



**Moving Public Transportation  
Into the Future**



Integrated **Mobility** Division

N.C. DEPARTMENT OF TRANSPORTATION

**NCDOT-IMD Strategic Training**

**Financial Management**

**Presenter: Julie Schafer**



# Agenda

- ◆ Overview of Financial Management
- ◆ Accounting System
- ◆ Cost Reimbursement
- ◆ Important Issues Involving Financial Management
- ◆ Resource Documents



Financial Management

# **OVERVIEW OF FINANCIAL MANAGEMENT**



# Financial Management

- ◆ What Is Financial Management?
  - Transit systems of all sizes need to be able to cover operating costs (operating costs includes administrative and operating expenses), replace and purchase assets
  - It ensures a transit system has enough money now and in the future to stay in business and provide important transit service
  - Good financial management must meet the needs of the present, as well as strategically plan for the future
    - Transit Reserve Account or restricted transit account

# Financial Management

## ◆ 5010.1 E Chapter VI

- <https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/regulations-and-guidance/fta-circulars/58051/5010-1e-circular-award-management-requirements-7-16-18.pdf>

## ◆ 2 CFR 200 Part 1201

- 18 specific provisions for financial management, procurement, and administration of equipment

## ◆ 49 USC Chapter 53

- <https://uscode.house.gov/view.xhtml?path=/prelim@title49/subtitle3/chapter53&edition=prelim>

## ◆ FTA Master Agreement

- [https://www.transit.dot.gov/sites/fta.dot.gov/files/2022-11/FTA-Master-Agreement-v30-2022-11-02\\_0.pdf](https://www.transit.dot.gov/sites/fta.dot.gov/files/2022-11/FTA-Master-Agreement-v30-2022-11-02_0.pdf)

# Overview – Financial Management

- ◆ A Financial Management Review Assesses a Recipient's Financial Management and Control System, As Well as Policies and Procedures
- ◆ A System Review Determines Whether the Recipient Has Proper Financial Controls and Checks and Balances in Place to Manage and Track Federal Funds

# Overview – Financial Management

- ◆ A System Review Determines Whether the Recipient Meets the Requirements of the DOT's Common Rule, 2 CFR Part 1201
  - Page V-2 FTA C 5010.1E incorporates 2 CFR part 200 by reference
- ◆ Financial Condition and Capability Assessments Assess a Recipient's Financial Condition and Capability To Maintain and Operate the Existing System

# Overview – Financial Management

- ◆ The Financial Management Systems of Each Recipient or Subrecipient Other Than a State Must Meet the Following Standards
  - Financial reporting
    - Accurate, current, and complete disclosure of the financial results of federally assisted activities must be made in accordance with financial reporting requirements



# Overview – Financial Management

- ◆ The Financial Management Systems of Each Recipient or Subrecipient Other Than a State Must Meet the Following Standards (cont'd)
  - Accounting Records
    - Recipients and subrecipients must maintain records that adequately identify the source and application of funds provided for federally assisted activities
    - These records must contain information pertaining to the award or subawards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income



# Internal Control

- ◆ Effective Control and Accountability Must Be Maintained for All Cash Provided to Support the Award or Subaward, Real and Personal Property, and Other Assets
- ◆ Recipients and Subrecipients Must Adequately Safeguard All Such Property and Must Ensure That It Is Used Solely for Authorized Purposes



# Budget Control

- ◆ Actual Expenditures or Outlays Must Be Compared With Budgeted Amounts for Each Award or Subaward
- ◆ Financial Information Must Be Related to Performance or Productivity Data
  - Includes the development of unit cost information whenever appropriate, specifically required in the Grant or Cooperative Agreement, or written agreement with the subrecipient
  - If the unit cost data is required, estimates based on available documentation will be accepted whenever possible



# Allowable Cost

- ◆ What Must Be Followed In Allowability and Allocability of Costs?
  - Applicable Office of Management and Budget (OMB) cost principles of 2 CFR part 200 for Awards made on or after December 26, 2014
  - OMB cost principles for Awards made before December 26, 2014, as stated in former 2 CFR parts 220, 225, and 230, as applicable
  - U.S. DOT program regulations, and the terms of the Grant or Cooperative Agreement or other written agreement with the subrecipient



# Allowable Cost

- ◆ Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- ◆ (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- ◆ (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.



# Allowable Cost

- ◆ (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

# Allowable Cost

- ◆ (h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to [§ 200.308\(e\)\(3\)](#).



# Allowable Cost

- ◆ e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.





# Allowable Cost

- ◆ (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also [200.306\(b\)](#).
- ◆ (g) Be adequately documented. See also [200.300](#) through [200.309 of this part](#).



# Source Documentation

- ◆ Accounting Records Must Be Supported by Such Source Documentation As Cancelled Checks, Paid Bills, Payrolls, Time and Attendance/Time Records, Contracts, and Subrecipient Documents



# Local Share

- ◆ The Recipient Agrees To Provide Sufficient Funds or Approved In-Kind Resources To Serve As Non-Federal Share for All of Its Federally Assisted Awards in Compliance With 49 U.S.C. Chapter 53



# Local Share

- ◆ Recipient Certifies That It Has or Will Have Available the Proportionate Amount of the Non-Federal Share To Pay Promptly the Costs Incurred or That Become Due To Implement the Award
  - Exception - Federal Page VI-6 FTA C 5010.1E determines in writing that the non-federal share may be deferred
    - Government determines in writing that the non-federal share may be deferred.
  - The recipient may not use an amount as the non-federal share for more than one Award



# Local Share

- ◆ Cash From Nongovernmental Sources Other Than Revenues From Providing Public Transportation Services
- ◆ Non-Farebox Revenues From the Operation of Public Transportation Service
  - Sale of advertising and concession revenues
    - A voluntary or mandatory fee that a college, university, or similar institution imposes on all its students for free or discounted transit service is not farebox revenue



# Local Share

- ◆ Assets From Other Federal Sources if Authorized by Federal Law To Be Used As Non-Federal Share for the Specific Project
- ◆ Amounts Received Under a Service Agreement With a State or Local Social Service Agency or Private Social Service Organization
- ◆ Undistributed Cash Surpluses, Replacement or Depreciation Cash Funds, Reserves Available in Cash, or New Capital



