30). Quarterly OARs are due 40 days after the end of each quarter.

The Comprehensive Transportation Fund (CTF) Specialized Services Program has its own manual called the Specialized Services Manual (effective Nov. 1, 2022) and can be found at www.Michigan.gov/MDOTOPT. Scroll down to the "Resources" tab, select "Audit/Accounting Information," then click scroll down to Specialized Services Manual.

Basic Guidelines

A. Expenses are eligible for reimbursement under the Local Bus Operating Assistance (LBOA) (Formula) Program if they are:

- Incurred[1] for public transportation purposes;
- Reasonable and necessary for proper and efficient operations;
- Categorized according to this manual;

[1] Obligating expenses through the execution of a purchase order is not "incurred." An expense is not incurred and should not be reported on an OAR until the service has been provided or the goods have been delivered.

- Supported by adequate source documentation;
- Treated consistently year to year;
- In accordance with Generally Accepted Accounting Principles (GAAP), unless otherwise provided for in this manual;
- Based on an approved OPT CAP, if required;
- Based on the accrual accounting method;
- Not expensed twice (commonly referred to as “double dipping”);
- Not funds transferred back to a general or similar fund;
- Not funded under another FTA/OPT or capital program. Refer to Appendix B for the proper reporting on the OAR of capital funds used for operating expenses;
- Not funded with federal and/or state grant/money dedicated to pay for an expense.

B. Ineligible expenses improperly reimbursed in previous years that have been closed out can be, based on the discretion of the OPT, subtracted out in the year discovered. Proficiency in understanding when an operating expense is ineligible for state operating assistance reimbursement is mandatory in fairness to all TAs. If there is any question as to whether an expense is eligible for state operating assistance, contact your project manager (PM) to obtain a written response from OPT.

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

D. When this manual is silent, Part 2 of the Code of Federal Regulations (CFR) 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) applies. This manual is primarily intended to be

consistent with the basic guidelines and cost principles of 2 CFR 200. Any inconsistency should be brought to the attention of your PM.

Revenues

Revenue is defined as all income generated as a result of providing public transportation service. The basic guidelines listed on the previous page generally apply to revenues as well.

Also: Retained earnings used to cover an operating deficit are not revenue in that year. Retained earnings is money earned and reported in prior years and should not be reported again when used.

Money expensed on the books, yet retained by the TA, is not revenue (see the note under the Compensation section regarding a medical self-insurance fund).

Federal and state operating assistance received in the current year for prior year's expenses (e.g., the final Section 5311 payment and/or adjustments made to state operating assistance based on reconciled or audited distributions) are not revenue in the current year and should not be reported on the current year's OAR.

Cash donations are considered local revenue and should be reported in 40699 Other Auxiliary Transportation Revenues. Any expenses associated with earning the cash donations must be subtracted out as ineligible under 55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue.

Fare Revenue

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

Passenger fares do not include payments made directly to the TA by entities/organizations (including human service agencies) to purchase service (e.g., under the terms of a purchase-of-service agreement). These payments are considered local service contracts and should be reported in codes 40930 Local Service Contract/Federal Source (other than FTA), 40940 Local Service Contract/State Source

(other than OPT), 40950 Local Service Contract/Local Source, or 40980 Local Service Contract/Competitive Bid.

JARC and NF Programs:

JARC and NF Program data are reported on separate OARs. Passenger fares earned for the JARC and/or NF Programs must be reported in code 40100 Passenger Fares and subtracted out as ineligible under 55000 Ineligible JARC and NF Fares.

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

40102 Deviated (Flex) Route Passenger Fares. Use the same definition for 40100 Passenger Fares for the total fare collected from Deviated (Flex) Routes. An OPT-approved CAP may be required to determine the deviated route passenger fares.

Package and Charter Revenue

40400 Package Delivery/Meal Delivery Programs (e.g., Meals on Wheels). This cannot conflict with public transit services nor result in a reduction of service to transit passengers. Do **not** count packages/meals as passengers. Package/meal delivery must be incidental to providing public transportation services. An OPT-approved CAP is required for both package and meal delivery. The comment field must state “CAP applied.” Expenses associated with package and meal delivery are not eligible and must be subtracted out under 55008 Other Ineligible Expenses.

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

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

If charter service is provided (under a 49 CFR 604 exception), (1) there must be an OPT-approved CAP based on hours (not miles), (2) expenses associated with charter

service must be subtracted out under 55015 Ineligible Charter Expense, and (3) 630 Charter Service Hours and 631 Charter Service Miles must be reported on the nonfinancial portion of the OAR. The comment field must state “CAP applied.”

Auxiliary Transportation Revenue

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

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

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

Note: Do not confuse the expenses associated with this revenue code with the advertising expenses reported in code 50302 Advertising Fees. The 40615 Advertising is revenue the TA earns from displaying advertising materials on TA vehicles and property. The 50302 Advertising Fees are expenses the TA incurs to print schedules of routes and time, procurement goods and services, dispose of surplus materials, and/or recruit personnel.

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

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

This code can only be used to report revenue that meets its definition, that being "Income earned from services offered to (1) aid and assist passengers in their travels, and (2) help finance public transportation." If the categorization of a revenue is questionable, obtain written direction from OPT.

Nontransportation Revenue

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

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

40715 Rental of Revenue Vehicles. Lease revenue and short-term revenue from renting TA revenue vehicles to another TA or organization providing public transportation. Report interest earned on revenue from leases in code in code 41450 Lease Interest Income. An OPT-approved CAP is required. The comment field must state “CAP applied.” Expenses are not eligible and must be subtracted out under 56004 Ineligible Expenses Associated with Rentals. If no expenses were incurred generating this revenue, then that must be stated in the comment field. If no expenses are reported under 56004 Ineligible Expenses Associated with Rentals and no explanation is given in the comment field, then OPT will either (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the OPT-approved CAP.

40720 Rental of Buildings or Other Property. Lease revenue and short-term revenue from renting TA buildings, property, equipment and vehicles (other than 40715 revenue vehicles) to other TAs or organizations. Report interest earned on revenue from leases in code 41450 Lease Interest Income. An OPT-approved CAP may be required. Expenses are not eligible and must be subtracted out under 56004 Ineligible Expenses Associated with Rentals. If no expenses were incurred generating this revenue, then that must be stated in the comment field. If no expenses are reported under 56004 Ineligible Expenses Associated with Rentals and no explanation is given in the comment field, then OPT will either (1) subtract out the revenue reported in this code, or (2) determine an ineligible expense amount using, in part, the OPT-approved CAP.

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

40760 Gains from the Sale of Capital Assets. All gains must be itemized in the comment field and include a description of the item(s) sold, the sale price and, if required, the amount returned to the federal and/or state government. If the item was a revenue vehicle, include the local number, the state 71 number, and/or the VIN. Report the amount returned to the federal and/or state government as an expense in code 50999 Other Miscellaneous Expenses and back out the same in code 55008 Other

Ineligible Expenses.

All funds retained must be used to support the provision of public transportation.

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

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

For the disposal of real property, contact your project manager.

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

This code can only be used to report revenue that meets its definition, that being “Income earned from the use, lease, and/or sale of public transportation property where these activities do not interfere with or detract from the public transportation service for which the property was acquired.” If the categorization of a revenue is questionable, obtain written direction from OPT.

Know When Federal and State Money is Considered Local Share

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

1. FTA and/or OPT funds cannot be categorized as local funds regardless of the

contractual parties. For example:

i. FTA contracts with Community Transportation Association of America (CTAA) to distribute JARC funds, and then a TA contracts with CTAA to provide the JARC service and to receive the FTA funds. The JARC funds are still considered federal/FTA funds even though the TA received the funds from CTAA.

ii. OPT contracts with a county government to provide specialized service, and then the county government contracts with a TA to provide the specialized transit service and to receive the OPT funds. The specialized service funds are still considered state/OPT funds even though the TA received the funds from a county government.

iii. MDOT and a metropolitan planning organization (MPO) sign a planning contract. The MPO contracts with a TA to execute the planning contract. The planning funds are still considered federal and/or state funds even though the TA received the funds from the local MPO.

