LOCAL EDUCATION AGENCY

INDIRECT COST PLAN

Organization: South Dakota Department of Education Address: 800 Governors Drive

Pierre, SD 57501-2294

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Phone Number: (605) 773-3248

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## Profile of LEAs

**South Dakota Department of Education**

1. Number of LEAs in the State – **149 School Districts, 14 Cooperatives**
2. Which basis of accounting is used by the LEAs? - **Modified Accrual for Governmental Funds, Full Accrual for Enterprise Funds**
3. Number of LEAs requesting indirect cost rates – **The SEA calculates the rates for all LEAs, however not all LEAs request indirect cost reimbursement.**
4. Number of LEAs utilizing the indirect cost rates - **45**
5. Describe Rates calculated - **Restricted and Unrestricted**
6. Type of Rate calculated - **Predetermined**
7. If Predetermined, is the rate discounted? - **Yes, 5 year rolling average with the 5% discount**
8. Frequency of indirect cost rates calculated – **Annually**
9. Are unused leave payments in the indirect cost pool for calculation of the

unrestricted indirect cost rate? – **Yes, if associated with expenditures for the following: fiscal, internal, central services and operation & maintenance of plant.**

1. Are the salaries and related costs of Superintendents, Deputy Superintendents, and Heads of components, adjusted in the Restricted Rate calculation? – **Expenditures coded to the Office of the Superintendent (Superintendents and Deputy Superintendents) under executive administration services (Function code 2320) are included in the direct base only and are not included in the indirect costs pool.**
2. Are unused leave payments charged directly to federal awards? - **Yes, if doing so is consistent with district policy for non-federally funded employees**
3. Are all building related expenditures in the direct cost base for calculation of the restricted indirect cost rate? – **Yes**
4. Does the base include only the first $25,000 of sub-award expenditures? – **No, many of our school districts are small and wouldn’t actually have sub-award expenditures. All expenditures would be included in the base of the indirect cost rate calculation reducing the indirect cost percentage.**
5. Are food costs excluded from the direct cost base as a distorting item? The only allowable costs that may remain in the direct cost base are the cafeteria workers - **Yes**
6. Are any types of retirement incentives included in the proposal or planned in the next fiscal year? – **The state does NOT offer retirement incentives. Each district can choose to offer these on their own. All early retirement incentives are included in the direct cost base reducing the indirect cost percentage.**
7. Describe technical assistance, (2 CFR §200.322 (e)(1)) workshops, trainings, or opportunities provided to Local Education Agencies to learn more about their responsibilities as it pertains to indirect costs.
   * **Indirect costs are discussed periodically within our monthly meetings with business officials and biannual state-wide conferences. Individual technical assistance is given upon request.**
   * **Due to the size of several of our LEAs, the state issues indirect costs without an application from the LEA. If the state were to go to an application process only, the number of LEAs who would apply and utilize the indirect cost rate would drop significantly. Most LEA allocations do not cover the direct costs to run the programs.**
8. Describe the plan for monitoring indirect cost rates (frequency and procedures)?
   * **LEAs submit annual financial reports to South Dakota Department of Education during a data collection cycle that runs from July 1st – June 30th annually. DOE staff in the State Aid and school finance office review the fiscal data submission- of revenues, expenditures, and balance sheets for each fund submitted. For further explanation on this process refer to Rate Calculation Section Below.**
   * **During the grant application process, a District can only budget indirect costs up to the % of indirect costs agreed upon. The Grants Management System we utilize will not allow the application to be submitted if a higher dollar amount is being budgeted.**
9. Delegation agreement expiration date? **06/30/2022**
   * If your plan is expired, have you contacted the United States Department of Education’s Indirect Cost Division to receive technical assistance.
     + **Meeting with USDE ICD on November 5th, 2021 to receive technical assistance**
10. How are negotiated indirect cost rates distributed, and what time of the year are they published?
    * **Once the Indirect Cost Plan has been approved by USDE, a DocuSign agreement will be sent to each LEA with the approved rate. On any year USDE does not need to give additional approval, the DocuSign agreement will be sent in the Spring for the next fiscal year.**

* **Rates will be posted on the SD DOE website for the corresponding fiscal year.**

# Cost Principles

The Office of Management and Budget (OMB) Uniform Administrative Requires, Cost Principles, and Audit Requirements for Federal Awards (commonly called “Uniform Guidance”) sets forth the cost principles and standards for determining the allowable costs of federally funded grants and contracts administered by state and local governments and contains provisions for determining indirect cost rates for grantees and subgrantees of federal grants. The objectives of the Uniform Guidance are to:

1. *Establish uniform standards of allowability*. All federal agencies agree to recognize the central service costs which benefit grant programs as allowable costs of those programs, so long as they are calculated in accordance with the Uniform Guidance.
2. *Establish uniform standards of allocation*. All federal agencies accept the method of allocation agreed to by the “cognizant” federal agency. Costs are allocated to the benefiting departments regardless of the funding source or the ability of that source to pay.
3. *Identify the full cost of federal programs*. By identifying, accumulating, and allocating al allowable direct and indirect costs to the program for which the cost was incurred, the exact cost of all federal programs any be determined.
4. *Ensure federal programs bear their fair share of costs.* Only by identifying and allocating all direct and indirect costs within a central service costs allocation plan in conformity with the Uniform Guidance will localities be reimbursed for the total cost of federal programs.
5. *Simplify intergovernmental relations.* Under the OMB Uniform Grants Guidance concept of the “cognizant” federal agency, one agency with one group of reviewers approves a cost plan. All other agencies accept the plan. Thus, uniform methods of allocation and allowability are applied to all federal grants.
6. *Encourages consistency of treatment.* Grantee organizations are encouraged to process all grant applications through a central office that is also aware of the basis of which an indirect cost rate was developed to minimize inconsistent treatment.

# Classification of Costs

Modified Total Direct Costs (2 CFR § 200.1)

All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards un the award). MTDC excludes equipment, capital expenditures charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the potion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

Direct Costs (2 CFR § 200.413)

Direct costs are those that can be identified specifically with a particular cost objective. These costs may be charged directly to grants, contracts, or to other programs against which costs are finally assigned. Typical direct costs chargeable to a grant include, but are not limited to:

1. Compensation of employees for the time devoted and identified specifically to the performance of those programs;
2. Cost of materials acquired, consumed, or expended specifically for the purpose of those programs;
3. Travel expenses incurred specifically to carry out the program; etc.

Indirect Costs 2 CFR § 200.414

Indirect costs are those not readily identifiable with the activities of the grant but incurred for the joint benefit of those activities and other activities of the organization. In accordance with Uniform Grants Guidance, 2 CFR 200, indirect costs are:

* Incurred for a common or joint purpose benefiting more than one cost objective; and
* Not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

200.414(h) – The federally negotiated indirect rate, distribution base, and rate type for a non-federal entity must be available publicly on an OMB-designated Federal website

A cost may not be allocated to a federal program as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a federal program as a direct cost. Typical examples of indirect costs may include procurement, payroll, personnel functions, maintenance and operations of space, data processing, accounting, auditing, budgeting, etc.

Allowability of Costs (2 CFR §200.403 – 200.405)

For a cost to be allowable it must be allowable (2 CFR § 200.403), reasonable (2 CFR § 200.404), and allocable (2 CFR § 200.405). Unallowable costs cannot be charged to federal wards. For rate computation purposes, unallowable costs may be included in the allocation base if such costs benefit from allowable indirect activities or may be excluded from the calculation. Examples of unallowable costs are bad debts (2 CFR § 200.426)

Unallowable Costs (2 CFR § 200.413)

2 CFR 200.413 classifies certain items of cost as unallowable. Unallowable costs cannot be charged to federal awards. For rate computation purposes, unallowable costs may be included in the allocation base if such costs benefit from allowable indirect activities if they represent activities which:

1. Include the salaries of personnel;
2. Occupy space, and
3. Benefit from the non-Federal entity’s indirect costs.

Subawards and Contractor Determinations

The uniform guidance states that a case-by-case determination must be made in order to properly classify subawards and subcontracts. The guidance below and the attached work paper for subaward, subcontracts, etc. will assist in understanding the subawards and subcontracts.

According to 2 CFR § 200.1- Definitions - A subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

Two key observation is the treatment of pass-through funding and professional services 2 C.F.R. §200.459 Professional service costs as subcontracts.

Please review and revise the Plan to ensure that the schedule of subcontracts and schedule of exclusions are using the following guidance:

• 2 C.F.R § 200.330 Subrecipient and contractor determinations: Under subcontract/sub-award agreements, the second-tiered entity receives funds (whether contract, grant or other agreement) from a prime recipient, to carry out a portion of a program. The entity works independently and is responsible for decision making.

• A subaward is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship with the subrecipient. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

1. Determines who is eligible to receive what Federal assistance.
2. Has its performance measured in relation to whether objectives of a federal program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
5. In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

• 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. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:

1. Provides the goods and services within normal business operations.
2. Provides similar goods or services to many different purchasers.
3. Normally operates in a competitive environment.
4. Provides goods or services that are ancillary to the operations of the Federal program; and
5. Is no subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

• 2 C.F.R. § 200.459 Professional Service Costs:  Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-Federal entity, are allowable, subject to paragraphs (b) and (c) when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government.

