U.S. Department of Transportation

Urban Mass Transportation Administration

CIRCULAR

UMTA C 2710.7

July 1, 1988

Subject: SECTION 15 ACCOUNTING AND REPORTING RELEASE NUMBER 2

1. PURPOSE. Section 15 Accounting and Reporting Releases are interpretations of the uniform system of accounts and records and reporting system prescribed by UMTA under Section 15 of the Urban Mass Transportation Act of 1964, as amended. The primary purpose for these releases is to address questions that are raised by transit systems subject to the Section 15 accounting and reporting requirements that are not specifically addressed in the prescribed regulations or supplemental authoritative documentation. These releases are also used to provide more detailed guidelines for certain key accounting and reporting issues than what is available in the regulations and other authoritative documentation.

2. CANCELLATION. This Circular cancels UMTA Circular 2710.5A, "Section 15 Accounting and Reporting Release Number 2," dated 10-1-81.

3. REFERENCES.

   a. Urban Mass Transportation Act of 1964, as amended.

   b. 49 CFR Part 630, "Uniform System of Accounts and Records and Reporting System."

   c. Urban Mass Transportation Industry Uniform System of Accounts and Records and Reporting System, Volumes I and II, dated 1-10-77.

   d. Reporting Manual and Sample Forms (All Reporting Levels) issued annually.

   e. UMTA Circular 2710.1A, "Sampling Procedures for Obtaining Fixed Route Bus Operating Data Required Under the Section 15 Reporting System," dated 7-18-88.

   f. UMTA Circular 2710.2A, "Sampling Procedures for Obtaining Demand Response Bus System Operating Data Required Under the Section 15 Reporting System," dated 7-22-88.

DISTRIBUTION: UMTA Headquarters Offices (U-[illegible]-2)
UMTA Regional Offices (U-X-2)

OPI: Office of Grants Management

g. UMTA Circular 2710.4A, "Revenue Based Procedures for Obtaining Fixed Route Bus Operating Data Required Under the Section 15 Reporting System," dated 7-22-88.

h. UMTA Circular 2710.6 "Section 15 Accounting and Reporting Release Number 1," dated 7-1-88.

i. UMTA Circular 9030.1A, "Section 9 Formula Grant Application Instructions," dated 9-18-87.

4. BACKGROUND. This is the second in the series of Section 15 Accounting and Reporting Releases. It contains answers to questions raised during resolution of problems with the Section 15 reports.

Please note that references to Volume II refer to Volume II of the Urban Mass Transportation Industry Uniform System of Accounts and Records and Reporting System, dated 1-10-77. References to ARR#1 refer to UMTA Circular 2710.6, "Section 15 Accounting and Reporting Release Number 1."

Alfred A. DelliBovi
Administrator

ATTACHMENT

1.0 QUESTIONS AND ANSWERS

No. 1

Question. The Operators' Wages Subsidiary Schedule (Form 321) focuses on the components of paytime and allowance as specified in labor contracts. Are transit agencies that do not have labor contracts exempted from completing Form 321?

Answer. No. All transit agencies operating more than 25 revenue vehicles are required to include a completed Form 321 in their annual Section 15 report package. Where there is no labor contract, the agency should only use those categories of operating and non-operating time that are applicable. For example, if the agency does not pay its drivers for report time or turn in time, those categories would not be used. In the simplest case, an agency would report all of its driver time as platform time. This would be the case if drivers were paid no premiums, received no guarantees and were not reimbursed for any non-operating activities.

No. 2

Question. What are the criteria for determining when revenues collected from dedicated taxes for transit are reported in Revenue Object Class 408 "Taxes Levied Directly by Transit System?"

Answer. Object Class 408 "Taxes Levied Directly by Transit System" covers tax revenues to transit systems that are organized as independent political subdivisions with their own taxation authority. The criteria, therefore, for determining if tax revenues should be reported in Object Class 408 are:

1. Is the transit system an independent political subdivision?

2. Does the transit system have its own taxing authority?

3. Were the revenues in question obtained from the transit system using its own taxing authority?

If the answer is yes to all of the above, then the revenues in question should be reported in Object Class 408. Otherwise, the revenues should be reported in Object Classes 409 through 412, depending on the funding source (State or local government) and use of the fund (general operations assistance, special fare assistance, etc.).