2. Any federal and state monies received by the TA that (1) are not specifically FTA or OPT-funded, and (2) are intended to purchase service and/or to fund public transportation in general are considered local funding and should be reported either as 40100 Passenger fares, or 40930 Local Service Contract/Federal Source or 40940 Local Service Contract/State Source.

3. FTA, federal and state grants that are directed toward paying for a particular expense (e.g., Department of Justice grant to pay for security) are ineligible and must be subtracted out under either 55004 Other Ineligible State Contracts or 57099 Other Ineligible Federal/State/Local.

If there is any question as to whether the funds received from a federal or state grant need to be subtracted out as ineligible, contact your PM to obtain a written response from OPT.

Local Revenue

40800 Taxes Levied Directly for/by Transit Agency are taxes collected directly for public transit (e.g., millage). Also, include Local Community Stabilization Authority payments issued in accordance with Act 86 of 2014.

Expenses incurred conducting a millage election are eligible, provided the information concerning the election is factual and neutral, and should be reported under 50399 Other Services. Expenses that are influential in nature should be reported under 50907 Lobbying and must be subtracted out under 58005 Ineligible Lobbying Expense.

40910 Local Operating Assistance. Operating funds received from local governmental units (e.g., general fund) other than taxes levied in 40800. “Operating funds” include the value of services received by a local unit of government of which the TA is a part. The valuation of the services must be supported by an OPT-approved cost allocation for centralized service. The comment field must state “CAP applied.”

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

Local Service Contracts to Support Transportation (Please explain in comment field):

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

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

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

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

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

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

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

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

JARC and NF Programs:

JARC and NF Program: Data is reported on separate OARs. Local service contracts specifically for the JARC and/or NF Programs must be subtracted out as ineligible under 55000 Ineligible JARC and NF Fares/Contracts, unless the contract was identified as a source of local match on the certification of local match for the NF program in the annual application. Any contract revenue received in excess of the amount stated on the certification form must be subtracted out as ineligible.

New Freedom Program: Local service contract revenues for human service contracts (not paid on a per passenger basis) made directly to the TA by a human service agency may be used either to reduce the total eligible expense of the service or may be used as local match. This option must be noted in the comment field. If the revenue is not used as local match, then the revenue must be subtracted out as ineligible under 55000 Ineligible JARC and NF Fares.

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

State Revenue

41101 State Operating Assistance earned pursuant to Section 10e(4)(a) of Act 51. Also referred to as Local Bus Operating Assistance (LBOA) and/or formula funds. These funds are distributed statewide based on total eligible operating expenses as determined by this manual.

Note: Do not include 41101 State Operating Assistance received from or paid to OPT for previous years. When State Operating Assistance is redistributed based on annual reconciliations and annual CPA audits, OPT enters the adjusted amount into the PTMS.

41110 Line-Item Municipal Credit is the appropriations paid to TAs created under the Regional Transit Authority Act. Municipal credit money distributed within the State Operating Assistance payment should be reported under 41101 State Operating Assistance. The money received from this appropriation is ineligible and must be subtracted out in code 55004 Other Ineligible State Contracts.

41111 Preventive Maintenance is the state revenue received (federal revenue is reported in 41311) under a capital contract to pay for the routine maintenance of buses and buildings. Maintenance expenses paid by a capital contract are not eligible and must be subtracted out under 55011 Ineligible Preventive Maintenance. For the quarterly and reconciled OARs, the comment field must list the revenue individually by state contract and authorization number.

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

41113 Capital Contract Reimbursement for Administrative Expenses is the state revenue received (federal revenue is reported in 41313) under a capital contract to pay for administrative expenses associated with that contract (including monitoring capital expenditures). The administrative expenses reimbursed under this code are not eligible and must be subtracted out under 57603 Ineligible Administrative Expense Paid by Capital Contract. For the quarterly and reconciled OARs, the comment field must list the revenue individually by state contract and authorization number.

41114 Other Capital Contract Reimbursement for Operating Expenses is the state revenue received (federal revenue is reported in 41314) under a capital contract to pay for operating expenses (e.g., mobility management, lease expenses associated with office space or a building, shop/maintenance equipment, and miscellaneous bus equipment).[2] The expenses reimbursed by the revenue reported in this code must be subtracted out as ineligible under 57604 Other Ineligible Operating Expense Paid by Capital Contract. For the quarterly and reconciled OARs, the comment field must list the revenue individually by state contract and authorization number.

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

If the TA provides or is hired to provide service through the OPT Specialized Services program and receives funds from OPT or a subrecipient, report the revenue in this code and back the same amount out in code 55004 Other Ineligible State Contracts.

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

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

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2 Shop/maintenance and miscellaneous bus equipment can be expensed if the equipment cost less than $10,000 or has a useful life of less than one year. Any purchases (or lease if applicable) that cost more than $10,000 with a useful life of more than one year should be capitalized and then depreciated under 51300 Depreciation. If a purchase or lease is capitalized, then the revenue (federal, state, and/or local) is not reported in this code or anywhere else on the OAR.

individually by state contract and authorization number.

Federal Revenue

41301 Section 5311 Operating is federal assistance earned that is calculated based on a percentage determined by OPT and capped at the authorization amount. The revenue reported in this code does not need to be subtracted out as ineligible.

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

Note: Do not include 41301 Section 5311 money received for previous years.

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

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

Note: If a TA provides both rural (Section 5311) and urban (Section 5307) services, an OPT-approved CAP is required.

41311 Preventive Maintenance is the federal share to the 41111 Preventive Maintenance code and must be subtracted out under 55011 Ineligible Preventive Maintenance. For the quarterly and reconciled OARs, if the state contract and authorization number(s) were not reported in 41111, then the comment field must list the revenue individually by the federal grant and state contract and authorization number.

41312 Planning/Capital Cost of Contracting is the federal share to the 41112 and must be subtracted out under 57602 Ineligible Planning/Capital Cost of Contracting. If the state contract and authorization number(s) were not reported in 41112, then the

comment field for the quarterly and reconciled OARs only) must list the federal grant and state contract and authorization number.

41313 Capital Contract Reimbursement for Administrative Expenses is the federal share to the 41113 and must be subtracted out under 57603 Other Ineligible Administrative Expense Paid by Capital Contract. If the state contract and authorization number(s) were not reported in 41113, then the comment field for the quarterly and reconciled OARs must list the federal grant and state contract and authorization number.

41314 Other Capital Contract Reimbursement for Operating Expenses is the federal share to the 41114 and must be subtracted out under 57604 Other Ineligible Operating Expense Paid by Capital Contract (e.g., capital funds from some programs may be used to pay for fuel costs for vehicle operations, including utility costs for the propulsion of vehicles. Both the 80 percent and 20 percent match are ineligible). If the state contract and authorization number(s) were not reported in 41114, then the comment field for quarterly and reconciled OARs must list the federal grant and state contract and authorization number.

41360 Coronavirus Aid, Relief, and Economic Security (CARES) Act Lost Revenue Replacement/Rural CARES Flex is federal operating assistance received due to the COVID-19 pandemic. Urban TAs report the lost revenue replacement received directly from FTA; rural TAs report the CARES Flex revenue received from OPT. The revenue reported in this code does not need to be subtracted out as ineligible.

41361 CARES Act is federal operating assistance received due to the COVID-19 pandemic. The revenue reported in this code does not need to be subtracted out as ineligible.

41362 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act is federal assistance received due to the COVID-19 pandemic. Report **only** the operating revenue earned from CRRSA Act in this code. It does not need to be subtracted out as ineligible.

