

STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

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Local Audit and Finance Division
Bureau of Local Government Services



**AUDIT GUIDE
FOR
TRANSPORTATION
AUTHORITIES**

In conjunction with
Michigan Department of Transportation
Kirk T. Steudle, P.E., Director
Passenger Transportation Bureau

**AUDIT GUIDE FOR TRANSPORTATION AUTHORITIES AND AGENCIES
IN MICHIGAN**

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INTRODUCTION AND AUDITOR'S RESPONSIBILITY

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

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

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

AUTHORITY FOR AUDIT

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

PERFORMING THE AUDIT

The audit must be performed by an independent Certified Public Accountant (CPA) registered with the Michigan State Board of Accountancy to practice in Michigan or by a qualified employee of the Department of Treasury.

AUDIT PROGRAM AND OBJECTIVES

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

The overall objectives of the auditor's examination are to determine whether:

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

Audit steps must be based on specific analyses of the transit agency's files and records, documented physical observations, and documented discussions with transit agency officials. The auditor is not expected to expand the audit coverage beyond what is prescribed in this Guide unless material deficiencies in the financial statements are uncovered. The auditor should notify the Audit Manager of the Audit Section, LAFD at the Michigan Department of Treasury and the BPT Administrator if the transit agency's records are found to be unsuitable for an audit.

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

SCOPE AND EXTENT OF TESTING

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

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

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

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

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

STATE OPERATING PROGRAMS

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

FEDERAL CAPITAL AND OPERATING PROGRAMS

On August 10, 2005, President Bush signed the Safe, Accountable, Flexible, and Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU). Listed below is a summary of FTA grants and grant programs. More information about these programs may be found at: http://www.fta.dot.gov/funding/grants_financing_263.html

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

- **SECTION 5311--RURAL AND SMALL URBAN AREAS** (Nonurbanized Area Formula Program). Program funds may be used for capital, administrative assistance, and operating (based on a percentage of eligible expenses). The calculation of Section 5311 funds is explained on page 30.
- **SECTION 5311(B)(3)--RURAL TRANSIT ASSISTANCE PROGRAM** provides funding to assist in the design and implementation of training and technical assistance projects and other support services tailored to meet the needs of transit operators in nonurbanized areas.
- **SECTION 5314--NATIONAL RESEARCH AND TECHNOLOGY PROGRAM** provides funds to conduct national research and the development of advanced transit technology. Funding is 80% Federal and 20% Local.
- **SECTION 5316--JOB ACCESS AND REVERSE COMMUTE PROGRAM (JARC)** provides funding to develop transportation services for welfare recipients and low income individuals to and from jobs, and to develop transportation services from urban centers to suburban employment opportunities. Funding is 80% Federal and 20% Local for capital programs and 50/50 for operating programs.
- **SECTION 5317--NEW FREEDOM INITIATIVE** is a new formula grant program that encourages service and facility improvements to address the transportation needs of persons with disabilities that go beyond those required by the Americans with Disabilities Act.

Funding is 80% Federal and 20% Local for capital programs and 50/50 for operating programs.

- **FLEXIBLE FUNDS FOR HIGHWAY AND TRANSIT FLEXIBLE FUNDING** is a funding mechanism which allows some highway funds to be transferred to transit projects, and vice versa. Flexible funds include Federal Highway Administration (FHWA) Surface Transportation Program (STP) funds, and Congestion Mitigation and Air Quality Improvement Program (CMAQ) and Federal Transit Administration (FTA) Urban Formula Funds. Funding is 80% Federal and 20% Local.
- **CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM (CMAQ)** directs funds toward transportation projects in Clean Air Act nonattainment areas for ozone and carbon monoxide.