No. 3

Question. Are revenues reported in Object Class 408 on Form 201 "Revenue Summary Schedule" or Form 202 "Revenue Detail Schedule" included in the local government section of Form 203 "Revenue Subsidiary Schedule - Sources of Public Assistance?"

Answer. No. The intent of Form 203 is to segregate the amount of Federal, State and local operating assistance earned by the transit agency (and reported in Object Classes 409 through 413) by source of funding. For Section 15 purposes, revenues reported in Object Class 408 "Taxes Levied Directly by Transit System" are not considered local government assistance. Also, such revenues are already being reported by source of funding detail on Form 202 "Revenue Detail Schedule."

No. 4

Question. A transit agency is completing its Section 15 report for its fiscal year (FY) ended September 30, 1987. During FY 1987, the agency had begun construction of a new $5 million maintenance facility. The agency had received an UMTA Section 3 grant of $3.7 million, or 75 percent of the estimated cost. The remaining 25 percent is being funded by the State using general revenues of the State government. As of September 30, the agency had incurred $500,000 in costs associated with the construction of the facility, all of which were eligible items under the terms and conditions of the Section 3 grant. As of fiscal year end, no funds had been received from UMTA to cover these costs. The entire $500,000 had been funded using State funds. How should this transaction be reported?

Answer. Reporting of the above transaction will be reflected on two Section 15 report forms: Form 101 "Balance Sheet Summary Schedule" and Form 103 "Capital Subsidiary Schedule." The impact on Form 101 is shown on the next page.

Account Number and Description		Debit	Credit
105.02	Work in Process -- Capital Projects	$500,000	
102.06	Receivable -- Receivables for Capital Grants	$375,000	
211.02	Advances Payable -- Other Advances Payable	$375,000	
304.01	Grants, Donations and Other Paid-In Capital -- Federal Government Capital Grants	$375,000	
304.02	Grants, Donations and Other Paid-in Capital -- State Government Capital Grants	$125,000	

Note that the $500,000 in costs is not reported as State Capital Grant funds, since in effect, the State is only contributing 25 percent of the total cost of the project. The point of this example is that the proper recording of capital expenditures in terms of identifying the sources of funding is not dependent on the timing of the cash flow. Rather, capital costs should be allocated according to the percentage each funding source contributes to the total cost of the project. Funds received in advance of capital expenditures are recorded as Advances Payable, pending incurrence of cost.

The above illustration shows the impact of the $500,000 construction costs on Form 101. The impact of the transaction on Form 103 is as follows:

1. $375,000 would be included under Part A, Item I "Federal Government, Funds Received From UMT Act of 1964, as amended" (Section 3 funds, line 01, column c).

2. $100,000 would be included under Part B, Item I "State/local Government, Funds Allocated to Transit Out of General Revenues of the Government Entity" (line 08, column b).

No. 5

Question. A public transit operator is not a direct recipient of Section 9 funds. Instead, the operator receives Section 9 funds through a State Department of Transportation which also provides such funds to several other operators in the State. Should such funds be reported as Federal assistance or State assistance?

Answer. Any funds whose source is an UMTA program (Section 3, Section 9, etc.,) received by a transit operator through a third party (such as State Department of Transportation, regional transportation authorities, metropolitan planning organizations, etc.,) should be reported as Federal assistance. If such funds are for operating assistance (e.g., Section 9 operating grants), they should be reported in Object Class 413 "Federal Cash Grants and Reimbursements" on Form 201 or 202 and on the applicable line in Part A of Form 203. If such funds are capital assistance (e.g., Section 3), they should be reported in Object Class 304 "Grants, Donations and Other Paid-In Capital," on Form 101 and the applicable line in Part A of Form 103.

No. 6

Question. A transit system is preparing its Section 15 report (at the required level of reporting) for the fiscal year ended September 30, 1987. The system has determined it incurred an operating deficit of $1 million during FY 1987, of which 50 percent (or $500,000) will be covered through Section 9 funds from UMTA. However, $100,000 of the $400,000 represent funds that were applicable to the FY 1986 deficit. What amount should be reported under Object Class 413 "Federal Cash Grants and Reimbursements" on Form 201 and under Section 9 funds (line 01) on Form 203?