• Pass-Through Funds:  The pass-through funds are given to prime entity as gate keeper for funding resources for another entity.

# Rate Types

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## Restricted Rates (34 CFR § 75.563 and § 76.563 through 76.569)

As defined in the Education Department General and Administrative Regulations (EDGAR) at 34 CFR

75.563 through 76.569, restricted rates apply to grants that are made under federal programs with supplement-not-supplant requirements. This means that the funds are for support in addition to state and local funding. Such amounts are intended to supplement, but in no way replace local funds. Most of the federal grants that the LEA obtains through the department have supplement-not- supplant requirements and a restricted indirect cost rate must be used on the programs. The restricted indirect cost rate pool (numerator) includes only expenditures of general management costs and fixed charges as defined below:  
  
General Management Costs: As stated in EDGAR 76.565, “general management costs mean the costs of activities that are for the direction and control of the grantee’s affairs that are organization wide. An activity is not organization wide if it is limited to one activity, one component of the grantee, one subject, one phase of operations, or other single responsibility. General management costs include the costs of performing a service function, such as accounting, payroll preparation, or personnel management, that is normally at the grantee’s level even if the function is physically located elsewhere for convenience or better management.”

When calculating a restricted indirect cost rate, the term “General Management Costs” does not include expenditures for:

1. Divisional administration that is limited to one component of the grantee;
2. The governing body (members of the board of education) of the grantee;
3. Compensation of the chief executive officer (Superintendent of a school district) of the grantee;
4. Compensation of the chief executive officer of any component of the grantee; and
5. The operation of the immediate offices of these officers.

The superintendent’s and board of education’s salary, benefits, communications/telephone charges and other expenditures related directly to the operation of the Superintendent’s and board of education

offices, specifically, are not included in indirect costs and are considered, for rate computation purposes, to be disallowed costs in the calculation of the restricted indirect cost rate. For South Dakota LEA’s these costs are coded in Executive Administration (2320) and are considered direct for calculation of the restricted rate.

Charges for individuals whose time is divided between district-wide management responsibilities and specific program, or administrative activities will be based on Personal Activity Reports prepared at least monthly in compliance with 2 CFR 200.430 Compensation (C)(4).

An individual principal’s salary, benefits and expenditures related to the operation of the principal’s immediate offices are also not considered indirect costs. These costs are unallowable and are considered to be direct costs for the restricted rate computation purposes.

Generally, salaries and expenses for auditing, budgeting, payroll, personnel, purchasing, and employee relations are examples of services which typically benefit several activities and programs for which costs may be attributed by means of an indirect cost proposal. For South Dakota LEA’s this would include most of the costs recorded in Fiscal Services (function 2520). In theory, all such costs can be charged directly. However, practical limitation and consideration of efficiency in accounting preclude such an approach and therefore these costs are considered indirect.

To recognize the depreciation cost for building, infrastructure, and equipment the annual cost recognized on the indirect cost rate calculations will include two percent for buildings and infrastructure and eight percent for equipment. The percentages are based on depreciation schedules of 50 years for building and infrastructure and 12 years for equipment. The total costs of buildings, infrastructure and equipment is reported annually in fund 90 – General Capital Assets.

**Fixed charges:** Fixed charges classified as indirect costs are limited to those amounts which are associated with general management costs. The fixed charges can be viewed as appended to those administrative functions, and the classification rules are the same as those applied to salaries.

These expenditures are exclusively identified as:

* 1. Employee retirement
  2. Social Security
  3. Medicare
  4. Premium expenditures for:

1. employee insurance
2. liability insurance
   1. Unemployment and workers compensation, and
   2. All similar costs normally considered being employee fringe benefits.

## Unrestricted Rates (34 CFR 75.560 and 76.568)

Unrestricted rates apply to grants not subject to the supplement but not supplant legislative restriction.

1. **Indirect Costs** - Expenditure for operations and maintenance of plant are classified as an indirect cost when calculating an unrestricted rate. All other costs are classified the same as the restricted rate calculations.
2. **Direct Costs, Unallowable Costs, and Excluded Costs** are also classified the same as the restricted rate calculations.

# Introduction

The SOUTH DAKOTA Department of Education, in collaboration with the United States Department of Education (ED), developed a methodology for the calculation of indirect cost rates of their Local Educational Agencies (LEA’s), July 1, 2022- June 30, 2026. The State Educational Agency (SEA) has been delegated authority from ED to review and approve indirect cost rates for LEAs. Specifically, LEA, and SEA staff are in charge of ensuring accounting, regulations, and financial reporting standards are adhered to within their assigned organization.