41363 American Rescue Plan (ARP) Act is federal assistance received due to the COVID-19 pandemic. Report ONLY the operating revenue earned from ARP Act in this code. It does not need to be subtracted out as ineligible.

Note: The combination of federal and state operating assistance (not including 41360 lost revenue replacement) cannot exceed 100 percent of eligible operating expenses. In

the event that 100 percent reimbursement is exceeded, State Operating Assistance (code 41101) or the state administered federal assistance received due to the COVID-19 pandemic (codes 41361, 41362, 41363) will be adjusted accordingly. The final request for Section 5307 funds should be made after the reconciled redistribution to avoid exceeding the 100 percent limit.

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

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

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

Depending upon the contractual language, either the expenses incurred or the revenue received may not be eligible and should be subtracted out under 57099 Other Ineligible Federal/State/Local along with any contractually required state and/or local match. For the quarterly and reconciled OARs, the comment field must list the federal grant and state contract and authorization number.

Other Revenue

41400 Interest Income is interest earned on all local, state and federal operating revenues, including retained earnings. Report interest earned from leases in code 41450. Do not include interest earned on funds received from capital projects. If interest is earned on capital funds, the interest must be credited to the specific capital project.

41450 Lease Interest Income is revenue earned on long-term lease agreements when the asset ownership does not transfer to the lessee.

41500 Pass-Through Revenue. Revenue received for the purpose of passing it through to another TA (and/or entity) is not revenue as defined in this manual (income generated as a result of providing public transportation services). Passing through funds is a process to get funds to another TA (and/or entity) that is responsible for spending those funds. Pass-through monies **are** revenue to the receiving TA (and/or entity), **not** to the TA passing the money through.

If pass-through revenue is expensed, the expense is reported in code 51000 Pass-Through Expense and subtracted out as ineligible in code 57100 Ineligible Pass-Through. The comment field must state the name of the receiving entity.

If pass-through revenue is not expensed, that must be clearly explained in the comment field on the reconciled OAR and in the annual CPA audit. Absent a clear explanation, OPT will assume that the pass-through revenue was expensed, and thus will be required to be subtracted out as ineligible.

Consider the following examples:

Example 1: Two TAs provide public transportation services within “City.” The city appropriates local subsidies of $600,000 to one TA and $200,000 to the other TA. The city distributes the entire $800,000 to one TA that is responsible for passing through the $200,000 to the other TA. The $600,000 retained by the first TA is reported in the required local code (which is generally 40800 (millage) or 40910 (general fund)). The $200,000 pass-through is reported in this code (41500 Pass-Through Revenue), with the comment field identifying the receiving TA. The receiving TA will report the $200,000 revenue in the required local code (again, usually 40800 (millage) or 40910 (general fund)). If the TA expenses the pass-through on its books, then the expense (in this example, $200,000) is reported in 51000 Pass-Through Expense and subtracted out as under 57100 Ineligible Pass-Through.

Example 2: A TA receives both 41101 State Operating Assistance (also known as LBOA and/or formula funds) and JARC operating assistance. The JARC operating assistance is passed through to a separate entity. The TA will report the LBOA under 41101 State Operating Assistance and the JARC pass-through in this code (41500 Pass-Through Revenue), with the comment field identifying the receiving entity. The receiving entity will report the JARC funds in 41199 Other MDOT/OPT Contracts and Reimbursements. If the TA expenses the pass-through on its books, then the expense (in this example, the JARC funds) are reported in 51000 Pass-Through Expense and subtracted out as under 57100 Ineligible Pass-Through.

43000 Contributed Services is the cash equivalent of donated services that benefit transit operations and would need to be purchased if the services were not donated. This code is used for all contributions other than those provided by a county or local government of which the TA is a part of. If the TA is part of the county or local government, then the monetary value of services provided by that county or local government should be reported in 40910 Local Operating Assistance.

To report revenue associated with contributed services:

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

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

The NF Program allows the costs of contributions and donations to be used to meet cost-sharing or matching requirements, provided the actual expenses meet or exceed the federal share. Therefore, **only** on the NF OAR, do not deduct contributions and donations as ineligible if they are used to meet the federal share requirement. Any amount exceeding the match requirement should be deducted as ineligible.

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

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

Note: Do not report overpayment and/or underpayment adjustments made to federal and state operating assistance from a prior year reconciled or audited redistribution.

After the redistributed amounts are calculated, OPT enters those amounts into the PTMS.

Expenses

Note: State and/or federal operating assistance that the TA owes back from prior year distributions are not current year expenses and should not be reported on the OAR.

Compensation and Fringe Benefits

Employees often earn two types of compensation in exchange for their services: current compensation, which is reflected in their paycheck, and deferred compensation, which is not received until after the employee retires and vesting and age requirements have been met. Current compensation is reported in 50101, 50102 and 50103. Deferred compensation is reported in 50210 through 50250.

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

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

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

50102 Other Salaries and Wages. Compensation paid to employees not classified as bus drivers or dispatchers.

Expenses of advisory councils, authority boards, transportation committees, etc., are eligible for reimbursement for both 41101 State Operating Assistance and 41301 Section 5311 funds if the sole responsibility of the entity is related to the TA. If the transit-related entity has responsibilities other than those connected to the TA, only the expenses directly attributable to the governance of the TA are eligible. Expenses relating to the general cost of government (e.g., city councils, county commissions) are

not eligible and must be subtracted out under 55008 Other Ineligible Expenses. Compensation paid to transit board members should not exceed the standard practice for local political bodies in the service area.

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

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

50200 Fringe Benefits. Payments made or due by the TA on the employees' behalf. These are costs over and above "labor" that arise from the employment relationship. Cost of goods or services for personal use of the TA's employees are ineligible regardless of whether the cost is reported as taxable income to the employees and should be subtracted out as ineligible under 58099 Other Ineligible Benefits.

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

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

- They are provided under established written leave policies;
- The costs are equitably allocated to all related activities; and
- The accrual of leave time is the lesser of the amount accrued or paid.

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

Fringe benefits include:

- Social Security – Medicare employer contributions.
- Dental, hospital, medical and surgical plans.
- Life and disability insurance plans.
- Uniform and work clothing allowances.
- Merit-based pay bonuses approved by the TA's board.
- Workers' compensation and unemployment insurance. The type, extent and cost of coverage must be in accordance with laws, governmental policy and sound business practices. Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are eligible to the extent that:
    - The provisions represent reasonable estimates of the liabilities for such compensation and the types of coverage, extent of coverage, and rates and premiums would have been eligible had insurance been purchased to cover the risks. However, provisions for self-insured liabilities that do not become payable for more than one year after the provision is made shall not exceed the present value of the liability.
    - Earnings or investment income on reserves must be credited to those reserves.
    - Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverage will normally be limited to the value of claims (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the CAP or indirect cost rate proposal.
    - Accounting records, actuarial studies and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the

governmental unit. If individual departments or agencies of the governmental unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

- When funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the state and federal government for its share of funds transferred, including earned or imputed interest from the date of transfer.

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

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

Deferred Compensation

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

When investments in retirement benefit funds result in overfunding (or an asset), payments made into the fund are not eligible for LBOA and should be deducted in the appropriate ineligible pension or OPEB codes.

The possibility exists that different entities will use various year-ends. For example, a TA with a June 30 local year-end uses actuarial information based on a measurement date ending Dec. 31 when OPT requires reporting on a Sept. 30 year-end. A TA may choose a 12-month period to report retirement expenses and the associated ineligibles, provided the same 12-month period is consistently applied year after year.

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

Pension

50210 DC Pensions. Report the employer's payments to contributions, such as:

- Pay-as-you-go (e.g., 401k Defined Contribution)

  Pension plans where the amount contributed by the TA is based on a fixed dollar amount or percentage (e.g., 2 percent of wages) are eligible for 41101 State Operating Assistance reimbursement to the extent paid.