Answer. The Section 15 financial reporting requirements are based on the accrual method of accounting. Therefore, in the example above, $500,000 should be reported under Object Class 413 on Form 201 and under Section 9 funds on Form 203 since that is the amount of Federal operating assistance earned by the transit system during FY 1987. In addition, the amount of receivables reported in Object Class 102 on Form 101 should include $200,000 which is the amount due from UMTA to cover the remaining Federal share of the FY 1987 deficit, as shown on the next page.

Description	Debit	Credit
Receivables for UMTA Operating Assistance:		
Balance at 9/30/86	$100,000	-
Funds received during FY 87		400,000
Assistance earned during FY 87 (50% of $1 M)	500,000	
Total activity during FY 87	600,000	400,000
Closing entry	400,000	(400,000)
Balance as of 9/30/87	$200,000	-

The point of this example is to emphasize the fact that under accrual accounting, revenues (or in this case operating assistance) are reported in the period in which they are earned, which is not necessarily the same period as that in which they are received.

No. 7

Question. A transit system owns and operates 100 buses in fixed route service. It also contracts with another entity that operates 15 vans in demand response service. The relationship between the transit system and the demand response contractor meets the criteria that would allow the transit system to report its payments to the contractor as purchased transportation in its Section 15 report. (See UMTA Circular 2710.6, ARR #1, for these criteria.) The transit system, however, would prefer to report the costs associated with the demand response mode at the same level of detail at which it reports its fixed route expenses under Section 15. Is this allowed?

Answer. The intent of the concept of reporting the cost of purchased transportation as a single line item in Expense Object Class 508 "Purchased Transportation" was to minimize the reporting burden on individual transit systems. In many cases, transit systems that contract for transportation services do not require the third party to submit detailed reports of the costs incurred. Therefore, to promote unity throughout Section 15 reporting, it is required that transit agencies only report costs for purchased transportation under Expense Object Class 508.

No. 8

Question. I am the operator of a fixed route system that has 50 vehicles. Am I required to report the service consumed data (lines 12 and 13) on Form 406 "Transit System Service Supplied, Service Consumed and Service Personnel Schedule?"

Answer. Yes. UMTA recognizes that small operators face a difficult problem implementing the sampling techniques. Consequently, transit agencies in any size urbanized area that directly operated 50 or fewer revenue vehicles for all modes in maximum service will only have to submit passenger miles data using statistically valid sampling procedures meeting prescribed precision and confidence levels every third year beginning with the 1987 report year. Data for intermediate years may be estimated using the average trip length factor derived from the sample drawn in 1987. Please note that the relaxation of sampling for passenger mile data is only applicable to those agencies that previously submitted data that met the required confidence and precision levels of 95 percent and 10 percent, respectively, in the 1987 report year.

No. 9

Question. Can you suggest an alternative sampling procedure for transit agencies with 50 or fewer vehicles to obtain this data without a significant loss in precision or accuracy of the data?

Answer. We recognize that obtaining the service consumed data is difficult and very labor intensive. Accordingly, in October 1981, we proposed a revision to Circular 2710.1 which would have resulted in a less costly method of collecting the data but still retain a reasonable degree of accuracy and precision. The proposed sampling procedures recommended that an agency sample 50 trips per week 4 times a year (quarterly) following the method of Circular 2710.1 "Sampling Procedures for Obtaining Fixed Route Bus Operating Data Required Under the Section 15 Reporting System." However, upon further review, it was determined that this sampling procedure proved to be statistically unreliable.

In May 1985, revenue based sampling procedures were developed which reduce the total required sample size to 208 bus trips a year. This represents a reduction between 62 and 77 percent from the number of trips that need to be sampled using the procedures described in UMTA Circular 2710.1A "Sampling Procedures for Obtaining Fixed Route Bus Operating Data Required Under the Section 15 Reporting System." Additionally, UMTA assists Section 15 reporters by reviewing their alternative sampling techniques to determine whether they meet the required statistical levels.

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