According to South Dakota Codified Law 13-5-1 to 13-5-33.2 a School district referred to in this document as a **Local Education Agency (LEA)** is a public school operating in accordance with statutes, regulations, and policies of the Department. An LEA has a set geographical boundary and may include any grade configuration along with education settings (e.g., Alternative education, special education, career, and technical education.)

[**13-5-1**](https://sdlegislature.gov/Statutes/Codified_Laws/DisplayStatute.aspx?Type=Statute&Statute=13-5-1)**. School districts defined--General corporate and proprietary powers.**

Any territory organized for the express purpose of operating not less than a thirteen-year school program and governed by an elected school board is defined to be a school district. It may sue and be sued, contract and be contracted with, purchase, hold, and use personal and real property for school purposes, and sell and dispose of the same.

[**13-5-2**](https://sdlegislature.gov/Statutes/Codified_Laws/DisplayStatute.aspx?Type=Statute&Statute=13-5-2)**. Types of school districts abolished--New boards for former superimposed districts.**

All types of school districts existing before July 1, 1976, are hereby abolished. Each independent and superimposed school district with its present boundaries shall hereby become a school district as defined in this chapter. Board members of former independent school districts shall continue to serve until their terms expire except the former superimposed school districts shall constitute a new school district entity and the election of a new school board shall occur as provided in chapter [13-6](https://sdlegislature.gov/Statutes/Codified_Laws/DisplayStatute.aspx?Type=Statute&Statute=13-6).

**Cooperative/Multidistrict (COOP)** A cooperative education service unit is a legal entity. It is the intent of the South Dakota Legislature to encourage maximum utilization of cooperative efforts among school districts in an effort to maximize educational excellence in this state and to permit cooperative efforts between schools which are not adjacent to one another. A cooperative service unit may provide academic educational resources, human resources, special education services, payroll services, cooperative purchasing, workers' compensation, group health insurance, and other services deemed appropriate by a majority vote of the governing board and in keeping with the laws of the State of South Dakota. (SD Codified Law 13-5-31)

# Indirect Cost Rate Information

An indirect cost rate is a means of determining, in a reasonable manner, the percentage of allowable general management costs that benefit each federal program or activity. Indirect costs are generally administrative costs such as the salaries and expenses for staff engaged in organization-wide (general) activities.

Indirect costs are recovered only to the extent of direct costs incurred. Once a rate is approved, it is applied to the net direct costs expended (i.e., total direct costs less equipment purchases, capital outlay, debt service expenditures, transfers, distorting costs, the portion of individual sub-awards exceeding $25,000 and pass-through funds.) The approved rate is the maximum rate that can be applied; a LEA may choose to recover less than maximum rate allots but may not exceed the rate.

Federal law or grant conditions may limit the amount of indirect cost recovery. For example, if a district has a restricted rate of five percent and the program legislation allows only a three percent rate of recovery, then it can recover only indirect costs equal to three percent of the appropriate direct costs base. Grant terms and conditions may also exist for some grants that prohibit any recovery of indirect costs. Recovery of indirect costs on grants is subject to the availability of funds.

# Rate Calculation Process

Following the June 30th end of a fiscal year, LEAs electronically submit their Annual Financial Reports to the SOUTH DAKOTA Department of Education before August 30th. Upon submission of these financial reports, DOE staff in the State Aid and school finance (SASF) office review the fiscal data submission of revenues, expenditures, and balance sheets for each fund submitted. After the completion of the data collection each LEA is required to submit a certification verifying that they have reviewed and approved the annual financial report data submitted. The certification authorizes SD DOE to use the data for data analysis, data reporting, and funding purposes. Upon receiving all LEA certifications, SASF staff uses the finalized financial data, to annually calculate unrestricted and restricted rates.

The sources of information utilized to determine indirect cost rates are the LEA's Annual Financial Report (AFR) and the detail accounts. Therefore, it is essential that LEAs classify expenditures uniformly and consistently. Types of expenditures, which are identified as indirect costs, shall not also be included as direct costs. All expenditures detailed on the AFR must have been incurred and records supporting the costs must be maintained by the LEA.

1. A current year ­Calculated Rate is determined for each LEA. Expenditures by function, as reported on the AFR, are divided to determine the current year calculated rate.

Calculated rate = \_\_\_\_\_\_\_\_\_\_\_Indirect \_\_\_\_\_­­­­­­­­­­\_\_\_  
 Direct and unallowable

1. The current Calculated Rate is averaged with the calculated rates from the prior four years then a 5% discount is applied:

LEA rate = (((Rate prior 4 years + calculated rate)/5)\*.95)

The State of SD has not had a situation where 1 or more school districts consolidate in recent years. However, if this were to happen, the rate from the district of record identified in the consolidation plan will be used for the new school district until rate data is available.