- Deferred Compensation (e.g., IRC 457)

  The TA's match associated with deferred pre-tax income into a tax-exempt compensation plan are eligible for 41101 State Operating Assistance reimbursement to the extent paid.

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

50220 DB Pensions. Pension expenses reported in this code must be calculated and reported consistent with the Michigan Employees' Retirement System (MERS) methodology. If the uniqueness of a particular plan requires deviating from the MERS methodology, prior written approval is required by OPT. Pension expenses not calculated pursuant to the MERS methodology and/or without the written approval of OPT are not eligible for 41101 State Operating Assistance reimbursement.

The 50220 DB Pension expense is eligible for 41101 State Operating Assistance reimbursement when the cost is both expensed on the books and actually paid (e.g., an out-of-pocket payment). Pension costs expensed but not paid must be subtracted out under 58020 Ineligible DB Pensions. This ineligible pension expense can be "tracked" and becomes eligible for 41101 State Operating Assistance reimbursement in the year paid. When paid, the payment amount is reported as a **negative** ineligible expense in 58020 Ineligible DB Pensions. Payments made to a pension plan in excess of the calculated pension expense can also be "tracked" and then matched to pension expenses incurred in a subsequent year. The matching of unpaid pension expenses in one year with an excess pension payment from another year are based on the amounts allowed and disallowed on the PTMS OAR. The pension amounts reported on the

PTMS OAR are actual dollar amounts that either are or are not eligible for State Operating Assistance.

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

Pension plan termination insurance premiums paid pursuant to ERISA are eligible. Late payment charges on such premiums are ineligible and must be subtracted out under 58099 Other Ineligible Benefits.

- Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are ineligible and must be subtracted out under 58099 Other Ineligible Benefits.

If the TA or local unit uses derivative instruments or products in their pension/Other Post-Employment Benefits (OPEB) investment portfolio, report the cost of the derivative and the market value at the end of the fiscal year in the comment field.

Pension Obligation Bonds: The interest on bonds issued to fund unfunded actuarial accrued pension liability is eligible if the following criterion is met:

1. Interest rate on the pension obligation bonds is fixed.

2. Debt financing of the Unfunded Actuarial Accrued Liability (UAAL) is not more costly than regular pension financing over the remaining unamortized life of the UAAL, considering bond principle, interest, issuance costs and any other relevant factors, as determined at the time of financing.

3. All net bond proceeds are made part of pension fund assets.

4. Funding for bond principal and interest is (a) included in each period's pension requirement (e.g., annual, biennial or other), (b) computed in the same manner as the actuary's amortization of the UAAL at the time of the conversion to debt financing, and (c) calculated using the weighted average interest rate on the bonds for the period in place of the actuarially-assumed interest rate. The period's pension requirement consists of funding for bond principal and interest applicable to the period of the pension contribution requirement computed by the actuary for normal costs and any UAAL not funded by the bonds. An alternative to (b) and (c) may be used if they do not result in substantially different pension charges.

If this criterion is not met, interest on debt issued to finance the UAAL is eligible only

to the extent of the regular pension financing.

If there is any question as to whether a pension cost is an actual, out-of-pocket expense eligible for 41101 State Operating Assistance, contact your PM to obtain a written response from OPT.

Other Post-Employment Benefits (OPEB)

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

50240 DC OPEB. This is the amount the TA pays each year that equals the benefits distributed or claimed in that year. For example, eligible payments to an Internal Revenue Code Section 115 Health Care Saving Plan (HCSP) is reported in this code. These OPEB plans usually do not have ineligibles associated with them because the TA pays a fixed percentage. In other words, there is no actuarial calculation. However, if the OPEB expense reported in this code is not paid in full (an actual out-of-pocket payment), then the amount not paid must be subtracted out as ineligible under 58040 Ineligible DC OPEB.

50250 DB OPEB. OPEB expenses reported in this code must be calculated pursuant to the MERS methodology. If the uniqueness of a particular OPEB plan requires deviating from the methodology, prior written approval is required by OPT. OPEB expenses not calculated pursuant to the MERS methodology and/or without the written approval of OPT are not eligible for 41101 State Operating Assistance reimbursement.

The 50250 DB OPEB expenses are eligible for 41101 State Operating Assistance reimbursement when the cost is both expensed on the books and actually paid (e.g., an out-of-pocket payment). OPEB costs expensed but not paid must be subtracted out under 58050 Ineligible DB OPEB. This ineligible OPEB expense should be “tracked” and becomes eligible for 41101 State Operating Assistance reimbursement in the year paid. When paid, the payment amount is reported as a **negative** ineligible expense in 58050 Ineligible DB OPEB. Payments made to an OPEB plan in excess of the calculated OPEB expense can also be “tracked” and then matched to OPEB expenses incurred in a subsequent year. The matching of unpaid OPEB expenses in one year with an excess OPEB payment from another year is based on the amounts allowed or

disallowed on the PTMS OAR. The OPEB amounts reported on the PTMS OAR are actual dollar amounts that are either eligible or not eligible for State Operating Assistance.

If there is any question as to whether OPEB costs are an actual, out-of-pocket expense eligible for 41101 State Operating Assistance, contact your PM to obtain a written response from OPT.

Reporting Pension and OPEB Expense on the Quarterly OARs

Actuarial information required to calculate 50220 DB pension expense and 50250 DB OPEB expense may not be available until the end of the third fiscal quarter (e.g., June 30). Because the requisite information is not available to calculate an accrual-based pension/OPEB amount for the first three quarters of the fiscal year, report the **amount paid** in the applicable 50220 DB Pension or 50250 DB OPEB. Because pension and OPEB expenses are only eligible to the extent paid, reporting quarterly pension and OPEB expenses on a cash basis produces the most reliable number for quarterly reporting. When information becomes available, calculate the annual accrual pension and OPEB expenses and report those amounts on both the reconciled OAR and the fourth quarter OAR **minus** the “cash-based” pension expense reported for the first three quarters. This approach to “reconcile” the three previous quarters in the fourth quarter should not create a large discrepancy causing a “reporting” hardship or windfall. However, if such occurs, it will be addressed on an individual basis.

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

Services

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

50302 Advertising Fees. Advertising expenses are eligible when incurred to (1) communicate information necessary to access public transportation services provided, and (2) to recruit personnel, procure goods/services and dispose of surplus materials.

Note: Public relations expenses incurred to inform the community of accomplishments derived from providing public transportations services and to address matters of public concern are eligible and reported in this code.

50305 Audit Costs. Audit costs are eligible for 41101 State Operating Assistance reimbursement except for transit agencies created pursuant to the Metropolitan Transportation Authorities Act of 1967, 1967 PA 204, MCL 124.401 to 124.426, or the regional transit authority act, whichever applies. For these transit agencies, audit costs must be subtracted out as ineligible under 55008 Other Ineligible Expenses.

Audit costs pursuant to 2 CFR 200: Subpart F (a "Single Audit") are eligible for federal (e.g., 5311, 5310) reimbursement. The eligibility of audit costs in the current fiscal year is determined by the audit requirements of the previous fiscal year. For example, if a Single Audit was not required (or performed in accordance with 2 CFR Part 200) in the previous fiscal year, audit costs incurred in the current fiscal year are not eligible for federal reimbursement.

Note: Typically, total eligible expenses reported on the regular service OAR is used to calculate both State Operating Assistance and Federal Section 5311 Operating Assistance. Because audit cost is eligible for State Operating Assistance, do not report Ineligible Audit Costs on the regular service OAR. OPT will subtract audit costs when reconciling the Section 5311 operating funding. Payments made by OPT based on eligible expenses reported on the quarterly and reconciled OARs will be compared to the total amount earned using the audit information to determine if the agency owes MDOT or if MDOT owes the agency. Because JARC and NF are reported on separate OARs, audit costs should be subtracted out as ineligible when applicable.