# Local Share

- ◆ FTA Is the Only Federal Agency That Allows Other Non-Transportation Federal Funds To Be Used To Match the FTA Federal Funds



# Financial Plan

- ◆ Recipients Should Have Multi-Year Financial Plans (3–5 Years) for Operating and Capital Revenues and Expenses To Implement FTA Awards
  - The financial plans should indicate adequate revenues to maintain and operate the existing system and to complete the annual program of projects
- ◆ Best Practice Is To Have at Least a 90 Day Cash Reserve (Transit Reserve Account/Restricted Transit Account)







# NCDOT Required Plan

	FY__ Revenue	FY__ Revenue	FY__ Budget	FY__ Projected	FY__ Projected	FY__ Projected
<b>Capital Revenue</b>	\$	\$	\$	\$	\$	\$
FTA Section 5311: Capital						
FTA Section 5311: Appalachian Development TAP Capital						
FTA Section 5339: Bus and Bus Facilities Formula						
FTA Section 5310: Elderly & Disabled Individuals Transportation Program Capital						
FTA Section 5307: Urbanized Area Formula Program Capital						
Local Match:						
Other:						
Other:						
<b>Capital Revenue Total</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Capital Expense / Revenue Difference</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Service Delivery Statistics</b>	FY__ Actual	FY__ Actual	FY__ Budget	FY__ Projected	FY__ Projected	FY__ Projected
Total Service Miles						
Total Service Hours						
Total Passenger Trips						
<i>Linked to FACM/opstats</i>						
<b>Funding Short Falls/Surplus</b>						

# NCDOT Required Plan

- ◆ <https://connect.ncdot.gov/business/Transit/Documents/Forms/AllItems.aspx>

▾ **Document Type** : Transit Planning Resources (16)

▸ **Subject** : Fully Allocated Cost Model (4)

▸ **Subject** : Managed Care Resources (7)

▾ **Subject** : Plan Templates (1) ← **Scroll down to this Subject**

 5 Year Budget Tool Summary CT Small 20170725 5 Year Budget Tool Summary CT



# Financial Management

- ◆ Financial Management Consists of 8 Components
  1. Accounting
  2. Budgeting
  3. Cash Management
  4. Financial Reporting
  5. Cost Modeling and Service Evaluation
  6. Asset Management
  7. Risk Management
  8. Compliance With Regulations and Best Practices



# Financial Management

- ◆ You Need to Prepare and Adopt Written Policies and Procedures for Each of the 8 Components
  - If you already have policies and procedures in place, you should review them from this training to make sure they are complete and accurate
  - Review policies and procedures at least annually
  - Financial policies must be Board approved



# Accounting

- ◆ Setting Up Your Financial Books and Accounting System
  - Organize your administrative, operating and capital expenses and revenues into a formal set of “accounts”
    - Separate budget for each project
  - Enter the system’s expenses and revenues into the proper accounts
    - G code accounts
  - Use commonly accepted accounting policies and procedures
  - FTA requires accrual accounting



# Group Discussion

- ◆ What Is the Difference Between Accrual Accounting and Cash Accounting?
- ◆ How Do You Accomplish Accrual Accounting?
- ◆ How Do You Reconcile to the City or County Cash Accounting System?





# Accounting

- ◆ Accounting by Itself Does Not Provide Enough Information to Make Wise Financial Decisions, Keep the Transit System Solvent, and Provide Needed Transit Services
  - But without accurate accounting, none of this can be accomplished



# Accounting

- ◆ Accounting Describes What Has Been Done, Not What Will or Should Be Done
  - It is not the same as budgeting
- ◆ Written Policies and Procedures Are Essential!



# Budgeting

- ◆ Organize Your Accounts Into a Formal Fully Allocated “Budget” With a One-Year Horizon
  - NCDOT rural transit grantees use the NC State fiscal year (July 1 – June 30)
- ◆ Use the Previous Year’s Budget as a Guide, Identifying Any Areas That Were Under Budgeted, and Those Areas That Are Predicted to Increase



# Budgeting

- ◆ Verify Expenses and Revenues (Including Your Sources of Local Match) Assumptions for a Balanced Budget, Identifying Any Surplus or Deficit
- ◆ Again, Written Policies and Procedures Are Essential