CONTRACT PAYMENTS AND THE PUBLIC TRANSPORTATION MANAGEMENT SYSTEM (PTMS)

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

AUDIT DUE DATES

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

The audit requirements contained in this Guide are called the Transit Audit and are required by state law to be submitted no later than six months after the local fiscal year ends. An extension of the audit due date may be requested in accordance with Treasury's Numbered Letter 2001-1 "Filing Extensions" at: http://www.michigan.gov/treasury/1,1607,7-121-1751_2194-6003--,00.html. BPT gives further guidance on the submitting of annual audits in an External Procedure called "Audit Deadlines and Submitting a Deficit Elimination Plan" located at: http://www.michigan.gov/documents/auditdeadlines_51531_7.pdf

SINGLE AUDIT ACT DUE DATE (Federal requirement of OMB Circular A-133)

If a Single Audit is required, copies of the report are to be filed within thirty days after completion of the audit, but no later than six months after the end of the audit period.

Any schedules required by both the Single Audit and the Transit Audit must be included in the Transit Audit due six months after the local year end. For example, the Single Audit requires an Expenditures of Federal Awards schedule and the Transit Audit requires an Expenditures of Federal and State Awards (Schedule 2). Because a schedule of Federal Award Expenditures is required in both the Single Audit and The Transit Audit, the schedule of Federal Award Expenditures, along with the schedule of State Award Expenditures, must be included in the Transit Audit.

DISTRIBUTION OF AUDIT REPORT

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

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

STATE AND FEDERAL RESOURCES

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

MICHIGAN DEPARTMENT OF TREASURY

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

Information at this website includes:

- BULLETINS & ACCOUNTING MANUALS
 - Uniform Chart of Accounts
 - Bulletin for Audits of Local Units of Government, Use of this Bulletin is mandatory
 - Uniform Reporting Format, After the Adoption of GASB No. 34
 - Transportation Audit Guide

MICHIGAN DEPARTMENT OF TRANSPORTATION

- ▶ BPT Webpage: http://www.michigan.gov/mdot/0,1607,7-151-9625_21607---,00.html

Information at this website includes:

- AUDIT/ACCOUNTING INFORMATION
 - R&E Manual (promulgated annually)
 - Yearly Audit Information Letter
 - Transportation Audit Guide
- CATALOG OF FEDERAL DOMESTIC ASSISTANCE
- OMB CIRCULARS
- LAWS & REGULATIONS
 - State of Michigan:
 - Public Act 51 of 1951, State Trunkline Highway System
 - Comprehensive Transportation Fund Administrative Rules
 - Public Act 55 of 1963, Mass Transportation System Authorities
 - Public Act 196 of 1986, Public Transportation Authority Act
 - Public Act 204 of 1967, Metropolitan Transportation Authorities Act of 1967
 - Public Act 432 of 1982, Motor Bus Transportation Act
 - Federal Government:
 - Safe, Accountable, Flexible, and Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU) (Enacted August 10, 2005, as Public Law 109-59)
- RELATED LINKS
 - Federal Government:
 - The U.S. Department of Transportation <http://www.dot.gov>
 - Federal Highway Administration (FHWA) <http://www.fhwa.dot.gov>
 - Federal Transit Administration (FTA) <http://www.fta.dot.gov>
 - Federal Transit Grant Programs
http://www.fta.dot.gov/funding/grants_financing_263.html

State of Michigan:

-Michigan Legislature <http://www.legislature.mi.gov/>

Information at this website includes:

-Public Act 2 of 1968, as amended (MCL 141.421, *et al.*):

The Uniform Budgeting and Accounting Act, and Public Act 140 of 1971, the Glenn Steil State Revenue Sharing Act. These public acts provide for financial and financial compliance audits of eligible governmental agencies and authorities.

-Michigan Passenger Transportation Programs http://www.michigan.gov/mdot/0,1607,7-151-11056_11266---,00.html

-Local Bus Operating Assistance Program

-Specialized Services Program

-Local Bus Capital Program

FEDERAL GOVERNMENT

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

Information at this website includes:

- STATUTES AND LEGISLATION
 - Federal Transit Laws - 49 U.S.C. Chapter 53
 - SAFETEA-LU
- REGULATIONS
 - FTA Regulations
 - U.S. DOT Regulations
 - Buy America
 - Charter Bus Service
- GUIDANCE
 - Circulars (e.g., 4220.1E Procurement - Third Party Contracting Requirements)
- FEDERAL REGISTER PUBLICATIONS