50399 Other Services.

- Professional and technical services (e.g., accountants, computer service, doctors, management and transit industry consultants, security services, engineering and planning firms, and attorneys) that are rendered by persons who are members of a particular profession or possess a special skill and who are not employees or board members of the TA.

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

- Attorney fees and related expenses incurred in pursuing a claim or legal dispute against the State of Michigan or any of its officers or agents, arising out of the administration of a CTF program, are not expenses eligible for purposes of 41101 State Operating Assistance reimbursement. Attorney fees and costs that a public TA may be ordered to pay to another party in connection with a claim or legal dispute against the State of Michigan or any of its officers or agents are

also ineligible. Likewise, attorney fees and related expenses incurred in pursuing a claim or legal dispute against the federal government or any of its officers or agencies, arising out of the administration of an FTA program, are not expenses eligible for purposes of 41101 State Operating Assistance reimbursement. Ineligible attorney fees and related expenses must be subtracted out as ineligible under 55008 Other Ineligible Expenses.

- Appraisal services procured for some purpose other than the purchase and/or sale of an asset.

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

- Services provided on a temporary basis by persons who are not employees or board members of the TA.

- Professional contractual maintenance services provided by a qualified outside organization.

- Environmental Cleanup: The TA shall be in compliance with applicable federal, state and local statutes, ordinances, regulations, policies and executive orders pertaining to environmental and resource protection. Willful failure to comply will render any environmental cleanup costs an ineligible expense for either capital or operating reimbursement.

- Millage expense.

- Extended warranty costs.

- Flu shots and drug testing.

- Credit card processing fees.

- Grounds repair and maintenance

Materials and Supplies

50401 Fuel and Lubricants. Include the cost and tax of gasoline, diesel fuel, propane, compressed natural gas (CNG), lubricating oil, transmission fluid, grease, etc., for use in vehicles and equipment.

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

50404 Major Purchases. Include big ticket items that cost less than $10,000 (e.g., copiers, computer equipment, software, office furniture, steam cleaners, storage shelving systems, system/parts cleaning tanks, snow blowers). All equipment purchased under a capital contract must be subtracted out as ineligible under 57604 Other Ineligible Operating Expense Paid by Capital Contract.

Note: Any purchases (or lease if applicable) that cost more than $10,000 with a useful life of more than one year should be capitalized and then depreciated under 51300 Depreciation. Refer to both the 51300 Depreciation code and Appendix A for further explanation on depreciation and the subtraction of ineligible expenses associated with depreciation.

50499 Other Materials and Supplies.

- Bus parts, paint for buses.
- Shop tools, shop supplies, miscellaneous hardware and paint for facilities.
- Office and computer supplies.

Expenses paid with a capital contract (e.g., preventive maintenance, miscellaneous bus equipment and spare parts) must be subtracted out as ineligible under the appropriate code. Preventive maintenance expenses must be subtracted out as ineligible under 55011 Ineligible Preventive Maintenance. Miscellaneous bus equipment and the expense incurred for spare parts must be subtracted out as ineligible under 57604 Other Ineligible Operating Expense Paid by Capital Contract.

Utilities and Insurance

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

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

- Insurance premium payments provided the payments are necessary to maintain

reasonable insurance protection.

- Losses due to acts that the TA (1) is liable for, (2) is not covered by insurance, but (3) has proper insurance coverage (e.g., a deductible). Payments made in the current fiscal year are eligible even though the liability was incurred in a prior reporting period. If the TA is not properly insured, the losses are not eligible and must be subtracted out under 55008 Other Ineligible Expenses.

- Losses not covered by insurance (e.g., replacement of small hand tools).

- Provisions for a reserve under a self-insurance program are eligible to the extent that the types of coverage, extent of coverage, rates and premiums would have been eligible had insurance been purchased to cover the risks. However, provisions for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the present value of the liability. Whenever funds are transferred from a self-insurance reserve to another account (e.g., general fund), refunds shall be made to the state and federal government (if applicable) for its share of funds transferred, including earned or imputed interest from the date of transfer.

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

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

Note: Approximately 90 percent of the TA’s total insurance cost is reported under 50603 Liability Insurance and 10 percent is reported under 50699 Other Insurance. If reported insurance expense varies from this standard, please explain in the comment field.

Expenses **not** included in 506xx Insurance are:

- In-house repair of damaged property (report this under 50102 Other Salaries and Wages, the applicable fringe benefit code, and 504xx Materials and Supplies, or possibly 50399 Other Services).

- Property damaged beyond repair (report this under 51300 Depreciation or 50909 Loss on Disposal of asset).

- Wage and fringe expenses of employees who process insurance claims for and against the TA (report this under 50102 Other Salaries and Wages and the applicable fringe benefit code).

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

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

Other

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

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

50800 Purchased Transportation Service is where the buyer (prime contractor) is a 41101 State Operating Assistance recipient and the seller (third-party operator) is a private or nonprofit agency hired by the prime contractor to provide public transportation service. The comment field must list the seller's name.

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

If both the prime contractor and the third-party operator receive MDOT CTF and/or FTA operating funding and are required to submit OARs, then the same expense cannot be reported on two different OARs. This also applies to specialized service funding and the miles or passengers reimbursed and reported on the OAR. It is the prime contractor's responsibility to review the seller's financial statements to ensure that the same expenses are not reported on two OARs. The prime contractor's annual audit must contain a statement that the seller's financial statements were reviewed and no expenses were reported twice. If you need help identifying if the seller reports other CTF funding on an OAR, contact your PM.

Purchases more than $100,000 that utilize FTA/MDOT funds require an MDOT-approved subcontract between the prime contractor and the third-party operator. Urban TAs certified through FTA are exempt from obtaining MDOT approval. Without certification or proper approval, the expenses associated with the third-party contract are ineligible and must be subtracted out under 55008 Other Ineligible Expenses.

50902 Travel, Meetings and Training. Actual costs in accordance with and not to exceed the amounts set forth in the current State of Michigan Standardized Travel Regulations, incorporated herein by reference. Current State of Michigan Standardized Travel Regulations can be found at www.Michigan.gov/DTMB, Services and Facilities – Travel. Common training examples include:

- Financial Management for Transit: Accounting Training.
- Transit Vehicle and Equipment Seminar.
- Michigan Transit Conference.
- Transportation organization meetings (e.g., Michigan Public Transit Association, MASSTrans, Community Transportation Association of America, and American Public Transit Association).
- Small Bus Roadeo.

Note: In general, the purchase of personal items, such as food, is an ineligible expense. However, meals and refreshments are eligible for reimbursement when:

- Meals and refreshments are incidental to the meeting or conference,
- Attendance at the meal or when refreshments are provided is important to ensure the employees' full participation in the meeting or conference,
- The meals and refreshments are part of a formal conference or meeting that includes not just the meal, refreshments and discussions or speeches that may take place when the meal and refreshments are served but also substantial functions separate from when the food is served,
- The meeting or conference may not be a routine meeting that involves day-to-day issues and operations.

Ineligible meals and refreshments must be subtracted out under 55008 Other Ineligible

Expenses.

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

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

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

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

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

50960 SBITA Amortization. Expenses incurred for subscription-based information technology agreements. Report the interest paid on SBITA in code 51101 Interest on Long-Term Debt.

50999 Other Miscellaneous Expenses. Expenses incurred other than those specified in 50902 through 50909 and must be explained in the comment field. If the miscellaneous expenses are not in accordance with the basic guidelines of this manual, then those expenses must be subtracted out under 55008 Other Ineligible Expenses.

Pass-Through

51000 Pass-Through Expense. Revenue reported in code 41500 Pass-Through Revenue and expensed as a pass-through is reported in this code and subtracted out as ineligible under 57100 Ineligible Pass-Through. See code 41500 Pass-Through Revenue for additional explanation.

Interest

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

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

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

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

1. To the extent of interest earned under 41400 Interest Income and must be subtracted out under 55006 Other Ineligible Interest Expense.

