

**Michigan Department of Education
Office of Financial Management
INDIRECT COST PLAN**

Organization: Michigan Department of Education

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Contents

INDIRECT COST PLAN	1
Profile of LEAs in Michigan Department of Education	3
COST PRINCIPLES	4
Introduction.....	5
Indirect Cost Rate Information	6
Rate Calculation Process.....	7
Approval Process	8
Classification of Costs	9
Modified Total Direct Costs (2 CFR 200.68).....	9
Subawards/Subcontracts in Excess of \$25,000 (2 CFR 200.68)	9
Identification of Subawards and Contractor Determination (2 CFR 200.330).....	10
Direct Costs (2 CFR 200.413)	10
Unused/Terminal Leave Payments	10
Post-Retirement Health Benefits (2 CFR 200.431 (h)).....	11
Indirect Costs (2 CFR 200.414).....	11
Allowability of Costs (2 CFR 200.403 – 200.405).....	11
Rate Types	12
Restricted Rates (34 CFR 76.563 - 76.569).....	12
Unrestricted Rates (34 CFR 75.560).....	16
Medicaid Rate	16
Exhibit A.....	17
Form R0418A – Costs for the Development of Federal Indirect Cost Rates	17
Exhibit B	18
Form R0418 – Carry Forward Calculation	18
Exhibit C	19
Form DS-4513 – Indirect Cost Rate Adjustments	19
Appendix A.....	25
Classification of Costs	25

PROFILE OF LEAS IN MICHIGAN DEPARTMENT OF EDUCATION

1. Which basis of accounting is used by the LEAs? – **Modified Accrual Basis.**
2. Number of LEAs in the State – **887.**
3. Number of LEAs requesting indirect cost rates – **Rates are automatically prepared for all LEAs with historical financial data required for calculation. Rates are prepared for new LEAs on request, based upon operating budgets.**
4. Describe rates calculated – **Restricted, Unrestricted, Medicaid School-based Service, and Special Education rates.**
5. Type of rate calculated – **Fixed rate with carry forward adjustment.**
6. If Predetermined, is the Rate discounted? – **Not applicable.**
7. Frequency of indirect cost rates calculated – **Annually.**
8. Are unused leave payments in the indirect cost pool for calculation of the unrestricted indirect cost rate? – **Yes.**
9. Are the salaries and related costs of superintendents, deputy superintendents, and heads of component adjusted in the Restricted Rate calculation? – **Salaries of superintendents and deputy superintendents are reported as executive administration and are treated as direct in nature. However, districts may request that costs of the superintendent's office be reassigned to the unrestricted and Medicaid indirect cost pools but cannot be adjusted in this manner for the restricted rate calculation.**
10. Are unused leave payments charged directly to federal awards? – **Yes.**
11. Are all building related expenditures in the direct cost base for calculation of the restricted indirect cost rate? – **Yes.**
12. Does the base include only the first \$25,000 of subaward expenditures? – **Yes.**
13. Are any types of retirement incentives included in the proposal or planned in the next fiscal year? – **No.**

COST PRINCIPLES

The Office of Management and Budget (OMB) Uniform Administrative Requirements, 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 all allowable direct and indirect costs to the program for which the cost was incurred, the exact cost of all federal programs may 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 cost 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.

INTRODUCTION

The Michigan Department of Education, in collaboration with the United States Department of Education (USED), developed a methodology for the calculation of indirect cost rates of their Local Education Agencies, Public School Academies, and Intermediate School Districts (collectively referred to as districts throughout this document) for the time period of July 1 - June 30. The State Educational Agency (SEA) has been delegated authority from ED to develop and approve indirect cost rates for districts. Specifically, district and SEA staffs are in charge of ensuring accounting, regulations, and financial reporting standards are adhered to within their assigned organization. Any material changes to this plan must be approved by the USED prior to implementation.

Intermediate school districts, local education agencies, and public school academies are all educational entities established by Michigan public law. Their primary mission is the teaching and learning of academic and vocational-technical skills and knowledge.

Intermediate School Districts (ISDs) provide various administrative services and cooperative, coordinated educational services among many school districts in the name of economy and efficiency.

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 educational settings (e.g., alternative education, special education, career and technical education).

Public School Academy (PSA), also referred to as a charter school, is a state-supported public school without geographical boundaries. A public school academy may include any grade up to grade 12, including kindergarten and early childhood education, or any configuration of those grades as specified in its contract.