Annual calculated rates are kept on file in State Aid and School Finance Office with Annual financial Report data submitted by the LEA. Discounted rate data is also kept by State Aid and School Finance Office in a separate excel file.

# Approval Process

An indirect cost rate issued by the SOUTH DAKOTA Department of Education for a specific year. The approved predetermined discounted rate is valid for one year, from July 1 to June 30. Indirect costs are covered only to the extent of direct costs incurred. The indirect cost rate is applied to the direct cost amount expended, not to the grant award.

Once the calculation for a District has been determined, the South Dakota Department of Education sends an email with a DocuSign document indicating the indirect cost rates for the fiscal year after we have received approval from US DE or in the spring annually. The Superintendent and Business Official of the school district must sign the DocuSign Document and return to SD DOE indicating whether they will utilize the calculated indirect cost rate.

If a District feels the rate is inaccurate or would like to dispute the rate, they will work with representatives from SD DOE Grants Management and State Aid and School Finance to determine the rate discrepancies and agree upon an indirect cost rate. SD DOE has not had this issue come up in recent years as the review process of the Annual Financial Report has district representatives sign off on the information provided.

# INDIRECT COST RATE AGREEMENT State Agency

**Organization:**  **Date:**

Aberdeen School District **Agreement No:**

<Address> **Filing Reference:**

<City, SD, Zip>

This agreement confirms approval and acceptance of the methodology, policy, and procedures the South Dakota Department of Education will use in establishing indirect cost rates for each public school district. These rates are for use in the award and management of Federal contracts, grants, and other assistance arrangements governed by Office of Management and Budget (OMB) 2 CFR Part 200 and Education Department General Administrative Regulations (EDGAR) 34 Parts 76.561(b) and (c) and2 CFR § 200.1

The South Dakota Secretary of Education or a designed representative is granted authority to establish indirect cost rates for each district by the U.S. Department of Education, Indirect Cost Division. These rates will serve as the sole basis for budgeting and allocating indirect cost reimbursement under Federal programs. The application of these indirect cost rates is binding on all Federal agencies and subject to periodic review pursuant to single audit requirements for State and Local governments.

**Section I – Rates and Bases**

**Type From To Rate Base Applicable to:**

Predetermined 07/01/2022 06/30/2023 MTDC Unrestricted

Predetermined 07/01/2022 06/30/2023 MTDC Restricted

Distribution Base:

MTDC Modified Total Direct Cost – Total direct costs excluding equipment, capital expenditures, participant support costs, pass-through funds, and the portion of each subaward (subcontract or subgrant) above $25,000 (each award, each year).

Applicable to:

Unrestricted Unrestricted rates apply to programs that do not require a restricted rate per 34 CFR 75.563 and 34 CFR 76.563

Restricted Restricted rates apply to programs that require a restricted rate per 34 CFR 75.563 and 34 CFR 76.563

Treatment of Fringe Benefits:

Fringe benefits applicable to direct salaries and wages are treated as direct costs. Pursuant to 2 CFR § 200.431(b)(3)(i) unused leave costs for all employees are allowable in the year of payment. The treatment of unused leave costs should be allocated as an indirect cost except for those employee salaries designated as a direct cost for the restricted rate calculation.

Capitalization Policy:

Items of equipment are capitalized and depreciated if the initial acquisition cost is equal to or greater than $5,000.

**Section II – Particulars**

Limitations: Application of the rates contained in this Agreement is subject to all statutory or administrative limitations on the use of funds, and payments of cots hereunder are subject to the availability of appropriations applicable to a given grant or contract. Acceptance of the rates agreed to herein is predicated on the following conditions: (A) that no costs other than those incurred by the Organization were included in the indirect cost pools as finally accepted, and that such costs are legal obligations of the Organization and allowable under the governing cost principles; (B) the same costs that have been treated as indirect costs are not claimed as direct costs; (C) that similar types of information which are provided by the Organization, and which were used as a basis for acceptance of rates agreed to herein, are not subsequently found to be materially incomplete or inaccurate; and (D) that similar types of costs have been accorded consistent account treatment.

Accounting Changes: The rates contained in this agreement are based on the organizational structure and the accounting systems in effect at the time the proposal was submitted. Changes in organizational structure or changes in the method of accounting for costs which affect the amount of reimbursement resulting from use of the rates in this agreement, require the prior approval of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowance.

Provisional/Final/Predetermined Rates: A proposal to establish a final rate must be submitted. The awarding office should be notified if the final rate is different from the provisional rate so that appropriate adjustments to billings and charges may be made. Predetermined rates are not subject to adjustment.