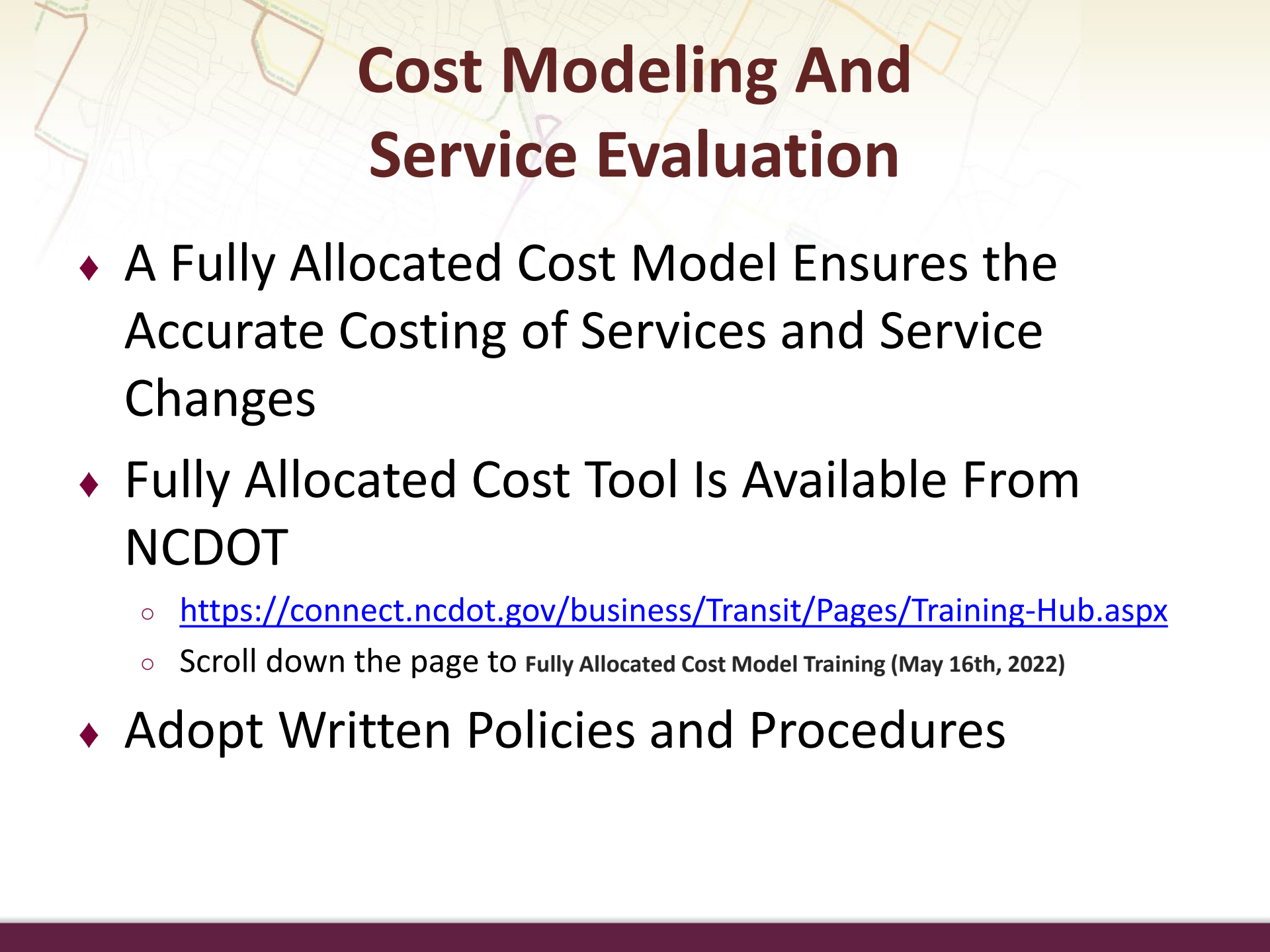
# Cash Management

- ◆ Cash Flow Can Make or Break Your Transit System
  - Know your cash/revenue requirements
  - Know the timing of your revenue streams, including contracts, grants, etc.
- ◆ Grants Management Is Essential
- ◆ Written Policies and Procedures Are Essential!



# Financial Reporting

- ◆ Regularly Monitor Your Expenses and Revenues
- ◆ Take Action to Stay Within or Modify Your Budget
- ◆ Adopt Written Policies and Procedures



# Cost Modeling And Service Evaluation

- ◆ A Fully Allocated Cost Model Ensures the Accurate Costing of Services and Service Changes
- ◆ Fully Allocated Cost Tool Is Available From NCDOT
  - <https://connect.ncdot.gov/business/Transit/Pages/Training-Hub.aspx>
  - Scroll down the page to Fully Allocated Cost Model Training (May 16th, 2022)
- ◆ Adopt Written Policies and Procedures



# Asset Management

- ◆ Asset Management Consists of
  - Managing fuel
  - Managing inventory
  - Managing the fleet
  - Managing facilities and land
- ◆ Adopt Written Policies and Procedures





# Risk Management

- ◆ Planning for and Responding to Safety Incidents (Weather, Other Drivers, Mechanical Issues)
- ◆ Planning for and Responding to Security Threats (Attacks Against Riders, Drivers, Vehicles)
- ◆ Adopt Written Policies and Procedures

A background map showing a street grid with several colored overlays: a red outline, a yellow line, and a purple line. The title is centered over this map.

# Compliance - Regulations and Best Practices

- ◆ Comply With All NCDOT, FTA, and Other State and Local Regulations
- ◆ Strive for Successful Financial Audits and Technical Assistance Reviews
- ◆ Adopt Written Policies and Procedures



Financial Management

# **ACCOUNTING SYSTEM**

# Accounting Standards

- ◆ FTA and NCDOT Requires the Following From Rural Transit Grantees and Service Providers To Use Accrual Accounting Based On
  - Generally accepted accounting principles (GAAP)
  - Uniform System of Accounts (USOA)
    - NCDOT Uniform Public Transportation Accounting System (UPTAS)  
[https://connect.ncdot.gov/business/Transit/Documents/UPTAS%20\(Updated%2001-31-2023\).pdf](https://connect.ncdot.gov/business/Transit/Documents/UPTAS%20(Updated%2001-31-2023).pdf)
  - Compatibility with NTD Reporting



# Accounting Standards

- ◆ The Accounting System Must Be Able To Clearly Segregate Transportation From All Other County or Agency Programs
  - Program or department codes
  - Chart of accounts



# Accounting Types

- ◆ There Are 3 Types Of Accounting
  - Accrual
  - Cash
  - Modified Cash
- ◆ Again, NCDOT Requires Accrual Accounting for Rural Transit Accounting and Reporting



# Accounts

- ◆ Accounts for Operating Budgets and for Operating Income Statement Reports
  - Expense accounts
  - Revenue accounts
- ◆ Capital Items



# Accounts

- ◆ Be Sure To Establish a Cost Center in Your Accounting System for Each NCDOT Project
  - Operating Assistance Grant
  - Administrative Assistance Grant
  - Capitalized Maintenance Grant
  - Intercity Operating Grant
  - Intercity Administration Grant
  - Rural Capital Project Grant(s)





# Eligible Expenses

- ◆ Transit Systems Should Review the Applicable Regulations for Allowable and Eligible Costs
  - A-122, for nonprofit organizations
  - A-87, for governmental entities
  - FTA Circulars 5010 and 9040

# Filing Claims with NCDOT-IMD

- ◆ Required Documentation for Each G-Code Cheat Sheet –
  - <https://connect.ncdot.gov/business/Transit/Documents/Required%20Documentation%20for%20each%20grant%207%2027%202018.pdf.pdf>
- ◆ Video Resources
  - <https://connect.ncdot.gov/business/Transit/Pages/Training-Hub.aspx>
  - Scroll down the page to **Claims Submittals 101 (January 12, 2023)**
- ◆ State Funds (ROAP Claims)
  - <https://connect.ncdot.gov/business/Transit/Pages/Training-Hub.aspx>
  - Scroll down the page to **FY23 ROAP Training (October 26, 2022)**



Financial Management

# **COMMON ISSUES IN FINANCIAL MANAGEMENT**



# Most Common Issues

- ◆ Policies and Procedures
- ◆ Contracts With Third Parties
- ◆ Cash Handling/Fare Collection
- ◆ Five-year Budget Requirement
- ◆ Indirect Cost Reimbursement
- ◆ Fully Allocated Cost



# Policies and Procedures

- ◆ Subrecipients Certify that it "has or will have the Legal Financial and Technical Capacity to Carry Out the Program."
  - Policies and procedures document how you will carry out the grant while meeting the requirements of the grant.