INDIRECT COST RATE INFORMATION

An indirect cost rate calculation is a means of determining, in a reasonable manner, the percentage of allowable facilities and administrative costs that benefit each federal program or activity. Indirect costs are defined as costs that are incurred for the benefit of more than one cost objective but are not readily assignable to any program or grant. Indirect costs serve common or joint purposes, and to identify the specific program or grant served would take an effort disproportionate to the results achieved. Typically, administrative costs such as salaries and expenses for auditing, budgeting, payroll, personnel, purchasing, and employee relations are examples of costs which are considered indirect.

The Department calculates a fixed carry forward rate indirect cost rate. A fixed with carry forward indirect cost rate compares estimated costs to actual costs of the period. A carry forward adjustment is required to reconcile the difference between estimated costs and actual costs. The carry forward adjustment is made in the subsequent period when the actual costs become available. The Department imposes rate caps when rates exceed a reasonable percentage rate.

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; districts may choose to recover less than the maximum rate allows 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 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

By November 1, following the fiscal year ended June 30, districts electronically submit their annual Financial Information Database (FID) data to the Michigan Department of Education. The Department compares FID data submitted to the district's audited financial statements, including the General Fund Balance, Total Federal Revenue, USDA Entitlement Revenue, USDA Bonus Revenue, and Net Pension Liability. Additional reasonability checks are performed examining changes of various revenue and expenditure categories from year to year and average teacher salary fluctuations. FID data are also compared against other sources of data (for instance, State Aid Status Reports used for State Aid revenue reconciliation) before, during, and after the FID collection cycle.

Discrepancies found between the FID and the audited financial statements require a district to revise the FID, if a difference is found during the analysis/correction window. If an instance occurs where the FID is accurate, and the audit is not, or both have inaccuracies, the financial statements must be restated by the auditor (if the difference is material). Regardless of materiality, the FID must be corrected if an issue is identified.

The Department uses FID data as a base for rate calculation. Once the base of all expenditures is determined, costs will be classified as excluded, direct, unallowable, or indirect (restricted, unrestricted, and/or Medicaid). Using this information, a carry-forward calculation is computed comparing the estimated and actual indirect cost rates. The indirect cost rates are adjusted by the carry-forward amount (under or over recovery) by adding (under recovery) or subtracting (over recovery) from the indirect cost pool (numerator) of the indirect cost rate. Districts will use forms R0418 and R0418A as a basis for the development of restricted, unrestricted, and Medicaid (Medicaid School Based Services) indirect cost rates.

Preliminary rates will be issued using traditional classifications between indirect and direct costs. The Department randomly samples districts to perform comparisons of FID expenditure data to preliminary R0418A data to ensure all expenditures have been accounted for. Districts will be responsible for reviewing the information provided in the R0418A and submitting adjustments using form DS-4513, if necessary. Any district using an indirect cost rate to bill for administrative costs should review the calculation of those rates to ensure accuracy. Form DS-4513 must be certified by the responsible official and submitted to the Department on or before June 1. You will not be notified directly of your final indirect cost rates by the Department. Instead, the preliminary R0418 published on the Department's website will be replaced with a final R0418. A note will be included in the State School Aid Update when the R0418 has been updated. The preliminary rate may be utilized until the final rate is published.

Determine the Need for Adjustments: Preliminary Reports R0418 and R0418A classify expenditures as excluded, direct, indirect unrestricted, and/or indirect restricted based upon the typical classification of expenditures represented by the account. The classification may or may not be accurate, depending upon the expenses reflected by the value. The purpose of form DS-4513 is to report expenditure classification adjustments that accurately represent the district's ratio of indirect costs to direct costs.

Please note that there will be no adjustments made for misclassification of costs due to improper coding of expenses on the FID. The source of information utilized to determine indirect cost rates is the district's FID report. Therefore, it is essential that districts classify expenditures uniformly and consistently per the Michigan School Accounting Manual. Expenditures identified as indirect costs shall not also be included as direct costs. All expenditures detailed in the FID must have been incurred and records supporting the costs must be maintained by the district. FID reporting must be done according to the account structure from the Michigan School Accounting Manual. If your district's account structure does not align with the Michigan School Accounting Manual, you should seek to change your structure in time for the November FID reporting deadline.

Completed DS-4513 forms are due on or before June 1.