OTHER WEBSITES

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

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

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

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

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

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

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

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

NONFINANCIAL INFORMATION

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

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

FINANCIAL INFORMATION

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

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

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

EXAMPLES OF TRANSIT NOTES TO THE FINANCIAL STATEMENTS

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

NOTE--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets and Depreciation

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

The eligible depreciation of \$19,481 (\$240,454 total depreciation reported in PTMS code 51300 for both Urban and Nonurban less ineligible depreciation of \$220,973 reported in PTMS code 55007 Ineligible Depreciation includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT. The ineligible depreciation amount of \$220,973 includes \$3,500 of depreciation associated with a snow plow purchased with local money where the useful life of the asset was not approved by BPT.

NOTE--DUE TO/FROM OTHER GOVERNMENTAL UNITS

Due to State Government

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

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

Due to State Government \$ 7,896

Due From Federal Government

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

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

Due From Federal Government \$ 603

NOTE--RISK MANAGEMENT

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

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

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

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

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

NOTE--CHANGES IN CAPITAL ASSETS

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

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

NOTE--COST ALLOCATION PLANS

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

The Dial-A-Ride Transit does not have a cost allocation plan to allocate expenses associated with the maintenance of local law enforcement vehicles. We calculated the expense to be \$5,636, of which \$5,068 and \$568 were subtracted out as ineligible on OAR Schedule 4E (Urban) and OAR Schedule 4E (Nonurban), respectively, and on Schedule 5.

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

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

NOTE--NONFINANCIAL DATA

The methodology used for compiling mileage on OAR Schedule 4N (Urban) and 4N (Non Urban) is an adequate and reliable method for recording vehicle mileage. Because expenses associated with providing Charter service is based on vehicle hours, the methodology used for compiling hours is an adequate and reliable method.

NOTE--CONTINGENCIES

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

BUREAU OF PASSENGER TRANSPORTATION (BPT) SCHEDULES

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

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

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

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

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

Appendix A

BPT SCHEDULES

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

Schedule 1--Local Revenues

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

Schedule 2--Expenditures of Federal and State Awards

Schedule 3--Operating and Contract Expenses

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

OAR Schedules 4--(See Appendix C)

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

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

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

Dial-A-Ride Transit Local Revenues For the Year Ended September 30, 2006*	
Line Haul--Farebox (Urban)	\$ 957,216 ⁱ
Demand Response--Farebox (Nonurban)	36,842 ⁱⁱ
Another Operating Program--Farebox	
County Commission on Aging--Contract Fares**	8,500 ⁱⁱⁱ
State of Michigan Department of Community Health--Contract Fares	12,000 ⁱⁱⁱ
Charter	2,599 ^{iv}
Advertising	14,500 ^v
Sale of Maintenance Service	6,408 ^v
Rent	3,000 ^v
Sale of Equipment	- ^v
Tax Levy	743,820 ^{vi}
County Commission on Aging--Operating Assistance**	8,500 ^{vii}
Interest Income	1,241 ^{viii}
Total	<u>\$ 1,794,626 ^{ix}</u>

Footnotes:

- * The Year Ended September 30, 2006 is (October 1, 2005 through September 30, 2006).
- ** Revenue received from the County Commission on Aging is classified differently because the County Commission on Aging contractually obligated some funds to specifically purchase service while other funds were received to support the transportation system in general without purchasing any particular service for passengers.
- ⁱ Reconciles with PTMS code 40100 on OAR Schedule 4R (Urban) (Appendix C).
- ⁱⁱ Reconciles with PTMS code 40100 on OAR Schedule 4R (Nonurban) (Appendix C).
- ⁱⁱⁱ The County Commission on Aging and the Michigan Department of Community Health have entered into a contract with the transit agency to provide service. Therefore, these revenues are code 40200 Contract Fares. The sum of \$8,500 + \$12,000 reconciles with PTMS code 40200 on OAR Schedule 4R (Nonurban) (Appendix C).
- ^{iv} Revenue of \$2,599 agrees with PTMS code 40500 on OAR Schedule 4R (Urban) (Appendix C). Expenses associated with providing Charter service are ineligible and must be subtracted out on both OAR Schedule 4E (Urban) and Schedule 5 (Appendix C).
- ^v Expenses associated with these revenues must be either: (1) subtracted out as ineligible on OAR Schedule 4E (Urban) & 4E (Nonurban) and Schedule 5 (Appendix C), or (2) explained in the Notes to the Financial Statements (see Explanation of ineligible expenses per the BPT R&E Manual on pg. 13) as to why no expenses associated with these revenues were subtracted out as an ineligible on OAR Schedules 4E (Urban) & 4E (Nonurban) and Schedule 5 (Appendix C).
- ^{vi} Reconciles with PTMS code 40800 on OAR Schedules 4R (Urban) & 4R (Nonurban) (Appendix C).
- ^{vii} The County Commission on Aging helps fund transportation in general without purchasing any particular service, therefore, the revenue is code 40910 Local Operating Assistance as reported on OAR 4R (Urban) (Appendix C).
- ^{viii} Interest expense of \$2,222 earned and reported in PTMS code 51102 (Appendix C) is ineligible to the extent interest income is earned and should be subtracted out as ineligible on OAR Schedule 4E (Urban) and Schedule 5 (Appendix C).
- ^{ix} Total of \$1,794,626 must reconcile with the financial statements.

**SCHEDULE 2
of Appendix A**

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

****Participation percentages used to determine the Federal and State share of the expenditures must be included in this schedule.^{xi}**

***SCHEDULE 2
of Appendix A***

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

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

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

SCHEDULE 3
of Appendix A

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

Footnotes:

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

Appendix B

BPT SCHEDULES

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

Examples in this Appendix use a June 30th Year End

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SCHEDULE 1
of Appendix B

Dial-A-Ride Transit Local Revenues Year Ended June 30, 2006			
	7/1/05 to 9/30/2005 ⁱ	10/1/05 to 6/30/2006 ⁱⁱ	Total
Line Haul--Farebox (Urban)	\$ 314,226	\$ 647,511	\$ 961,737 ⁱⁱⁱ
Demand Response--Farebox (Nonurban)	14,166	47,548	61,714 ⁱⁱⁱ
Another Operating Program--Farebox			
County Commission on Aging--Contract Fares**		9,000	9,000 ^{iv}
State of Michigan Department of Community Health--Contract Fares		12,500	12,500 ^{iv}
Charter	488	2,344	2,832 ⁱⁱⁱ
Advertising	3,625	11,375	15,000 ⁱⁱⁱ
Sale of Maintenance Service	2,166	5,854	8,020 ⁱⁱⁱ
Rent	750	2,250	3,000 ⁱⁱⁱ
Sale of Equipment		2,002	2,002 ⁱⁱⁱ
Tax Levy	254,421	499,412	753,833 ⁱⁱⁱ
County Commission on Aging Operating Assistance**		8,500	8,500 ^v
Interest Income	684	782	1,466 ⁱⁱⁱ
Total	\$ 590,526	\$ 1,249,078	\$ 1,839,604 ^{vi}

Footnotes:

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

SCHEDULE 1A
of Appendix B

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

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

SCHEDULE 1A
of Appendix B

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

- i* Revenues in this column are taken from Schedule 1 of the prior year's audit.
- ii* This column is the same in both this Schedule and Schedule 1 (Appendix B).
- iii* Reconciles with PTMS code 40100 on OAR Schedule 4R (Urban) (Appendix C).
- iv* Reconciles with PTMS code 40100 on OAR Schedule 4R (Nonurban) (Appendix C).
- v* The County Commission on Aging and the Michigan Department of Community Health have entered into a contract with the transit agency to provide service. Therefore, the sum of these revenues (\$8,500+\$12,000) are code 40200 Contract Fares OAR Schedule 4R (Nonurban) (Appendix C).
- vi* Revenue of \$2,599 agrees with PTMS code 40500 on OAR Schedule 4R (Urban) (Appendix C). Expenses associated with providing Charter service are ineligible and must be subtracted out on both OAR Schedule 4E (Urban) and Schedule 5 (Appendix C).
- vii* Expenses associated with these revenues must be either: (1) subtracted out as ineligible on OAR Schedule 4E (Urban) & 4E (Nonurban) and Schedule 5 (Appendix C); or (2) explained in the Notes to the Financial Statements (see explanation of ineligible expenses per the BPT R&E Manual on *pg.* 13) as to why no expenses associated with these revenues were subtracted out as ineligible on both the OAR Schedule 4E and Schedule 5.
- viii* Reconciles to the sum of PTMS code 40800 on OAR Schedule 4R (Urban) & 4R (Nonurban) (Appendix C).
- ix* The County Commission on Aging helps fund transportation in general without purchasing any particular service, therefore, the revenue is 40910 Local Operating Assistance as reported on OAR 4R (Urban) (Appendix C).
- x* Interest expense of \$2,222 incurred and reported in PTMS code 51102 (Appendix C) is ineligible to the extent interest income of \$1,241 is earned and reported in PTMS code 41400 on OAR 4R (Urban) (Appendix C); and should be subtracted out as ineligible on OAR Schedule 4E (Urban) and Schedule 5 (Appendix C).
- xi* Total of \$1,794,626 sums to PTMS codes 401, 402, 405, 406s, 407s, 408, 409s, and 414 on OAR Schedules 4R (Urban) & 4R (Nonurban) (Appendix C).

**SCHEDULE 2
of Appendix B**

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

vi *vii*

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

**SCHEDULE 2
of Appendix B**

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

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

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

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

SCHEDULE 2A for Appendix B

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

SCHEDULE 2B for Appendix B

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

Footnotes:

- i** This column is the same in both Schedule 2A and Schedule 2B.
- ii** This aggregate State Operating Assistance amount of \$1,238,169 is also reported on Schedule 2 (Appendix B) as \$1,219,708 Urban Operating Assistance and \$18,461 Nonurban Operating Assistance.
- iii** These Federal operating grants are also reported on Schedule 2 (Appendix B).
- iv** Revenues in this column are taken from Schedule 2A (Appendix B) of the prior year audit.
- v** Reconciles with the sum of PTMS codes 41101 on OAR Schedule 4R (Urban) & OAR Schedule 4R (Nonurban) (Appendix C).
- vi** Reconciles with PTMS code 41302 on OAR Schedule 4R (Urban) (Appendix C).
- vii** Reconciles with PTMS code 41301 on OAR Schedule 4R (Nonurban) (Appendix C).
- viii** RTAP revenue reconciles with PTMS code 41398 on OAR Schedule 4R (Nonurban) (Appendix C) and must be subtracted out as ineligible on both OAR Schedule 4E (Nonurban) and Schedule 5 (Appendix C).

**SCHEDULE 3
of Appendix B**

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

Footnotes:

- i*** The total expenses Urban and Nonurban columns on Schedule 3A (Appendix B) has the same information.
- ii*** The operating contract language associated with this operating program (e.g., JARC) will state how expenses are to be determined and reported. This operating program is also reported on Schedules 3A & 3B (Appendix B) split between the different year ends of the State of Michigan (which is September 30th) and the local year end of the transit agency which is either a June 30th year end or a December 31st year end.
- iii*** Total Depreciation would agree with "Accumulated Depreciation Increases" reported in the Notes to the Financial Statements, if the example used in the notes was based on a June 30th year end.
- iv*** Total Expense Specialized Services - because the transit agency does not provide the specialized service, the pass-through money recorded as an expense by the transit agency does not need to be split out in Schedule 3A (Appendix B). The total of \$43,152 reconciles with Specialized Services reported on Schedule 2 (Appendix B).
- v*** The total expenses of \$4,056,983 must reconcile with the financial statements.

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

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

Footnotes:

- i** Total expenses Urban and Nonurban 07/01/05 to 09/30/05--Expenses in this column are used in Schedule 3B (Appendix B).
- ii** Total expenses Urban and Nonurban 10/01/05 to 06/30/06--Expenses in this column will be used in Schedule 3B (Appendix B) of the next year's audit.
- iii** Total expenses Urban and Nonurban--This column is also on Schedule 3 (Appendix B).
- iv** Total expenses Another Operating Program (e.g., JARC)--This is the same operating program that appears on Schedule 2 and 3 (Appendix B).