# Contracts With Third Parties

- ◆ A Contract is for the Purpose of Obtaining Goods and Services for the Non-Federal Entity's Own Use and Creates a Procurement Relationship with the Contractor.
  - Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.



# Cash Management

- ◆ Maintaining Sufficient Cash
  - To pay the bills on time
  - Remember - government subsidies are on a reimbursement basis, which means cash is needed for payments before subsidies are received (three months' working capital)



# Cash Management

## ◆ Reporting Cash Flow

- Cash flow reports should reflect actual expenses and revenue
- Should be on a cash basis
- On a monthly basis, report all transactions to the governing board (receipts, payments, cash on hand)
- Make documentation available for viewing





# Cash Management

- ◆ Examples of Payment Types
  - Personnel
  - Retirement funds
  - State agencies
  - Vendors of materials and supplies
  - Services
  - Capital purchases
  - Sometimes for loans/debts



# Cash Management

- ◆ Keep the Money Coming In
  - Send out invoices as soon as possible, usually monthly
    - Includes NCDOT monthly operating, capitalized maintenance, and capital invoices
  - Provide accurate and complete documentation
  - Monitor late payments and follow-up regularly to ensure payment



# Cash Management

- ◆ Examples of Invoices Going Out
  - NCDOT
  - Local governments
  - Human services agencies
  - Foundations
  - Subscription service
  - Others



# Cash Management

## ◆ Working Capital

- Working capital is the same as cash reserve
- Maintain a working capital fund “in the bank” of about 3 months of average monthly expenditures
- Establish Transit Reserve Account
- Plan for special purchases, like vehicles, equipment, retirement payouts, etc.



# Cash Management

## ◆ Working Capital

- Secure a working capital line of credit at a bank, or under agreement with the city or county commissioners, etc.
- Line of credit is for emergencies, or for large payments that exceed the normal cash availability
- To be paid back as soon as possible
- Cannot take out a long-term revolving type of credit



# Cash Management

- ◆ Fare Media Include
  - Cash
  - Other media that should be treated like cash
    - Passes
    - Tickets/tokens
    - Subscription service



# Cash Management

- ◆ Managing Fare Collection
  - Fare revenue includes cash fares and revenue from the sale of tickets, tokens, or passes
  - Establish strict policies/procedures and monitoring at all steps in the fare collection process to avoid the mismanagement of funds through error, fraud, or theft of cash or fare media



# Cash Management

- ◆ There Are Many Ways and Opportunities for Mismanagement of Fares To Occur
  - Incorrect fare information and payment by the rider, or incorrect driver observations of fares being paid
  - Fraud (pocketing fares, recording the wrong fare, etc.)
  - Theft of fares from the farebox, during counting, when depositing





# Cash Management

- ◆ Fare Technology May Improve Accuracy and Reduce the Opportunity for Fraud
- ◆ Good Cash Management Reduces the Opportunities (and Temptation) for Theft and Fraud



# Cash Management

## ◆ Credit Card Security

- Store credit cards in secure locations (locked drawers with limited access, safe, etc.)
- Establish strict use policies and procedures
- Limit the number of individuals who have access to where the cards are stored
- Conduct frequent online monitoring of credit card use to detect abuse
- Remove sources of temptation



# Cash Management

- ◆ Arbitrage
  - May not “park” Federal funds and then earn interest from them
  - Need to spend them within 3 days
  - Similar for State funds
- ◆ Remember That Federal and State Funds Received Are the Reimbursement for Expenses Already Incurred
- ◆ Local Funds Do Not Have These Restrictions



# Five-year Budget

- ◆ Recipients Should Have Multi-Year Financial Plans (5 Years) for Operating and Capital Revenues and Expenses To Implement FTA Awards
  - The financial plans should indicate adequate revenues to maintain and operate the existing system and to complete the annual program of projects
- ◆ Best Practice Is To Have at Least a 90 Day Cash Reserve (Transit Reserve Account/Restricted Account)



# Financial Reporting

- ◆ We Do Not Let Our Drivers Operate a Vehicle With Their Eyes Shut and Hope That They Arrive Safely At Their Destination
- ◆ Likewise, We Should Not Let Ourselves “Operate” Our Transit System’s Finances Without Frequent Monitoring
  - Periodic financial reporting is one of the primary tools for monitoring and managing finances



# Financial Reporting

- ◆ Monthly Financial Reports Should Include
  - Income statement
  - Cash flow statement
  - Grants reports
  - Variance reports (operating and grants)
  - Balance sheet
  - Productivity and service quality report
- ◆ Should Present Both the Current Period and the Year-to-Date Information



# Report Review

NEW\_LifeTime Resources  
Statement of Revenues and Expenditures - \* CY23 CAR MMH  
500 - CAR  
362 - CAR MMH Rides  
From 11/1/2023 Through 11/30/2023