DS-4513 Review: All signed DS-4513 forms are reviewed by the Department to verify accuracy and sensibility of adjustments requested. An analysis of adjustments by amount and by function code are performed and compared to data captured on form R0418A. Clarification of adjustments may be requested by the Department.

Final Rates: You will not be notified directly of your final indirect cost rates by the Department. Instead the preliminary R0418 published on the Department's website will be replaced with a final R0418. A note will be included in the State School Aid Update when the R0418 has been updated. The preliminary rate may be utilized until the final rate is published.

APPROVAL PROCESS

An indirect cost rate is issued by the Michigan Department of Education for a specific fiscal year. The rate is valid from July 1 to June 30 of the applicable fiscal year. Indirect costs are recovered 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.

Carry Forward Adjustment: The carry forward adjustment is calculated in the Department's indirect cost database. It is not necessary to calculate the adjustment manually. This section is provided for information purposes only.

The DS-4513 requires the signature of the responsible district officer certifying the accuracy of the adjustment information being submitted and that it was prepared in accordance with state and federal requirements.

CLASSIFICATION OF COSTS

Modified Total Direct Costs (2 CFR 200.68)

Modified Total Direct Costs (MTDC) means all direct salaries and wages, applicable fringe benefits, materials, supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract 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.

Certain items of costs are classified as extraordinary or distorting expenditures and are excluded from the computation of the indirect cost rate. Excluded costs include capital outlay, debt service, judgments against the district, transfers to other funds, and food supply costs within child nutrition. Indirect cost recoveries are also categorized as excluded costs.

Subawards/Subcontracts in Excess of \$25,000 (2 CFR 200.68)

The portion of subawards or subcontracts in excess of \$25,000 is excluded from MTDC. The indirect cost rate may only be applied to the first \$25,000 of a subaward or subcontract.

The federal government has determined that costs related to some contracted services are distorting in nature and must be excluded, in part, from the calculation of indirect cost rates. The underlying rationale is that if a district chooses to contract with outside vendors to provide services within the district, those contracts tend to reduce the administrative effort required by the district to complete that function. As an example, if a district chooses to contract with an outside vendor to provide transportation services, the district no longer handles payroll for bus drivers or the payment of invoices to a fuel supplier. Therefore, it could be considered distorting for the entire cost of providing transportation to be included in the calculation of an indirect cost rate for the district.

Simply stated, the indirect rate is calculated by dividing indirect costs by the direct cost base. To address these distorting costs, the district is to request an exclusion on form DS-4513 for the amount of any contracted service in excess of \$25,000 that impacts the direct cost base. This rule is not intended to reduce rates; therefore, it does not apply to functions that are included in the numerator, or indirect side of the equation.

To be consistent, indirect rates should only be applied by the district to the first \$25,000 of any contract or subgrant related to a federal grant. This general principle applies to all costs that are excluded from the indirect cost rate calculation. If the cost is excluded from the rate calculation, the district should not apply an indirect rate to that cost.

Please be aware that a similar principle applies to flow-through grants. Any funds flowing through a district to another educational entity should be excluded from the rate calculation. Indirect rates should not be applied to any of these excluded costs.

Identification of Subawards and Contractor Determination (2 CFR 200.330)

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 operation of the Federal program; and
5. Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

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 those programs.

Unused/Terminal Leave Payments

The U.S. Department of Education Cost Allocation Guide for State and Local Governments, September 2017 states, "Payments to separating employees for termination benefits and/or unused leave are treated as indirect costs when computing the restricted and unrestricted indirect cost rate with one exception. When computing the restricted indirect cost rate, unused leave costs to employees who are indirect for the unrestricted rate, but direct for the restricted rate (i.e.

superintendent and their office), are considered direct cost payments for rate calculation purposes only. Payments to separating employees for unused leave are NOT charged as direct costs to any federal awards. Ensure that terminal leave payouts related to restricted personnel are included in the base.” Please reference 34 CFR 76.563-76.569.

Districts will accrue the liability for unused leave costs in the same manner it charges the employees’ salary costs (i.e., directly to the function(s) in which the employees are working). This allows for appropriate allocation across any and all functions in which the employee has worked prior to termination. Unused/terminal leave payments should be classified using object codes 17XX and 22XX.