2. If the money is borrowed from a local unit of government of which the TA is a part of, and the loaned funds belong to the local unit of government.

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

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

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

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

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

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

Leases and Rentals

Note: Lease and/or rental expenses are eligible to the extent that the rates are reasonable, considering factors such as rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition and value of the property leased. Expenses not meeting these criteria are not eligible and must be subtracted out under 55008 Other Ineligible Expenses.

For lease-purchase agreements or when the asset transfers ownership, the asset must be capitalized and then depreciated under 51300. Interest incurred on a capital lease must be expensed and reported under 51104 Interest on Capital Lease.

51200 Operating Leases and Rentals. Include short-term lease (less than 12 month) payments. These payments are eligible. The interest may not be eligible and should be reported in code 51102 Interest on Short-Term Debt, see that code for detail about eligibility.

51250 Lease Amortization. For long-term leases (greater than 12 mos.) and when the ownership of the underlying asset does not transfer, the lease should be amortized. Lease amortization expenses are eligible unless the lease is paid under a capital

contract. If the lease is paid from a capital contract, report the expense as ineligible in code 55050 Ineligible Lease Amortization.

Report the interest paid on the lease agreement in code 51101 Interest on Long-Term Debt. This interest is not eligible and should be subtracted out under 55006 Other Ineligible Interest Expense.

Do not use 56004 Ineligible Expenses Associated with Rentals, which is used when a TA incurs expenses renting out its own property. Expense incurred leasing tires should be reported in 50402 Tires and Tubes.

Depreciation

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

Property that cost $10,000 or more and has a determinable useful life of greater than one year must be capitalized and depreciated over the useful life of the property.

If an asset is purchased with:

One hundred percent local funds: All the depreciation expense associated with the asset is eligible for 41101 State Operating Assistance reimbursement if (1) the asset is reasonable and necessary, and (2) OPT has approved the useful life of the asset, **if required**. OPT does not have to approve the useful life of an asset if the useful life can easily be determined using Appendix A "The Schedule of Depreciable/Useful Life – Depreciation/Replacement."[3] If an asset does not logically fit into an Asset Class in Appendix A, then approval by OPT is required. Replacement engines, transmissions, differentials, drive axles, etc., for vehicles originally purchased with federal and/or state funds always requires OPT's approval if the originally purchased vehicles were not fully

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

depreciated.

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

- One hundred percent federal and/or state funds: The cost of the asset purchased pursuant to the capital contract is capitalized. The annual depreciation expense is reported in this code and the entire depreciation amount is subtracted out as ineligible under 55007 Ineligible Depreciation.

- Federal, state and local funds: The eligibility of local funds is contingent upon contractual requirements.[4] If the contract does not require a local share amount, the local funds contributed to purchase the asset are an eligible depreciation expense. If the contract requires a local share amount, that local share amount must be subtracted out as ineligible under 55007 Ineligible Depreciation. If the asset purchased has an assigned useful life, local funds are depreciated using that same useful life. Thus, OPT's approval of the useful life is not required.

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

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

All assets that cost more than $10,000 and purchased with capital contracts must be entered on PTMS in the appropriate Vehicles, Equipment, Facilities module.

Ineligible Expenses

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

An expense can only be reimbursed once under each of the federal and/or state

4 Where individual contractual requirements differ from this manual, the language of the contract has precedence.

operating assistance programs (e.g., Section 5311 and LBOA). If expenses are shared between TAs, the agreement must be in writing that states the recipient eligible to receive the reimbursement for the shared expenses. The written agreement/contract must be submitted to OPT with the language associated with the CTF fund readily identifiable (e.g., highlighted and/or bold). OPT will acknowledge receipt of the agreement/contract and the TA eligible to receive reimbursement for the shared expenses. Failure to obtain this acknowledgement from OPT may render the expenses ineligible to either TA (e.g., recipient of federal and/or state operating assistance).

Ineligible expenses include expenses that are:

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

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

54000 Ineligible Refunds and Credits. This includes any reimbursements, credits and/or refunds, such as recoveries or indemnities on losses, insurance refunds or rebates that offset or reduce expenses. The amount reported in this code should equal the amount reported in code 44000 Refunds and Credits.

55000 Ineligible JARC and NF Fares/Contracts. Ineligible JARC and NF farebox and contract revenue that must be subtracted out as ineligible as defined in the JARC and NF subsections under 40100 Passenger Fares and 40890 Local Service Contract/Competitive Bid. This code only applies to the JARC and NF OARs.

55004 Other Ineligible State Contracts. Expenses associated with 41199 Other MDOT/OPT Contracts and Reimbursements, unless the contract has a federal portion;

then use 57099 Other Ineligible Federal/State/Local.

If a TA provides or is hired to provide service through the OPT Specialized Services program, the revenue received is ineligible and must be subtracted out in this code. For further explanation, consult the Specialized Services Manual.

55005 Ineligible Local Contracts. Ineligibles associated with 40999 Other Local Contracts and Reimbursements. Additional explanation required in the comment field.

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

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

55008 Other Ineligible Expenses (which require a comment in the comment field)**.** Include:

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

    Note: The cost of an appraisal is an allowable cost to a capital grant, and would be capitalized rather than expensed.
- Expenses associated with 40400 Package Delivery/Meal Delivery Programs.
- Losses for which the TA is not properly insured.
- Expenses that do not meet the criteria established in 51200 Operating Leases and Rentals.
- Contributed services (except for the NF Program as explained in code 43000 Contributed Services, NF Program).
- Attorney fees and related expenses as explained in 50399 Other Services.

- Entertainment expenses (e.g., tickets to shows or sports events, gratuities or diversions, such as Christmas parties, social activities and any directly associated costs).

  Note: Employee health and welfare costs incurred in accordance with the entity's documented policies for the improvement of working conditions, employer-employee relations, employee health and employee performance are allowable.

- Costs incurred to celebrate and/or console an employee are ineligible (e.g., baby shower, funeral flowers).

- Expenses of advisory councils, authority boards and/or transportation committees that are not directly attributable to the governance of the TA and/or is compensation paid in excess of the standard practice for local political bodies in the service area.

- Alcoholic beverages, lottery tickets and other nonbusiness expenses.

- Expenses incurred earning and/or making cash/charitable donations.

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

- Expenses reported in 50800 Purchased Transportation Service that are not supported by an MDOT-approved subcontract or urban agencies not certified through FTA as being exempt from obtaining MDOT approval.

- Fines, penalties and other settlements: All costs resulting from violations of, alleged violations of, or failure to comply with federal, state or local laws and regulations.

- Bad debt expense.

- Contributions to a contingency reserve. The term "contingency reserve" excludes self-insurance reserves, pension funds and reserves for normal severance pay.

- Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions.

- Ineligible meals and refreshments.
- Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments. However, costs associated with investments covering pension, self-insurance or other funds allowed by this manual are eligible.
- Expenses that do not comply with this manual.

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

55010 Other Ineligible Expenses Associated with Auxiliary and Nontransportation Revenue. Expenses associated with 40610 Concessions, 40699 Other Auxiliary Transportation Revenues, and 40799 Other Nontransportation Revenue. Please explain in the comment field.

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

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

55050 Ineligible Lease Amortization If the lease is funded with a capital contract, it must be subtracted out as ineligible.

55060 Ineligible SBITA Expense. If the SBITA is funded with a capital contract, it must be subtracted out as ineligible.

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

56002 Ineligible Expenses Associated with Advertising Revenue. Expenses associated with revenue 40615 Advertising.

56004 Ineligible Expenses Associated with Rentals. Expenses associated with revenue 40715 Rental of Revenue Vehicles, 40720 Rental of Buildings or Other Property, and 40725 Parking Lot Revenue.

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

If there is any question as to whether local match needs to be subtracted out as ineligible, contact your PM to obtain a written response from OPT.