		Current Period Actual	Current Year Actual	Total Budget - Original	Budget Variance	Percent Budget Utilized
<b>Revenues</b>						
Third Party						
Medicaid	41020	848.70	1,681.40	7,314.55	5,633.15	22.98%
Other Third Party	41030	<u>7,496.74</u>	<u>88,526.58</u>	<u>97,700.00</u>	<u>9,173.42</u>	<u>90.61%</u>
Total Third Party		8,345.44	90,207.98	105,014.55	14,806.57	85.90%
Customer Donations/Payments-43420						
Customer Donations/Payments	43420	<u>48.00</u>	<u>565.00</u>	<u>1,720.50</u>	<u>1,155.50</u>	<u>32.83%</u>
Total Customer Donations/Payments-43420		48.00	565.00	1,720.50	1,155.50	32.84%
Other Income						
Contra Expense	49890	<u>0.00</u>	<u>998.13</u>	<u>1,590.91</u>	<u>592.78</u>	<u>62.73%</u>
Total Other Income		0.00	998.13	1,590.91	592.78	62.74%
Local Restricted Income-43400						
Restricted Local Revenue	43400	<u>0.00</u>	<u>4.00</u>	<u>20.00</u>	<u>16.00</u>	<u>20.00%</u>
Total Local Restricted Income-43400		0.00	4.00	20.00	16.00	20.00%
<b>Total Revenues</b>		<u><b>8,393.44</b></u>	<u><b>91,775.11</b></u>	<u><b>108,345.96</b></u>	<u><b>16,570.85</b></u>	<u><b>84.71%</b></u>
<b>Expenditures</b>						
Payroll & Travel Expenses						
Office Wages	50010	759.18	8,366.70	11,485.20	(3,118.50)	72.84%
Sick Leave Expense - Office Staff	50011	51.09	184.72	0.00	184.72	0.00%
Vacation Leave Expense - Office Staff	50012	33.71	514.04	0.00	514.04	0.00%
Personal Leave Expense - Office Staff	50013	1.24	42.18	0.00	42.18	0.00%
Holiday Leave Expense - Office Staff	50014	43.35	232.46	0.00	232.46	0.00%
Leave Cert Expense - Office Staff	50015	0.00	17.02	0.00	17.02	0.00%
Funeral Leave Expense - Office Staff	50017	0.00	15.13	0.00	15.13	0.00%
Severance Pay Expense - Office Staff	50019	21.33	21.33	0.00	21.33	0.00%
Field-Mnt Wages	50020	0.00	0.17	0.00	0.17	0.00%
Operators Wages	50030	2,730.79	25,929.26	39,139.44	(13,210.18)	66.24%
Sick Leave Expense - Operators	50031	122.75	708.53	0.00	708.53	0.00%
Vacation Leave Expense - Operators	50032	24.19	989.07	0.00	989.07	0.00%
Holiday Leave Expense - Operators	50034	96.04	641.15	0.00	641.15	0.00%
Retro Pay Expense - Operators	50036	0.00	1.62	0.00	1.62	0.00%
Funeral Leave Expense - Operators	50037	13.63	52.95	0.00	52.95	0.00%
Severance Pay Expense - Operators	50039	0.00	24.45	0.00	24.45	0.00%
Office Staff Wages Alloc 8301 or 8302	50060	295.82	3,355.81	4,968.23	(1,612.42)	67.54%
Sick Leave Expense - Admin-Allocated Staff	50061	3.97	54.92	0.00	54.92	0.00%
Vacation Leave Expense - Admin Allocated Staff	50062	13.63	236.42	0.00	236.42	0.00%
Personal Leave Expense - Admin Allocated Staff	50063	2.79	18.41	0.00	18.41	0.00%
Holiday Leave Expense - Admin Allocated Staff	50064	14.64	92.13	0.00	92.13	0.00%



# Report Review

**NEW\_LifeTime Resources**  
**Statement of Revenues and Expenditures - \* CY23 CAR MMH**  
**500 - CAR**  
**362 - CAR MMH Rides**  
**From 11/1/2023 Through 11/30/2023**

		<u>Current Period Actual</u>	<u>Current Year Actual</u>	<u>Total Budget - Original</u>	<u>Budget Variance</u>	<u>Percent Budget Utilized</u>
Leave Cert Expense - Admin Allocated Staff	50065	0.00	3.56	0.00	3.56	0.00%
Retro Pay Expense - Admin Allocated Staff	50066	0.00	1.02	0.00	1.02	0.00%
Funeral Leave Expense - Admin-Allocated Staff	50067	0.00	5.53	0.00	5.53	0.00%
Dispatcher Wages	50070	313.88	3,344.48	4,631.81	(1,287.33)	72.20%
Sick Leave Expense - Dispatcher Staff	50071	0.00	129.12	0.00	129.12	0.00%
Vacation Leave Expense - Dispatch Staff	50072	26.65	258.15	0.00	258.15	0.00%
Personal Leave Expense - Dispatch Staff	50073	0.40	20.51	0.00	20.51	0.00%
Holiday Leave Expense - Dispatch Staff	50074	0.00	21.26	0.00	21.26	0.00%
Leave Cert Expense - Dispatch Staff	50075	0.00	3.17	0.00	3.17	0.00%
Funeral Leave Expense - Dispatch Staff	50077	16.50	89.14	0.00	89.14	0.00%
Severance Pay Expense - Dispatch Staff	50079	0.00	29.71	0.00	29.71	0.00%
Operator Wages-MMH AfterHours	50080	21.38	1,048.65	54.55	994.10	1,922.36%
Unemployment Compensation	50140	32.08	328.50	376.34	(47.84)	87.28%
FICA	50150	367.37	3,745.41	4,520.40	(774.99)	82.85%
Operator MMH Holiday Wages	50230	0.00	434.76	0.00	434.76	0.00%
COL Bonus	50300	189.74	3,486.23	1,047.24	2,438.99	332.89%
Worker's Compensation Insurance	55040	66.19	762.20	874.42	(112.22)	87.16%
Exec Dir Travel 8302	56050	2.13	31.84	4.47	27.37	712.30%
Board Travel 8301	56060	0.00	0.18	1.51	(1.33)	11.92%
Travel Alloc 8302	56080	0.02	4.85	5.78	(0.93)	83.91%
Field Staff Travel	56100	35.02	321.09	590.91	(269.82)	54.33%
Office Staff Travel	56110	14.02	257.53	340.91	(83.38)	75.54%
<b>Total Payroll &amp; Travel Expenses</b>		<u>5,313.53</u>	<u>55,825.36</u>	<u>68,041.21</u>	<u>(12,215.85)</u>	<u>82.05%</u>
<b>Other Personnel Expenses</b>						
Fringe Benefits	50110	442.29	3,945.22	5,148.16	(1,202.94)	76.63%
Operators FB	50130	0.00	0.00	128.95	(128.95)	0.00%
Office Staff FB Alloc 8301 or 8302	50160	0.00	0.00	340.42	(340.42)	0.00%
Dispatcher FB	50170	0.00	0.00	410.49	(410.49)	0.00%
Contract Labor	50210	0.00	0.00	45.45	(45.45)	0.00%
Contract Labor Alloc 8301	50240	0.00	23.93	0.00	23.93	0.00%
Drug Testing-CAR	51010	23.33	183.90	225.00	(41.10)	81.73%
Criminal History Checks	51020	0.42	31.46	25.00	6.46	125.84%
BMV Reports	51030	5.68	51.99	29.55	22.44	175.93%
Physicals-CAR	51040	34.05	265.55	290.91	(25.36)	91.28%
Uniform Expense-CAR	51050	0.00	0.00	22.73	(22.73)	0.00%
Staff FB Contracts 8302	51100	3.05	65.02	129.18	(64.16)	50.33%
Training	56010	0.00	39.89	40.91	(1.02)	97.50%
Training Alloc 8302	56020	1.58	28.32	18.69	9.63	151.52%
Staff Recognition/Development Alloc 8301	56510	1.01	63.13	235.43	(172.30)	26.81%