Post-Retirement Health Benefits (2 CFR 200.431 (h))

All post-retirement health benefits (PRHB) will be treated as indirect costs for both the restricted and unrestricted rates regardless of where the employees’ salary is recorded with one exception. For purposes of calculating the restricted rate, PRHB costs associated with superintendent, chief executive officer (CEO) of components (as defined by EDGAR 76.566) and their immediate offices will be treated as direct.

Michigan public school employees are part of the Michigan Public School Employees Retirement System (MPSERS). MPSERS is a statewide, cost-sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. Each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits and an additional amount to fund retiree health care benefits amounts on a cash disbursement basis.

Indirect Costs (2 CFR 200.414)

Indirect costs are those not readily identifiable with the activities of the grant but are 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:

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

A cost may not be allocated to a program as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a program as a direct cost. Typical examples of indirect costs 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 awards. 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), contingencies (2 CFR 200.433), entertainment (2 CFR 200.438), fines/penalties (2 CFR 200.441), general governance (2 CFR 200.444), and contributions/donations (2 CFR 200.434).

RATE TYPES

Restricted Rates (34 CFR 76.563 - 76.569)

Generally, grants awarded by the U.S. Department of Education allow the use of the restricted indirect cost rate. As per the Education Department General and Administrative Regulations (EDGAR), 34 CFR 76.564 through 76.569 “apply to agencies of State and local governments that are grantees under programs with a statutory requirement prohibiting the use of Federal funds to supplant non-Federal funds.” This means that the funds awarded 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 districts obtain through the Department have supplement-not-supplant requirements, and a restricted indirect cost rate must be used on these programs.

34 CFR 76.564 defines an indirect cost rate for a grant covered by 34 CFR 76.563 as being determined by the following formula:

$$\text{Restricted indirect cost rate} = \frac{\text{General management costs} + \text{Fixed costs}}{\text{Other expenditures}}$$

The numerator of this restricted ratio includes those costs that benefit all programs but can't be specifically or readily identified with any program; however, additional restrictions are placed on the costs. Costs associated with the operation and maintenance of the organization cannot be included in the numerator, nor can the costs of the chief executive officer or the chief executive officer's component units (usually defined as associate superintendents). These costs, instead, are included in the denominator of the ratio. This rate is capped at 15%.

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 34 CFR 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.”

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. 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.

Activities that are limited to one school, subject, or phase of operation, such as salaries and expenditures related to the direction and supervision of such functions as instruction, guidance, transportation, community services, and student services are not general management costs. The costs of these functions are considered direct costs.

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

1. The governing body (members of the board of education) of the grantee;

Superintendent and board of education salary, benefits, communications/telephone charges and other expenditures related directly to the operation of the superintendent 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. These costs will be considered direct for calculation of the restricted rate.

2. Compensation of the chief executive officer (superintendent of a district) of the grantee and heads of component offices; and

Head of Component, as defined in the U.S. Department of Education Cost Allocation Guide for State and Local Governments, September 2009, is treated as a direct cost. The Cost Allocation Guide defines component costs as “...organizational units for both indirect and direct functions existing one level below the Chief Executive Officer unit.” Also, “The grantee’s organizational structure is considered in determining adjustments for components.” Districts may capture the head of component units in function code 232 Executive Administration, 25X Support Services Business, 283 Staff/Personnel Services, or 284 Support Services Technology.

Districts with 2,999 students or less (per final pupil membership figure for preceding year) may decide to capture the head in the function that currently shows the job duties of the specific office. If the head of the component is performing more management duties than performing day-to-day operations, the head should be pulled out of the pool and charged to the base. As an example, the salaries, benefits, travel, and other associated costs of the chief financial officer, human resources director, and technology director, in proportion to the percentage of time spent supervising their respective departments, will

be moved to direct costs when calculating the restricted rate for those districts with membership greater than 2,999.

Charges for individuals whose time is divided between district-wide management responsibilities and specific program or administrative activities must comply with 2 CFR 200.430 (i) Standards for Documentation of Personnel Expenses.

3. The operation of the immediate offices of these officers.

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 direct costs for the restricted rate computation.

Chief Executive Officer, Component Cost, and Occupancy and Space Determination

The Cost Allocation Guide (pages 25-27) offers additional guidance on determination of the Chief Executive Officer and component costs as follows:

Who are the Chief Executive Officers?

The Chief Executive Officer exercises overall responsibility for the operation and management of the organization. The Chief Executive Officer's immediate office includes any Deputies or similar office, along with the immediate support staff. It is important to emphasize that the Chief Executive Officer of the grantee is not the Governor or member of an elected or appointed Board. Expenses for these positions are already unallowable as general government expenses.