57100 Ineligible Pass-Through. See definition provided in 41500 Pass-Through Revenue.

57402 Ineligible RTAP. Expenses reimbursed under revenue 41398 RTAP.

57602 Ineligible Planning/Capital Cost of Contracting. Expenses reimbursed under revenue 41112 Planning/Capital Cost of Contracting (the state portion) and 41312 Planning/Capital Cost of Contracting (the federal portion).

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

57604 Other Ineligible Operating Expense Paid by Capital Contract. Expenses reimbursed under revenue 41114 Capital Contract Reimbursement for Operating Expenses (the state portion) and 41314 Capital Contract Reimbursement for Operating Expenses (the federal portion).

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

58005 Ineligible Lobbying Expense. See 50907 Lobbying.

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

58010 Ineligible DC Pensions. Unpaid expense reported in 50210 DC Pensions.

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

58040 Ineligible DC OPEB. Report ineligible 50240 DC OPEB.

58050 Ineligible DB OPEB. Report the unpaid expense reported in 50250 DB OPEB. When the unfunded expense is paid in later years, the amount paid is reported in this code as a **negative** ineligible. Subtracting a negative ineligible expense will increase the total expenses to be reimbursed with 41101 State Operating Assistance. Negative OPEB amounts reported in this code are only allowable to the extent that previous OPEB amounts were subtracted out as ineligible.

58099 Other Ineligible Benefits. Report ineligible fringe benefits and other ineligible benefits not reported in the ineligible DC/DB pension and OPEB codes. Please explain in the comment field.

Nonfinancial Operating Data

Deviated (Flex) Route Reporting: Report total operating expenses for deviated routes in the summary page of the OAR. Report Deviated Route: Unlinked Passengers in code 624, Hours in code 634, Miles in code 635, Total Vehicles in code 651, and Vehicles with lifts in code 652. The Deviated Route Reporting should be documented and consistently applied. A CAP may be necessary but does not have to be approved by OPT.

Vehicle Statistics

610 Vehicle Hours. Total hours used to operate all revenue vehicles (e.g., bus drivers' time behind the wheel, bus drivers' time doing pre- and post-trip inspection, bus drivers' time driving deadhead miles, bus drivers' layovers between trips, flex, and charter service). Include vehicle hours associated with 50800 Purchased Transportation Service.

"Deadhead" Travel Time and Mileage: For demand-response, travel time and mileage

before the first passenger pickup and after the last passenger drop-off. For fixed route, travel time and mileage to the first scheduled stop and after the last scheduled stop, whether passengers board or exit at those points.

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

Passengers

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

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

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

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

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

620 Total Unlinked Passenger Trips. This data is computer-generated by adding Code 615 Unlinked Passenger Trips - Regular plus code 616 Unlinked Passenger Trips - Elderly plus 617 Unlinked Passenger Trips - Persons with Disabilities plus 618 Unlinked Passenger Trips - Elderly Persons with Disabilities.

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

621 Total Line-Haul Unlinked Passenger Trips. The total number of passengers picked up on a regular schedule at designated bus stops who board public

transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

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

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

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

624 Total Deviated Route Unlinked Passenger Trips. Also known as Flex Route. Total number of passengers picked up on deviated route service who board public transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

PTMS will display a pop-up window if the sum of 621 Total Line-Haul Unlinked Passenger Trips, 622 Total Demand-Response Unlinked Passenger Trips, 623 Total Unlinked Taxicab Trips, and 624 Total Deviated Route Unlinked Passenger Trips does not equal the sum of codes 615 through 618.

625 Days Operated. Number of days revenue vehicles are available for service.

Vehicle Information

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

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

650 Number of Personal Vehicles in Service. Vehicles that are used by the TA to transport passengers in revenue service and are owned by private individuals, typically an employee of the TA or a volunteer driver.

651 Total Deviated Route Vehicles. The percentage of fleet allocated to Deviated or Flex Route service.

652 Deviated Route Vehicles with Lifts. The number of Deviated or Flex Route vehicles included in the 657 count that is equipped with a lift or a ramp.

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

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

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

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

658 Total Transit Vehicles. This data is computer-generated by adding the number of vehicles reported in 651 Total Deviated Route Vehicles, 653 Total Line-Haul Vehicles, 655 Total Demand-Response Vehicles, and 657 Total Deviated Route Vehicles.

Routes, Miles, Hours

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

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

630 Charter Service Hours. Total vehicle hours used to provide charter service. This is a subset of total hours of service reported in code 610 Vehicle hours. Includes deadhead hours.

631 Charter Service Miles. Total vehicle miles used to provide charter service. This is a subset of total hours of service reported in code 611 Vehicle miles. This includes both the miles under contract and deadhead miles.

634 Deviated Route Hours. Total hours of Deviated or Flex Route service. This is a subset of total hours of service reported in code 610 Vehicle hours.

635 Deviated Route Miles. Total miles of Deviated or Flex Route Service. This is a

subset of total hours of service reported in code 611 Vehicle miles.

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

660 Diesel/Gasoline - Gallons Consumed.

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

Employees

661 Total Transit Agency Employees (full time equivalent (FTE)). All staff (e.g., transit manager, bookkeeper and bus drivers). FTEs are determined by dividing all employee hours worked (including contract employees' hours) by 2,080 hours for reconciled OAR or 520 hours for quarterly reports (round to the nearest whole employee). Do not count transit board members. If an operator contracts with a private vendor for transportation service, it should include contractor employee hours in the employee hour count.

662 Total Revenue Vehicle Operators (FTE). Drivers and other TA employees who perform driver type duties (e.g., completing pre-trip inspections). These employees are also included in 661. FTE equals total driver hours (including contract driver hours) worked divided by 2,080 hours for reconciled OAR or 520 hours for quarterly reports (round to the nearest whole employee).

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

Incidents and Injuries

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

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

802 PDO Accidents with damage equal to or greater than $25,000. Report the number of incidents involving a TA vehicle that causes damage to that vehicle and/or other vehicles and/or property but **does not result in injury or death**. Report the PDO incidents that equal or exceed $25,000 in damage. Property damage includes but is not limited to transit and non-transit vehicle damage, stations and non-transit facilities. Estimated damage includes transit property damage, damage to other vehicles, property involved in the incident that is not owned by the TA, and the cost of clearing wreckage.

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

804 Fatalities. Report the number of death(s) due to a collision, fire, hazardous material spill, Act of God, evacuation, security event (including suicides) or other event. Fatalities that occur as a result of illnesses or other natural causes are not reportable. For example, if a passenger suffers a fatal heart attack in a transit facility or vehicle, the event would not be reportable.

A fatality must be reported as such if it is confirmed within 30 days of an event. If the TA receives confirmation within 30 days of an event that a person(s) died due to a reportable event, the agency would report this as a fatality.

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

Reporting Examples

The tables indicate the required entries into the safety codes for each example:

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

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

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

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

Example 3: A bus is crushed by a falling tree while parked at a doctor's office. No one is injured. The bus sustains $25,000 in estimated damage.

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

Example 4: A suspicious package is spotted at a transfer center and 30 people are evacuated from the area while police investigate.

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

If you have any questions or need assistance, please contact your PM or visit our website at Michigan.gov/MDOTOPT.

Appendix A
Depreciable/Useful Life - Depreciation/Replacement Schedule

Terms

Asset: Property that costs $10,000 or more and has a determinable useful life of greater than one year.

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

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

To obtain OPT approval of useful life

To obtain approval of the useful life5 of an asset purchased with any local funds, please submit a written request to your PM that includes the following:

- Description of the asset (e.g., 2023 GMC Pick-up Truck with snowplow; nonrevenue vehicle).
- Identification number of the asset (e.g., VIN #1GTGK24K7SE502591).
- Date placed in service.
- Use and condition.
- The state contract and authorization number if the asset was partially purchased

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

with federal or state funds6. If the asset was purchased entirely with local funds, then there would not be a state contract or authorization number.