# Report Review

**NEW\_LifeTime Resources**  
**Statement of Revenues and Expenditures - \* CY23 CAR MMH**  
**500 - CAR**  
**362 - CAR MMH Rides**  
**From 11/1/2023 Through 11/30/2023**

		<u>Current Period Actual</u>	<u>Current Year Actual</u>	<u>Total Budget - Original</u>	<u>Budget Variance</u>	<u>Percent Budget Utilized</u>
Staff Recruitment	56520	5.71	26.86	90.90	(64.04)	29.54%
Staff Recognition/Development-Direct	56650	2.38	130.02	127.27	2.75	102.16%
Employee Gifts and Memorials	56670	0.00	1.43	0.00	1.43	0.00%
Referral Fees	56680	0.00	4.76	9.09	(4.33)	52.36%
<b>Total Other Personnel Expenses</b>		<u>519.50</u>	<u>4,861.48</u>	<u>7,318.13</u>	<u>(2,456.65)</u>	<u>66.43%</u>
<b>Office Expenses</b>						
Telephone Office Alloc 8302	53040	19.29	232.55	261.92	(29.37)	88.78%
Long Distance Alloc 8302	53050	0.85	12.28	5.34	6.94	229.96%
Telephone Long Distance	53060	0.10	1.50	2.28	(0.78)	65.78%
Telephone Wireless	53080	91.22	938.59	1,056.00	(117.41)	88.88%
Internet	53090	1.72	12.58	0.00	12.58	0.00%
PPE Supplies	54740	0.00	(5.59)	0.00	(5.59)	0.00%
Office Supplies	54750	20.57	172.25	159.10	13.15	108.26%
Office Supplies Alloc 8302	54760	3.57	33.11	40.10	(6.99)	82.56%
Janitorial Supplies	54771	0.00	2.16	0.00	2.16	0.00%
Other Supplies Alloc 8302	54790	0.00	5.01	13.36	(8.35)	37.50%
Other Supplies	54800	0.00	3.29	45.46	(42.17)	7.23%
Postage	54810	46.02	218.84	118.18	100.66	185.17%
Postage Alloc 8302	54820	2.43	37.45	26.72	10.73	140.15%
Computer Maintenance 8302	56750	99.08	530.90	463.89	67.01	114.44%
Copier Usage & Maintenance	56760	2.99	27.92	45.45	(17.53)	61.43%
Copier Usage & Maint Alloc 8302	56770	0.21	2.71	1.99	0.72	136.18%
Equipment Maintenance 8302	56780	6.33	36.77	48.27	(11.50)	76.17%
Office Equipment	60210	0.00	0.00	4.55	(4.55)	0.00%
Computer Software	60220	0.00	0.00	613.64	(613.64)	0.00%
Computer Hardware	60230	0.00	73.96	11.36	62.60	651.05%
Computer Software Alloc 8301	60270	18.05	328.08	263.23	64.85	124.63%
Bank Fees Alloc 8301	61020	7.13	70.70	78.65	(7.95)	89.89%
<b>Total Office Expenses</b>		<u>319.56</u>	<u>2,735.06</u>	<u>3,259.49</u>	<u>(524.43)</u>	<u>83.91%</u>
<b>Vehicle Expenses</b>						
CAR Vehicle Maintenance (Labor)	50220	34.29	2,529.22	2,363.64	165.58	107.00%
Fuel-CAR	54010	959.00	7,982.42	8,374.00	(391.58)	95.32%
Tires & Tubes-CAR	54020	0.00	1,140.00	713.64	426.36	159.74%
Parts for Vehicles-CAR	54030	109.62	1,928.57	2,318.18	(389.61)	83.19%
Other Vehicle Material & Supplies-CAR	54040	31.66	250.97	765.45	(514.48)	32.78%
Lube-CAR	54090	68.88	506.87	395.45	111.42	128.17%
License/Registration (BMV)-CAR	54250	0.00	0.00	6.93	(6.93)	0.00%
Auto Insurance-CAR	55010	194.58	1,977.32	2,375.00	(397.68)	83.25%
<b>Total Vehicle Expenses</b>		<u>1,398.03</u>	<u>16,315.37</u>	<u>17,312.29</u>	<u>(996.92)</u>	<u>94.24%</u>

# Report Review

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# Financial Reporting

- ◆ Quarterly Financial Reports Should Include
  - NCDOT invoices and productivity data (see section on Cash Management)
  - NTD quarterly data
- ◆ Annual Financial Reports Should Include
  - Benchmarking, peer comparison, trend analysis
  - Required National Transit Database (NTD) reporting by NCDOT
  - Required NCDOT reporting

# Monthly Income Statement

- ◆ The Income Statement Is the Sum of All Revenues and Expenses Over a Given Period (e.g., a month)
- ◆ It Is Like a Container That Starts Off Empty, and Then Has Water Flowing In and Out Over a Month, Resulting in a Final Level of Water