What are Component Costs?

Generally, components are organizational units for both indirect and direct functions existing one level below the Chief Executive Officer unit. Depending on the organization, there may be circumstances where component costs would properly be accounted for in the indirect cost pool. The grantee's organizational structure is considered in determining adjustments for components.

Space type costs are accepted in a usual indirect cost environment. How are they accounted for in the restricted indirect cost formula?

Occupancy and space maintenance costs as described in 34 CFR 76.568 are included in the direct cost base (denominator) for the restricted indirect cost rate determination. However, if the state and local government can identify the portion of space that supports allowable indirect cost personnel, then the costs may be included with allowable general management costs.

For the restricted rate ratio, the numerator includes those costs that benefit all programs but cannot be specifically or readily identified with any program; however, additional restrictions are

placed on the costs. While the costs associated with the operation and maintenance of the organization cannot be included in the numerator of the restricted ratio, nor can the costs of the chief executive officer or the chief executive officer's component units (usually defined as associate superintendents). These costs, instead, are included in the denominator of the ratio.

As an example, if the Chief Financial Officer has more management responsibilities than day-to-day responsibilities, they must be pulled from the pool, or numerator, and charged to the base, or denominator.

The Department will require additional information from districts with membership greater than 2,999 for the purposes of calculating the restricted rate ratio. To gather this information, a section (Part V Head of Component) has been added to form DS-4513 allowing districts to report these head of component and related costs.

The information gathered may include, but is not limited to, an organization chart as well as the salaries, benefits, travel, and other associated costs of the chief financial officer in proportion to the percentage of time spent supervising their respective departments, which will be moved to direct costs.

Fixed Costs

Fixed costs 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 in 34 CFR 76.566 as:

- a) Employee retirement
- b) Social Security
- c) Medicare
- d) Premium expenditures for:
 1. Employee insurance
 2. Liability insurance
- e) Unemployment and workers' compensation, and
- f) All similar costs normally considered being employee fringe benefits.

Note that per 2 CFR 200.431, payments to separating employees for termination benefits and/or unused leave are treated as indirect costs when computing the Restricted and Unrestricted indirect cost rate with one exception. When computing the restricted indirect cost rate, unused leave costs to employees who are indirect for the Unrestricted Rate, but direct for the Restricted Rate (i.e., superintendent and their office), are considered direct cost payments for rate calculation purposes only. Payments to separating employees for unused leave are NOT charged as direct costs to any federal awards. All post-retirement health benefits will be treated as indirect costs for both the restricted and unrestricted rate regardless of where the employees' salary is recorded, with one exception. For purposes of calculating the restricted rate, PRHB

costs associated with superintendent, chief executive officer of components (as defined by EDGAR 76.565(d)(2)) and their immediate offices will be treated as direct. PRHB costs associated with the Chief Financial Officer, Human Resources Director, and Technology Director *for applicable large districts* will be treated as direct costs.

Unrestricted Rates (34 CFR 75.560)

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

1. **Indirect Costs** - Expenditures for the Office of the Superintendent, in addition to 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.

Medicaid Rate

In 1988 Congress recognized the fiscal burden that delivery of health care was imposing on schools and passed a law that amended the federal Social Security Act. The change made Medicaid funds available to districts for certain health related services for children with disabilities. In 1992 Michigan's Medicaid Program within the then Department of Community Health, offered districts the opportunity to receive Medicaid reimbursement for a portion of their special education and related costs.

The Medicaid indirect cost rate is similar to the unrestricted indirect cost rate in that it includes the costs of operations and maintenance and the chief executive officer. The only difference between the Medicaid indirect cost rate and the restricted indirect cost rate is that the Medicaid rate is capped at 25%. Currently, the Medicaid rate is used for Medicaid billing only.

EXHIBIT A

Form R0418A – Costs for the Development of Federal Indirect Cost Rates

Form R0418A contains a recap of the district’s financial data from the preceding fiscal year on which the following fiscal year’s preliminary indirect rates are based.