- The cost of the asset.
- Asset Class (See VI. Determining Useful Life: A. New Assets, Useful Life - Depreciation/Replacement Schedule, and B. Used Assets).
- Explanation of how the useful life was determined.
- Warranty coverage (e.g., type of coverage and duration).
- Straight line method of depreciation will be used.
- Any other information OPT may deem necessary.

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

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

- When does depreciation begin:
    - Depreciation begins when the asset is placed in service or ready to be placed in service.
- Improvement/Replacement, Changes to Existing Asset:
    - If a new or used asset is purchased to improve, replace a part of or modify (including attachments, accessories or auxiliary and component parts) an existing asset, treat the improvement, replacement or modification as a separate depreciable asset.
- Multiple Units of the Same/Auxiliary and Component Parts:

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6 If the local funds are depreciated using the same useful life assigned for the federal and state funds, OPT approval of the useful life for the local funds is not required.

- Groups of equipment or furniture that consist of multiple units of the same or similar product with a total value of $10,000 or more and a useful life of greater than one year should be capitalized.
- Example: Tools and cart purchased together as a unit and cost $10,000 would be capitalized and depreciated.
- Groups of equipment not intended to be used in conjunction with each other and individually do not cost $10,000 or more do not have to be capitalized.
- Example: The TA purchases a copy machine, printer and phone system that total more than $10,000. These items are not used in conjunction with each other and can be expensed and do not have to be capitalized if each item is under $10,000.
- Note: Regardless of the accounting policy of the property (expense or capitalized), if property is purchased with a capital contract, it must be entered into PTMS if it over $10,000.

- Determining useful life:

A. New assets:

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

- Generally accepted accounting principles,
- Independent evaluation,
- Manufacturer's estimated useful life,
- IRS Publication 946,
- Industry standards,

Years for which the vehicle was tested at a federal test facility, such as FTA/Altoona Testing. For more information regarding Altoona testing go to: altoonabustest.psu.edu/.

Asset class	Description	Depreciable/useful life
Bus: Light duty on van cutaway	Light-duty chassis - less than 30 feet.	Five Years or 150,000 miles (on top of vehicle order form)
Bus: Small body on van cutaway	Small bus chassis- less than 30 feet.	Seven Years or 200,000 miles (on top of vehicle order form)
Bus: Medium body on truck	Medium duty chassis less than 30 feet/30 to 34 feet.	Seven Years or 200,000 miles
Bus: Medium body on truck	Heavy-duty chassis - 30 to 34 feet.	10 Years or 350,000 miles Matches FTA/Altoona testing
Bus: Large	Heavy-duty chassis - 35 to 60 feet.	12 years or 500,000 miles Matches FTA/Altoona testing
Vehicles	Car, SUV, truck, minivan, standard van, conversion van.	Four years or 100,000 miles
Railcar	Monorail, light rail.	30 years
Electric vehicle components	Batteries, Battery management system, electric motors, regulator, charging ports and inverters.	Batteries: 10 Years Rest: TBD
Terminal/office equipment (office furniture)	Desks, filing cabinets, office chairs, shelving, appliances.	Seven years
Terminal/office equipment (office equipment)	Copier, projector, computers (office use) monitors, printers.	Five years

Asset class	Description	Depreciable/useful life
Terminal/office equipment-(communication equipment)	Radios, 911, repeater, voice antenna, phone system, conferencing equipment.	Five years
Bus equipment	Ticket validator, mounting hardware, security camera (on vehicles), automatic vehicle locators.	Five years
Software costs related to the purchase of the software should be capitalized	Costs of upgrades and enhancements that enable the software to perform tasks it was previously incapable of performing should be capitalized. Fees paid for training, conversion costs, and software maintenance are expensed.	Three years
Maintenance tools, equipment	Power hand tools, push lawn mowers, snow blowers.	Five years

Asset class	Description	Depreciable/useful life
Maintenance Equipment and fixtures	Vehicle hoist/lift (mobile), scissor lifts, transmission flush and exchange unit, floor sweeper/scrubber, pressure washer/steam cleaner, parts cleaner, steamer upholstery cleaner, portable generator, brake lathes, drill press, lubrication and fuel dispensing equipment, carbon monoxide detectors/fuel leak detectors, roller cabinets, portable tool stands, compressors, diagnostic equipment (computer), tractor and attachments (e.g., back blades, snowplow, mower decks), mobile electric chargers.	12 Years
Passenger bus shelter	Structure for waiting passengers along transit routes.	10-15 years
Buildings	Administration, maintenance garages, cold storage building, and addition to buildings.	40 years

Asset class	Description	Depreciable/useful life
Facility improvements	In-ground hoist (five years). Security equipment (installed on facility) (10 years). Generator (installed) (20 years). Electric chargers (installed) (10 years).	5/10/20 years
Land	Cannot be depreciated.	N/A

B. Used Assets: *Cannot be purchased with federal/state funding

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

- TA's independent auditor to recommend a depreciable/useful life,
- Manufacturer's estimated depreciable/useful life,
- IRS Publication 946,
- Industry standards.

The depreciable/useful life of a used asset will be handled on a case-by-case basis. Contact your MDOT PM regarding this request.

Appendix B: Federal Grant Programs

Section 5307, Section 5310, and Section 5311 are federal formula grant programs that provide assistance for operating, capital and planning. For both federal formula grant programs, there are two different types of revenue: operating revenue and capital revenue.

I. Federal "Formula" Operating Revenue:

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

II. Federal "JARC/NF" Operating Revenue:

Section 5311 JARC operating assistance and Section 5310 NF operating assistance are reported on separate OARs. Capital funds used to pay for operating expenses as described in the section below (III. Federal Capital Revenue) are not reported on JARC and NF OARs.

III. Federal Capital Revenue:

The Section 5307, Section 5310, and Section 5311 programs permit the use of capital funds to pay for operating expenses. Operating expenses paid for under a capital contract cannot be reimbursed a second time under a formula program, whether federal or state. Operating expenses include such things as:

a. Preventive maintenance, planning/capital cost of contracting, project administration, leased office space, bus rehab inspections and contingencies.

    i. The purchase of tires and other materials and supplies.

    ii. The purchase of assets with an initial, individual cost of less than $10,000 and/or an estimated useful life of less than one year.

Note: The purchase of assets with an initial, individual cost of more than $10,000 and/or an estimated useful life in excess of one year are capitalized. The revenue associated with these capitalized purchases are not reported on a regular service OAR. However, the annual depreciation associated with these capitalized purchases are reported in 51300 Depreciation and subtracted out as ineligible under 55007 Ineligible deprecation.

Appendix C: Cost Allocation Plans

Cost allocations are an essential part of doing business in terms of planning, controlling costs, identifying funding sources (e.g., formula, contractual) and preparing financial statements. For more information and examples please go to our website at www.Michigan.gov/MDOTOPT:scroll down to Reference manual for transit agencies and select Cost Allocation Plans.

A listing of OPT-approved CAPs can be obtained on our website scroll down to Audit and accounting information, Resources Cost allocation Listing.

Note: Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards defines "cost allocation plan" to mean central service cost allocation plan or public assistance cost allocation plan. Each of these terms are further defined in the circular. TAs who are direct grantees of FTA must submit CAPs to the cognizant agency (which most likely will be FTA). A copy of any CAP/methodology that (1) was approved by FTA and (2) used to allocate expenses reported on the PTMS must also be submitted to OPT for approval.

Appendix D: Cash and Investment Policies

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

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

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

securities loaned.

    - The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

- In obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- In investment pools organized under the Surplus Funds Investment Pool Act.
- In investment pools organized under the Local Government Investment Pool Act.

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

Appendix E: Credit Card Policy

A TA must adopt a credit card policy in accordance with Public Act 266 of 1995 by resolution. is the following is a summary of the act that is not intended to be used as a substitution for reading the act. Essentially, the written credit card policy must:

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

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