Fixed Rate: The negotiated fixed rate is based on an estimate of the costs that will be incurred during the period to which the rate applies. When the actual costs for such period have been determined, an adjustment will be made to a subsequent rate calculation to compensate for the difference between the costs used to establish the fixed rate and the actual costs.

Notification to Other Agencies: Copies of this document may be provided to other Federal or State agencies as a means of notifying them of the agreement contained herein.

Audit: All costs (direct and indirect, federal and non-federal) are subject to audit. Adjustments to amounts resulting from audit of the cost allocation plan or indirect cost rate proposal upon which the negotiation of this agreement was based may be compensated for the in a subsequent negotiation.

Reimbursement Ceilings/Limitations on Rates: Awards that include ceiling provision and statutory/regulatory requirements on indirect cost rates or reimbursement amounts are subject to the stipulations in the grant or contract agreements. If a ceiling is higher than the negotiated rate in Section I of this agreement, the negotiated rate will be used to determine the maximum allowable indirect cost.

**Section III – Special Remarks**

Alternative Reimbursement Methods: If any federal programs are reimbursing indirect costs by a methodology other than the approved rates in this agreement, such costs should be credited to the programs and the approved rates should be used to identify the maximum amount of indirect costs allocable.

**Section IV – Approvals**

☐ The Organization declines to utilize the calculated indirect cost rates listed above for the effective time period.

For the Organization: For the State:

<Subrecipient> South Dakota Department of Education

<Address> Director of Finance and Management

<City, SD, Zip> 800 Governor’s Drive

Pierre, SD 57501

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Signature Signature

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Name Name

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Date Date

# Glossary of Accounting Functions and Objects

## DEFINITIONS OF FUNDS

10 **General Fund** - to account for all financial resources except those required to be accounted for in another fund.

20 SPECIAL REVENUE FUNDS

1. **Capital Outlay Fund** - a fund established by SDCL 13-16-6 to meet expenditures which result in the acquisition of or additions to real property, plant, or equipment.
2. **Special Education Fund** - a fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the district.

24 **Pension Fund** – a fund established by SDCL 13-10-6 for the purpose of financing payments to SDRS and to finance early retirement programs. **THIS FUND CLOSED BY STATE STATUTE, EFFECTIVE FY2021**

50 ENTERPRISE FUNDS

51 **Food Service Fund** - a fund used to record financial transactions related to food service operations.

53 **Other Enterprise Funds** - such as daycare (SDCL 13-8-39.2) Latchkey (SDCL 13-8-50) and driver’s education

### SELF BALANCING ACCOUNTS

90 **General Capital Assets -** capital assets of the government are not specifically related to activities reported in proprietary or fiduciary funds. General capital assets are associated with and generally arise from governmental activities. Most often, they result from expenditures of governmental fund financial resources. They should not be reported as assets in governmental funds but should be reported in the governmental activities’ column in the government-wide financial statements

## MAJOR EXPENDITURE FUNCTIONS

**INSTRUCTION (1000 & 6000)**

Instruction includes the activities dealing directly with the interaction between teachers and students (pupil/teacher contact). Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving co-curricular activities. It may also be provided on-line or through correspondence as

approved. Included here are the activities of teacher assistants or classroom assistants of any type (clerks, graders, etc.) which assist in the instructional process. If instructional supervisors also teach and it is not possible to prorate expenditures, include those persons in instruction.

### REGULAR EDUCATION INSTRUCTIONAL PROGRAM (1100)

The Regular Education Program includes activities that provide students in grades K through 12 with learning experiences to prepare them for such activities as citizens, family members, and members of the work force. Expenditures for instructing students should be recorded in this program. If funds are expended to instruct teachers, those expenditures should be recorded in 2210 – Regular Education Instructional Support.

### SPECIAL EDUCATION INSTRUCTIONAL PROGRAM (1200)

The Special Education Program includes activities that provide learning experiences for students having special needs. This includes pre-school as well as elementary and secondary students.

Services include activities for varying needs. This includes educating the gifted and those with learning, emotional and physical disabilities. A student is educated based on an Individual Education Plan (IEP) developed by a team who address the particular needs of the student.

### INSTRUCTIONAL SUPPORT SERVICES (2100)

Support services provide administrative, supervisory, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves. Student support services include attendance, health services, and guidance services. The Instructional Support Services area includes student support, instructional staff, general and school administration, business administration, operation and maintenance of plant, and student transportation.

### ATTENDANCE (2110)

Attendance services are activities designed to improve student attendance at school and which attempt to prevent or to solve student problems involving the home, the school, and the community.