# Monthly Income Statement

- ◆ The Monthly Income Statement is Based on Operating Expenses and Revenues
  - Developed on an accrual basis
  - Shows if the transit system is receiving more funds than it is spending (in the black, positive income), breaking even (no income), or receiving less funds than it is spending (in the red, negative income)
- ◆ Ideally, Transit Will Be in the Black Each Month



# Monthly Income Statement

- ◆ Potential Impacts
  - Different number of days in the month
  - Weather
  - Bad financial planning
  - Unexpected expenses
- ◆ Due to These and Other Circumstances, Some Months May Be in the Black, Some in the Red, and Some Breaking Even





# Monthly Income Statement

- ◆ By the End of the Year, the Transit System Should Be in the Black or Break Even
- ◆ For the Same Reasons as May Occur at the Monthly Level, the Transit System May Be in the Red at the End of the Fiscal Year
  - This should be avoided if at all possible
- ◆ The Operating Variance Report (To Be Discussed Later) Will Alert You if Correction Action Is Warranted





# Monthly Income Statement

- ◆ Components of a Monthly Income Statement
  - Columns for the last month (which is the focus)
  - Columns for each of the previous months of the year
  - A column for the same month one year ago
  - A column for the total year-to-date

# Monthly Income Statement

- ◆ Should Reflect the Total Expenses, the Total Revenues, and the Difference Between the Two
- ◆ Each Expense Account Line Item is Shown, Then Summed to Provide an Overall Expenses Total
- ◆ Each Revenue Account Line Item is Shown, Then Summed to Provide an Overall Revenue Total



# Monthly Income Statement

- ◆ Essentially, the NCDOT Claims Invoice Is an Income Statement
  - It is suggested that transit systems prepare an income statement for each month, rather than wait until the end of the quarter

# Monthly Cash Flow Statement

- ◆ The Cash Flow Statement Is Set Up Like the Income Statement, Except That It Is Based on the Cash Basis, Not Accrual
- ◆ It Also Represents the Accumulation of Funds In and Out Over the Month
- ◆ As Will Be Discussed in the Cash Management Section, Personnel, Vendors and Governments Expect Their Payments When They Are Due
  - This requires cash

# Monthly Cash Flow Statement

- ◆ Transit Systems Must Forecast Cash Needs and Availability, Then Track It To Ensure There Is Sufficient Cash When Needed
- ◆ At the End of the Cash Flow Statement, the Difference Between Cash In and Cash Out Is Shown, Then Added to a Running Cash Balance



# Monthly Cash Flow Statement

- ◆ It Is Easy To Get Confused Between Income Statements and Cash Flow Statements
  - They show different things, but are related
- ◆ It Is Suggested That Transit Systems Prepare a Cash Flow Statement for Each Month



# Monthly Grants Report

- ◆ Grants Management Is Crucial
  - Grants management is the lifeblood of rural transit systems
  - Strive to meet all deadlines and requirements for budgeting, grant filing, reporting, invoicing and documentation
  - Work closely with NCDOT staff

# Monthly Grants Report

- ◆ Usually, a Transit System Does Not Have Many Grants Open and It Is Relatively Easy To Keep Track of Them
- ◆ However, a Transit System That Aggressively Pursues Grants (NCDOT and Otherwise) May Find It Prudent to Keep a List of All Active (and Applied for) Grants, and Indicate Their Total Value, Local Share, Expiration Date, and Each Capital and Operating Line Item





# Monthly Grants Report

- ◆ The Transit System May Also Want to Show How Much of Each Grant Was Spent Each Month, the Amount Remaining, Etc.
- ◆ The Transit System Should Prepare a Monthly Grants Report To Its Own Board

# Monthly Variance Reports

- ◆ A Variance is the Difference Between the Amount Budgeted and the Amount Spent/Revenue Received
- ◆ A Transit System's Budget Shows Projected Operating Expenses and Revenues, and Projected Capital Expenses and Revenues, for Each Month of the One year Budget Period



# Budgeting

- ◆ A Transit System's Budget Is One of the Most Important Management Tools
  - A one-year financial guide to “staying on track”
  - Used to guide most management actions



# Budgeting

- ◆ Developing a Budget That Reflects Revenues and Expenses Over a Longer Period (e.g., 5 Years) Can Show Particular Line Item Trends Which May Not Be Obvious in a One-Year Budget
  - It also provides warnings about the sustainability of the budget and operations



# Budgeting

- ◆ Developing a Budget
  - Clarifies your financial assumptions about the future
  - Those assumptions can be discussed and evaluated, and even changed as the year progresses
  - No use if you do not monitor how closely you are following your budget



# Budgeting

- ◆ Developing a Budget (con't)
  - Review the budget every month to monitor
    - How well you are tracking expenses and revenues
    - What budget changes or actions are needed
    - What corrective actions are needed with staff, contractors, vendors, and even riders
- ◆ The Budget Guides Your Actions, Programs, Services, Purchases, Grants, Revenues, Etc.



# Budgeting

- ◆ Your Budget Should Reflect Each Month of the 12-Month Period for Which It Covers
  - Each month is different, due to projected number of service days, holidays, snow days, special seasonal services, etc.



# Budgeting

- ◆ Use Historical Trends, Corrections From the Last Budget, Inflation Factors, and Reasonable and Documented Forecasts for Future Revenue and Costs
- ◆ Developing the Budget Should Be a Team Effort Between Key Staff and the Governing Board





# Budgeting

- ◆ Document Your Assumptions About the Forecast
- ◆ The Budget Should Reflect Accrued Expenses and Revenues, As Appropriate



# Budgeting

- ◆ The Budget May Have Several Special Line Items
  - Capitalized maintenance
  - Administrative expenses
  - Revenue and local match requirements
  - Farebox revenue and donations



# Direct and Indirect Costs

- ◆ Total Costs = Direct Costs + Indirect Costs
- ◆ Direct Costs Are Strictly Related to the Public Transit Service
- ◆ Indirect Costs Occur in an Agency That Has Several Functions (Transportation, Case Management, Food Stamps, etc.) and Where It Is Necessary To Break Out Those Costs That Are Related to Transit



# Direct and Indirect Costs

## ◆ Indirect Costs

- Usually require overhead costs (such as Executive Director time, phone system, etc.) to be split between transit and the other functions of the agency
- Documentation and reasonable assumptions are required
- Indirect cost plans must be submitted NCDOT and must be approved by the cognizant agency (may or may not be NCDOT)

A background map showing a street grid with several colored lines (red, yellow, purple) highlighting specific routes or areas.