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

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

Footnotes:

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

BPT SCHEDULES

Required in all Audits

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

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

Schedule 5--Operating Assistance Calculation

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

STATE OPERATING ASSISTANCE CALCULATION:

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

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

Statutory Cap

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

Mandatory Floor

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

FEDERAL SECTION 5311 CALCULATION (see footnote xiii, xiv, xv, and xvii on page 40). Total State eligible expenses less Federal ineligibles per OMB Circular A-87, multiplied by the Section 5311 reimbursement percentage which equals the Federal operating assistance.

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

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

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

Footnotes

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

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

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

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

Footnotes:

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

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

OAR SCHEDULE 4E (Urban)
of Appendix C

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

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

Footnotes:

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

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

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

Public Service

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

Miscellaneous Information

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

Footnotes:

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

ii Vehicle hours of 125,927 are required because the charter cost allocation methodology is based on vehicle hours. See the section on Nonfinancial Data in the Notes to the Financial Statements (on *pg.* 13) which states that the methodology used for compiling vehicle hours was reviewed and found to be an adequate and reliable method for recording vehicle hours.

iii Miles are required for all CTF operating programs in which the transit agency provided the service. Miles are not reported for the Specialized Services program because the transit agency did not provide the service. The transit agency acted as a pass-through entity.

See the section on Nonfinancial Data in the Notes to the Financial Statements which states that the methodology used for compiling vehicle miles was reviewed and found to be an adequate and reliable method for recording vehicle miles.

iv Charter hours are required because the charter cost allocation methodology is based on vehicle hours.

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

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

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

Footnotes:

- i* For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii* The contract with the County Commission on Aging for \$8,500 and the Michigan Department of Community Health for \$12,000 states that the money is to be used for nonurban service only. Because the contract with the transit agency is to purchase service, the revenues are code 40200 Contract Fares.
- iii* The Notes to the Financial Statements (see section on Cost Allocation Plans on *pg.* 13) must state that expenses are accounted for by a cost allocation plan where the methodology is approved by BPT. Expenses must be subtracted out as ineligible on OAR Schedule 4E (Nonurban) and Schedule 5 (Appendix C).

If no expenses are associated with earning this revenue, then that must be stated in the Notes to the Financial Statements (see section on Explanation of Ineligible Expenses per the BPT R&E Manual on *pg.* 13).
- iv* Reconciles with the amount of State Operating Assistance calculated on Schedule 5 (Appendix C).
- v* The expenses associated with RTAP revenue are ineligible and must be subtracted out on OAR Schedule 4E (Nonurban) and Schedule 5 (Appendix C).

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

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

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

Footnotes:

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

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

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

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

Footnotes:

- i* For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii* Ineligible depreciation includes \$350 (nonurban portion) for a snow plow purchased with local money in which the useful life of the asset was not approved by BPT. Notes to the Financial Statements (see section on Summary of Significant Accounting Policies on pg. 10) must state that eligible depreciation only includes the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.
- iii* The percentage of association dues ineligible for Federal and State reimbursement is promulgated annually in the Audit Information Letter and can be obtained in Audit/Accounting Information at:
http://www.michigan.gov/mdot/0,1607,7-151-9625_21607-34498--,00.html
- iv* Notes to the Financial Statements (see section on Cost Allocation Plans on pg. 13) must state that expenses are accounted for by a cost allocation plan where the methodology is approved by BPT.
- v* Reconciles with RTAP revenue reported in PTMS code 41398 on OAR Schedule 4R (Nonurban).
- vi* For transit agencies on a September 30th year end, this total appears on Schedule 5 (Appendix C) and Schedule 3 (Appendix A). For transit agencies on a June 30th year end, this total appears on Schedule 5 (Appendix C) and Schedule 3B (Appendix B).
- vii* This total appears on Schedule 5 (Appendix C).