### HEALTH SERVICES (2120)

Health Support Services are activities that provide physical and mental health services that are not direct instruction. Services are also provided for appropriate medical and nursing services as required by individual program needs that include medical supplies, materials, and equipment.

### OTHER STUDENT SUPPORT (2130)

Other Student Support includes services to students in addition to attendance and health services. These include guidance services, and evaluation and testing services for both Regular Education students, Special Education students, and Vocational Education students.

### INSTRUCTIONAL STAFF SUPPORT (2200)

Instructional Staff Support services include activities associated with assisting the instructional staff with the content and process of providing learning experiences for students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving co-curricular activities. It may also be provided through television or other correspondence as approved.

### GENERAL ADMINISTRATION (2300)

General Administration includes the Board of Education and Office of the Director of Schools, which includes activities concerned with establishing and administering policy for operating the LEA.

### BOARD OF EDUCATION (2310)

Board of Education includes activities of the elected body that have been created according to State law and vested with responsibilities for educational activities in a given administrative unit.

### OFFICE OF THE SUPERINTENDENT OF SCHOOLS (2320)

The Office of the Superintendent of Schools includes activities performed in directing and managing all programs of the LEA.

### SCHOOL ADMINISTRATION (2400)

School Administration includes activities concerned with overall administrative responsibility for an individual school.

### OFFICE OF THE PRINCIPAL (2410)

Office of the Principal includes activities concerned with directing and managing the operation of a particular school. Such activities include those performed by the principal, assistant principals, and other assistants while they supervise all operations of the school, evaluate staff, assign duties to staff, supervise, and maintain the records of the school, and coordinate school instructional activities with those of the total school system. These activities also include the work of secretarial and clerical staff in support of the teaching and administrative duties.

### BUSINESS ADMINISTRATION (2500)

Business Administration includes activities concerned with paying, transporting, exchanging, and maintaining goods and services for the school system. Included are the fiscal and internal services necessary for operating the school system.

### FISCAL SERVICES (2520)

Fiscal Services includes activities concerned with the fiscal or financial operations of the LEA. This program includes all aspects of budgeting and financial reporting (such as receipts and disbursements, financial and property accounting, payroll, inventory control, internal auditing, and the managing of funds).

### FACILITIES ACQUISITION & CONSTRUCTION (2530)

Operation and Maintenance of Plant includes activities concerned with keeping the physical plant open, comfortable, and safe for use, and for keeping the grounds and grounds keeping equipment in effective working condition and state of repair. This also includes activities that result in maintaining safety of the buildings, grounds, and in the vicinity of schools.

### OPERATION & MAINTENANCE OF PLANT (2540)

Operation of Plant includes activities concerned with keeping the physical plant clean and ready for daily use. These activities include operating the heating, lighting, and ventilating systems, and repairing and replacing equipment (vacuum cleaners, buffers, etc.).

### TRANSPORTATION (2550)

Transportation includes activities concerned with conveying students for Regular, Vocational, and Special Educational instruction, as provided by State and Federal law. This includes trips between home and school, and trips to school activities. Transportation includes operation expenses for system-owned vehicles involved in the transportation function. Vehicle servicing, maintenance, and contracts for transporting services should also be recorded in this category.

### FOOD SERVICE (2560)

School Nutrition includes activities concerned with providing meals to students and staff in a school or school system. This service area includes the supervision of a staff whose responsibility is to prepare and serve regular and incidental meals, lunches, or snacks in connection with school activities and food delivery.

### CENTRAL AND OTHER (2600)

It includes services provided by information technology.

### COMMUNITY SERVICES (3000)

Community Services includes activities concerned with providing community services to students, staff, or community participants. This includes expenditures for system staff participating in community organizations such as leadership, family resource centers, extended school programs, and community-sponsored activities.

### CAPITAL OUTLAY (7500)

Regular Capital Outlay includes activities such as site acquisition services, site improvement services, architecture and engineering services, building acquisition and construction services, and building improvement services.

### EDUCATION DEBT SERVICE (5000)

Payments servicing the debt of the LEA, including payments of both principal and interest.

### OPERATING TRANSFERS (8000)

Transfers to Other Funds

This account should be used for normal inter-fund transfers (indirect cost payments, transfers to Debt Service Fund, transfer of supplemental type payments from one fund to another.)

## OBJECT CODES CATEGORIES

#### 100 Personal Services

Amounts paid to employees of the school system.

#### 200 Employee Benefits

Amounts paid on behalf of employees that are a part of the cost of employing staff. Benefits are to be identified with the function in which the salaries were recorded.

