

Arizona Department of Education

County Indirect Cost Rate

Instructional Calculation Memo

Information for Lines 1-4 of the calculation is taken from the Annual Financial Report of the County School Superintendent, as follows:

Line 1. Expenditures from county funds for salaries and benefits,

Line 2. Expenditures from county funds for supplies and other expenses,

Line 3. Expenditures from the indirect cost fund for salaries and benefits,

Line 4. Expenditures from the indirect cost fund for supplies and expense.

Note: *Capital outlay is not to be included as an expenditure.*

Line 5. Total Lines 1-4.

Line 6. Enter the Governance from the Calculation of Governance form on Page 2.

Line 7. Subtract Governance (Line 6) from Total Expenditures (Line 5).

Line 8. Enter the Federal Warrant Ratio from the Warrant Counts sheet (Page 3).

Line 9. Multiply the Total Administrative Office Expenses (Line 7) by the Federal Warrant Ratio (Line 8).

Line 10. Enter the Total Federal Expenditures from the Federal Project Expenditure Schedule (Page 4).

Line 11. Divide Indirect Cost Pool (Line 9) by Total Federal Expenditures (Line 10)

The County School Superintendent or his/her designee must sign the form.

ADE will review the calculation and supporting documentation. A copy of the *Annual Financial Report of the County School Superintendent* used in Lines 1 - 4 must be included in the supporting documentation. ADE may request additional information from the County School Superintendent before approving the indirect cost rate.

The ADE determining official will approve the indirect cost rate and the period for which the rate applies and return a copy to the County School Superintendent. The approved form is your authorization to use the rate.

Calculation of Governance

Instructions

Governance is the expense of the County School Superintendents Office that is directly related to managing a county office and not related to assisting school districts. All of the County School Superintendent's salary and benefits are to be considered governance. Other employees of the County School Superintendents Office may have duties that require them to spend all or part of their time in activities directly related to managing a county agency. The portion of their salary and benefits that relate to these duties should be included in governance. Other expenses (i.e.; travel, subscriptions, dues and memberships) that directly relate to the County School Superintendents duties as a county official are included in governance.

County Superintendent:

In this section since 100% of the County School Superintendents salary and benefits are governance, the total amounts can be entered in Column 4. The travel, subscriptions and dues and membership fees can also be listed in Column 4. Other expenses relating to governance should be listed and identified.

Other Office Employee 1 & 2:

These sections should be used to list personnel whose duties in total or in part relate directly to managing a county office or support the County School Superintendent in his/her duties. The total salary and benefits for these employees should be listed in Column 2. If all of an employee's time is spent in duties relating to governance, 100 % should be entered in Column 3. If an employee spends a portion of their time in governance related activities, a determination must be made as to how much time is spent on governance. For instance, if the deputy superintendent spends 90% of his/her time on county duties, then 90% of their salary and benefits are to be deducted. After the percentage of an employee's time spent on governance is determined, the percentage should be entered in Column 3. The salary and benefits in Column 2 should be multiplied by the percentage in Column 3 and the result entered in Column 4.

This procedure should be followed with each employee with governance related duties. If calculations are needed for additional employees, the form may be copied and used.

Column 4 should be totaled and the balance brought forward to Line 6 on the Calculation of County Indirect Cost Rate form.

Warrant/Transaction Counts

Instructions

To determine a county indirect cost rate the federal warrant/transaction counts ratio must be determined.

A major responsibility of the county offices is processing and issuing warrants on behalf of the districts. Warrant counts were determined to be a fair and reasonable basis of measuring the effort incurred by the counties. Counties have the option of using federal transaction counts in lieu of warrant counts.

A percentage is determined based on dividing the total number of federal warrants (transactions) issued by the county by the total of all warrants (transactions) issued. They may use a representative month's activity in lieu of the entire year.

Transaction count ratio is subject to a maximum cap per the ADE plan. If transaction counts are used, at no time can the transaction-based ratios exceed 25% of the average warrant-based rates (i.e., if the average warrant-based ratio is 24%, the transaction based ratio cannot exceed 30%).

Completing the Form:

Section 1

The county name should be listed and the appropriate box for month or year should be checked. If the warrant count includes all warrants issued between July 1 and June 30, the year box should be checked. If an annual warrant count is not practical, a count from a typical month may be used. ADE has determined that the month of March is normally a representative month for the County School Superintendent Offices and should be used unless there is a reason not to consider it a typical month. If another month is chosen as being more representative, a brief narrative of why that month was selected must be submitted to ADE with the Calculation of County Indirect Cost Rate form. When a month is used for the warrant count, the month box should be checked and the month used entered in the space to the right of the box.

Section 2

In Column 1, list the name of each school district for which warrants were issued.

Enter the number of district warrants issued from federal funds for expenses in Column 2, for payroll in Column 3 and the total of both in Column 4. Federal warrants are warrants issued from funds 110-349 through fiscal year 1998 and 110-399 for fiscal years after 1998. If any portion of a warrant is paid from federal funds, the warrant should be included in the federal count. **Note:** Warrants paid from funds that contain both federal and non-federal moneys (Fund 710 Food Service, M & O) are **not** included in the federal warrant count.

Enter the total number of district warrants issued from all funds for expenses in Column 5, for payroll in Column 6 and the total of both in Column 7. These totals should include the warrants issued from federal funds. Warrants paid from funds that contain both federal and non-federal moneys **are** included in the total warrant count.

If additional pages are needed, the form may be copied and used. The totals from these additional pages should be brought forward to the first page of the form and the columns totaled.

Calculate the Federal Warrant Ratio by dividing the total number of federal warrants for all districts in Column 4 by the total number of warrants for all funds for all districts in Column 7. This percentage should also be entered on Line 8 of the Calculation of County Indirect Cost Rate form.

Federal Project Expenditures

Instructions

The Federal Project Expenditures can be obtained from Page 5 of the Annual Financial Report from each district. The Actual Expenditures column from the AFR should be recorded on the Federal Project Expenditure schedule.

Since pilot districts issue their own vouchers and receive their warrants directly, their expenditures are **not** to be included in this schedule.

If additional pages are needed, the form may be copied and used. The totals from these additional pages should be brought forward to the first page of the form and the columns totaled.

The Total Federal Expenditures should be entered on Line 10 of the Calculation of County Indirect Cost Rate form.