# Direct and Indirect Costs

- ◆ Indirect Costs (con't)
  - All indirect labor costs must be supported by employee prepared time records
    - Records must document work was performed
    - Records must show paid time off



# Direct and Indirect Costs

## ◆ Direct Costs

- Operator's Salaries & Wages
- Dispatcher's Salaries & Wages
- Contract Vehicle Maintenance
- Fuel & Lubricants Consumed
- Tires and Tubes Consumed
- Purchased Transportation



# Direct and Indirect Costs

## ◆ Indirect Costs

- Certain central service costs
- General administration of the organization
- Accounting and personnel services performed within the organization that delivers public transit services
- Costs of operating and maintaining facilities

# Direct and Indirect Costs

- ◆ Central Service Cost Allocation Plan Means the Documentation Identifying, Accumulating, and Allocating or Developing Billing Rates Based on the Allowable Costs of Services Provided by a Governmental Unit on a Centralized Basis to Its Departments and Agencies
  - 2 CFR 200.9 and described in Appendix V to 2 CFR part 200



A background map showing a street grid with several colored overlays: a red outline, a yellow line, and a purple line. The map is semi-transparent and serves as a decorative background for the slide.

# Direct and Indirect Costs

- ◆ Indirect Costs Must Be Allocated in a Manner Consistent With Procedures Set Forth in 2CFR 200 Part 209
- ◆ You Must Have an Indirect Cost Allocation Plan or Indirect Cost Rate in Order to Claim Reimbursement Under Federal Grants

A background map showing a street grid with several colored overlays: a red outline, a yellow line, and a purple line. The title 'Direct and Indirect Costs' is centered at the top in a dark red font.

# Direct and Indirect Costs

- ◆ Negotiation and Approval of Indirect Rates
  - The Federal agency with the largest dollar value of awards to the organization will be designated as the cognizant agency for the negotiation and approval of the indirect cost rates



# Direct and Indirect Costs

- ◆ Negotiation and Approval of Indirect Rates (con't)
  - The designation is not changed unless there is a major long-term shift in the dollar volume of Federal awards

# Direct and Indirect Costs

- ◆ Indirect Cost Rates and Cost Allocation Plans Have Specific Documentation Requirements
  - Certificate of Cost Allocation Plan
    - <https://connect.ncdot.gov/business/Transit/Documents/Certificate%20of%20Cost%20Allocation%20Form.pdf>
  - Indirect Cost Rate Worksheet
    - <https://connect.ncdot.gov/business/Transit/Pages/Transit-Financial.aspx> (scroll down to Indirect Cost Overhead Docs for worksheet)
  - Salary Detail
    - <https://connect.ncdot.gov/business/Transit/Pages/Transit-Financial.aspx> (scroll down to Indirect Cost Overhead Docs for example)

# Fully Allocated Costs

- ◆ The Total Cost of Doing Business
  - <https://connect.ncdot.gov/business/Transit/Pages/Training-Hub.aspx>

Fully allocated cost training will be offered later in 2024.

# Why Fully Allocated Costs Are Needed

- ◆ FTA Public Transit Funds Are Not Intended To Subsidize Other Transportation Funding
- ◆ The Sum of the Costs of All Services Must Equal the Total Rural Transit System Budget
- ◆ If It Does Not
  - All costs have not been included in the cost model
  - You do not have a complete and accurate picture of your costs
  - Your decisions may be flawed



# Why Fully Allocated Costs Are Needed

- ◆ A Fully Allocated Cost Model Is Needed To
  - Compare the costs of individual routes and services (even by time of day and day of week), so their cost-effectiveness can be evaluated, and changes made

# Fully Allocated Cost Model

- ◆ National RTAP Cost Allocation Tool

<http://nationalrtap.org/Web-Apps/Cost-Allocation-Calculator/Support>

- ◆ NCDOT Excel Spreadsheet Tool

<https://connect.ncdot.gov/business/Transit/Pages/Training-Hub.aspx>

(scroll to bottom of page for tool/training)





Financial Management

# **RESOURCE DOCUMENTS**

# RESOURCES

- ◆ NCDOT-IMD Business Guide
  - Required Documentation for Each G-Code
    - “Cheat sheet” outlining the required documentation for each G-code
    - <https://connect.ncdot.gov/business/Transit/Documents/Required%20Documentation%20for%20each%20grant%207%2027%202018.pdf.pdf>
- ◆ National RTAP’s Transit Manager’s Toolkit
  - [Budgeting and Finance 101 Section](#)
- ◆ National RTAP’s guidance for FTA Section 5311 recipients and subrecipients on financial management topics
  - [Fundamental Financial Management for Rural Transit Providers](#)



# RESOURCES

- ◆ 2 CFR § 200
  - Key sections
    - 2 CFR § 200.302-200.307
    - 2 CFR § 200.400 – 200.476
- ◆ FTA Circular 5010.1E
  - Key Sections
    - Section VI, Financial Management



# References

- ◆ Additional References (on the Internet)
  - Transportation by the Numbers: Getting the Most Out of Transportation Services: Understanding Costs, Benefits and Opportunities (workbook and online worksheets), National Center for Senior Transportation; 2007
  - Financial Management for Transit – A Handbook; USDOT; 1985



# References

- Fully Allocated Cost Analysis: Guidelines for Public Transit Providers; Price Waterhouse; 1982
- Fundamental Financial Management Training for Rural and Small Urban Public Transportation Providers: MTAP/RTAP Training Course; RLS & Associates, Inc.
- Uniform System of Accounts – National Transit Data Base; USDOT; 1993 (on Internet)

A background map showing a street grid with several colored overlays: a red outline on the left, a yellow line running diagonally, and an orange outline on the right. The title 'Conclusion' is centered in a dark red font.

# Conclusion

- ◆ Thank you all for attending!
- ◆ Questions/Comments
- ◆ Contact Information
  - Julie Schafer, Director of State Initiatives
  - [jschafer@rlsandassoc.com](mailto:jschafer@rlsandassoc.com)