#### 300 Contracted Services

Amounts paid for services rendered by individuals and/or companies. These activities would include utility services, communication services, repair and maintenance services, rentals, cleaning services, etc.

#### 400 Supplies and Materials

Amounts paid for items that are consumed, worn out, or deteriorated through use. This would include classroom teaching supplies, audiovisual supplies, office supplies, etc.

#### 500 Other Charges

Expenditures for capital leases or purchase of capital assets or additions to capital assets, this category should only be used for the purchase of assets that will be capitalized under the school’s capitalization policy.

#### 600 Debt Service

This category includes the principal and interest required for capital outlay notes, bonds, and capitalized lease agreements.

#### 800 Loss of Capital Assets

This category includes the value of a capital asset over its sale or other disposition proceeds.

#### 900 Depreciation

The loss in value or service life of capital assets because of wear and tear through use, elapse of time, inadequacy, or obsolescence.

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| APPENDIX A | | | | | | | |
| **RESTRICTED** Cost Classification Matrix (Funds 10, 21, 22, 24, 51, 53) | | | | | | | |
| Function # | Function Description | Salaries (Object 100) | Benefits (Object 200) | Purchased Services  (Object 300) | Supplies (Object 400 except 461, 462) | Property (Object 500) | All Other (Object 461, 462, 600, 800, 900) |
| 1000 | Instruction | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2100 | Student Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2200 | Staff Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2300 | General Administration | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2400 | School Administration | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2520 | Fiscal Services | Indirect | Indirect | Indirect | Indirect | Excluded | Excluded |
| 2530 | Facilities Acquisition & Construction Services | Excluded | Excluded | Excluded | Excluded | Excluded | Excluded |
| 2540 | Operation & Maintenance of Plant | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2550 | Student Transportation | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2560 | Food Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2570 | Internal Services | Indirect | Indirect | Indirect | Indirect | Excluded | Excluded |
| 2590 | Other Business Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2600 | Other Central Services | Indirect | Indirect | Indirect | Indirect | Excluded | Excluded |
| 2700 | Special Education Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 3000 | Community Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 4000 | Non-Programmed Charges | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 5000 | Debt Services | Excluded | Excluded | Excluded | Excluded | Excluded | Excluded |
| 6000 | Cocurricular Activities | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 8000 | Other Financing Uses | Excluded | Excluded | Excluded | Excluded | Excluded | Excluded |
|  |  |  |  |  |  |  |  |
| Food Service (Fund 51) | | | | | | | |
| 2560 | Food Service Operation | Direct | Direct | Direct | Direct | Excluded | Excluded |
| Other Enterprise Fund (Fund 53) | | | | | | | |
|  | Other Enterprise Operation | Direct | Direct | Direct | Direct | Excluded | Excluded |
|  |  |  |  |  |  |  |  |
| **UNRESTRICTED** Cost Classification Matrix (Funds 10, 21, 22, 24, 51, 53) | | | | | | | |
| Function # | Function Description | Salaries (Object 100) | Benefits (Object 200) | Purchased Services  (Object 300) | Supplies (Object 400 except 461, 462) | Property (Object 500) | All Other (Object 461, 462, 600, 800, 900) |
| 1000 | Instruction | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2100 | Student Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2200 | Staff Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2300 | General Administration | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2400 | School Administration | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2520 | Fiscal Services | Indirect | Indirect | Indirect | Indirect | Excluded | Excluded |
| 2530 | Facilities Acquisition & Construction Services | Excluded | Excluded | Excluded | Excluded | Excluded | Excluded |
| 2540 | Operation & Maintenance of Plant | Indirect | Indirect | Indirect | Indirect | Excluded | Excluded |
| 2550 | Student Transportation | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2560 | Food Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2570 | Internal Services | Indirect | Indirect | Indirect | Indirect | Excluded | Excluded |
| 2590 | Other Business Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 2600 | Other Central Services | Indirect | Indirect | Indirect | Indirect | Excluded | Excluded |
| 2700 | Special Education Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 3000 | Community Services | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 4000 | Non-Programmed Charges | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 5000 | Debt Services | Excluded | Excluded | Excluded | Excluded | Excluded | Excluded |
| 6000 | Cocurricular Activities | Direct | Direct | Direct | Direct | Excluded | Excluded |
| 8000 | Other Financing Uses | Excluded | Excluded | Excluded | Excluded | Excluded | Excluded |
|  |  |  |  |  |  |  |  |
| Food Service (Fund 51) | | | | | | | |
| 2560 | Food Service Operation | Direct | Direct | Direct | Direct | Excluded | Excluded |
| Other Enterprise Fund (Fund 53) | | | | | | | |
|  | Other Enterprise Operation | Direct | Direct | Direct | Direct | Excluded | Excluded |