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

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

Public Service					
Code	Description	Weekday	Saturday	Sunday	Total
611	Vehicle Miles	5,111	11	1	5,123 ⁱⁱ

Footnotes:

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

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

Dial-A-Ride Transit
(e.g.,) JARC Service Revenue Reportⁱ
For the Year Ended September 30, EITHER 2005 OR 2006 (See Footnote)ⁱⁱ

Code	Description	Amount
401 :	Farebox Revenue	
40100	Passenger Fares	
•		
•		
•		
Total Revenues		\$

Footnotes:

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

**SCHEDULE 5
of Appendix C**

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

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

Eligible Expenses for State Reimbursement	\$ 3,653,368	\$ 70,843
x Reimbursement Percentage ^{xi}	x 0.32438220889	x 0.38437574823
State Operating Assistance ^{xii}	\$ 1,185,088 ^{xiii}	\$ 27,230 ^{xiii}

Total Federal Eligible Expenses

Less Additional Federal Ineligible Expenses Per A-87
Audit Costs

\$ 1,094 ^{xiv}

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

***SCHEDULE 5
of Appendix C***

Footnotes to the Operating Assistance Calculation Schedule:

- i For transit agencies with a September 30th year end, this schedule would be for the fiscal year ending 2006. For transit agencies with a June 30th year end, this schedule would be for the fiscal year ending September 30, 2005.
- ii These totals reconcile with the totals reported on OAR Schedule 4E (Urban) and OAR Schedule 4E (Nonurban) (Appendix C).
- iii Ineligible expenses are defined in the R&E Manual which is promulgated annually and can be located at: http://www.michigan.gov/mdot/0,1607,7-151-9625_21607-34498--,00.html
- iv Reconciles to PTMS code 55006 Other Ineligible Interest Expense on OAR Schedule 4E (Urban) (Appendix C).
- v Reconciles to PTMS code 55007 Ineligible Depreciation on OAR Schedule 4E (Urban) and OAR Schedule 4E (Nonurban) (Appendix C).
- vi Reconciles to PTMS code 55009 Ineligible Percent of Association Dues on OAR Schedule 4E (Nonurban) (Appendix C).
- vii Reconciles to PTMS code 55015 Ineligible Charter on OAR Schedule 4E (Urban) (Appendix C).
- viii Reconciles to PTMS code 56001 Ineligible Expenses Associated with Sale of Maintenance Service on OAR Schedule 4E (Urban) and OAR Schedule 4E (Nonurban) (Appendix C).
- ix Reconciles to PTMS code 56004 Ineligible Expenses Associated with Rental on OAR Schedule 4E (Urban) and OAR Schedule 4E (Nonurban) (Appendix C).
- x Reconciles to PTMS code 57402 Ineligible RTAP on OAR Schedule 4E (Nonurban) (Appendix C).
- xi Reimbursement percentages are promulgated annually in the Audit Information Letter and can be obtained at: http://www.michigan.gov/mdot/0,1607,7-151-9625_21607-34498--,00.html

Reimbursement percentages are calculated based on budget numbers and then recalculated based on reconciled and audited numbers. Because the reimbursement percentage changes, the final amount of State Formula Funds will be different from this amount.
- xii The amount of State Formula Funds calculated in this row is for the fiscal year ending 2006 for transit agencies with a September 30th year end. The amount of State Formula Funds calculated in this row is for the fiscal year ending September 30, 2005 for transit agencies with a June 30th year end.
- xiii Reconciles to PTMS code 41101 State Operating Assistance on OAR Schedule 4R (Urban) and OAR Schedule 4R (Nonurban) (Appendix C).
- xiv Reconciles with PTMS code 50305 "Audit Cost" on OAR Schedule 4E (Nonurban) (Appendix C).
- xv The total Federal eligible expense is the total State eligible expense of \$70,843 less additional Federal ineligible expenses per A-87 (in this case, audit costs of \$1,094).
- xvi Federal urban amount is promulgated annually in the Federal Register at: <http://www.gpoaccess.gov/fr/index.html>
- xvii The Federal Section 5311 percentage is promulgated annually in the Audit Information Letter and can be obtained at: http://www.michigan.gov/mdot/0,1607,7-151-9625_21607-34498--,00.html

Dial-A-Ride Transit

Comments and Recommendations

STATUTORY COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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