**Michigan Department of Education
Costs for the Development of 2017-2018 Federal Indirect Cost Rate
33010 East Lansing School District
Form R0418A**

	Total Expense	Exclusions	Direct or Unallowable	Unrestricted Indirect	Restricted Indirect
General Fund					
Instructional	22,513,823.35	47,120.17	22,466,703.18	0.00	0.00
Support Serv - Pupil	2,530,211.53	2,506.42	2,527,705.11	0.00	0.00
Support Serv - Instructional	2,256,774.21	13,297.70	2,243,476.51	0.00	0.00
Support Serv - Board of Ed	70,826.86	264.68	70,562.18	0.00	0.00
Support Serv - Executive Adm	288,701.57	4,563.23	284,138.34	0.00	0.00
Support Serv - Grant Writer	0.00	0.00	0.00	0.00	0.00
Support Serv - School Adm	2,300,761.74	5,994.50	2,294,767.24	0.00	0.00
Support Serv - Business	383,968.48	4,007.65	0.00	379,960.83	379,960.83
Operations and Maintenance	3,550,438.30	20,316.15	0.00	3,530,122.15	0.00
Pupil Transportation	967,662.16	0.00	967,662.16	0.00	0.00
Support Serv - Planning & Research	0.00	0.00	0.00	0.00	0.00
Support Serv - Communication	75,139.78	6,729.20	68,410.58	0.00	0.00
Support Serv - Staff & Personnel	257,596.98	548.12	5,000.00	252,048.86	252,048.86
Support Serv - Technology	317,593.04	33,341.45	40,294.84	243,956.75	243,956.75
Support Serv - Pupil Accounting	15,682.19	0.00	15,682.19	0.00	0.00
Support Serv - Central - Other	0.00	0.00	0.00	0.00	0.00
Support Serv - Other	677,095.23	3,537.02	673,558.21	0.00	0.00
Community Services	22,569.06	38.53	22,530.53	0.00	0.00
Payments to Government Agencies	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition	0.00	0.00	0.00	0.00	0.00
Special Revenue Funds					
Instructional	0.00	0.00	0.00	0.00	0.00
Support Serv - Pupil	81,289.42	0.00	81,289.42	0.00	0.00
Support Serv - Instructional	0.00	0.00	0.00	0.00	0.00
Support Serv - Board of Ed	0.00	0.00	0.00	0.00	0.00
Support Serv - Executive Adm	0.00	0.00	0.00	0.00	0.00
Support Serv - Grant Writer	0.00	0.00	0.00	0.00	0.00
Support Serv - School Adm	0.00	0.00	0.00	0.00	0.00
Support Serv - Business	0.00	0.00	0.00	0.00	0.00
Operations and Maintenance	2,807.11	0.00	2,807.11	0.00	0.00
Pupil Transportation	0.00	0.00	0.00	0.00	0.00
Support Serv - Planning & Research	0.00	0.00	0.00	0.00	0.00
Support Serv - Communication	0.00	0.00	0.00	0.00	0.00
Support Serv - Staff & Personnel	0.00	0.00	0.00	0.00	0.00
Support Serv - Technology	0.00	0.00	0.00	0.00	0.00
Support Serv - Pupil Accounting	0.00	0.00	0.00	0.00	0.00
Support Serv - Central - Other	0.00	0.00	0.00	0.00	0.00
Support Serv - Other	976,978.30	474,499.27	502,479.03	0.00	0.00
Community Services	0.00	0.00	0.00	0.00	0.00
Payments to Government Agencies	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition	0.00	0.00	0.00	0.00	0.00
Debt Service Funds					
All Costs **	5,628,559.17	5,628,559.17	0.00	0.00	0.00
Capital Project Funds					
All Costs	1,773,443.50	1,773,443.50	0.00	0.00	0.00
Trust Funds					
All Costs *	0.00	0.00	0.00	0.00	0.00
Enterprise Funds					
All Costs *	0.00	0.00	0.00	0.00	0.00
Internal Service Funds					
All Costs	0.00	0.00	0.00	0.00	0.00
Other Funds					
All Costs	0.00	0.00	0.00	0.00	0.00
	44,691,921.98	8,018,766.76	32,267,066.63	4,406,088.59	875,966.44

EXHIBIT B

Form R0418 – Carry Forward Calculation

Form R0418 contains the Carry Forward Calculation of the preliminary restricted, unrestricted, and Medicaid indirect cost rates.

*** Preliminary ***

**Michigan Department of Education
Carry Forward Calculation
For Approved 2017-2018 Indirect Cost Rates
School District 33020
Form R0418**

*** Preliminary ***

Lansing Public School District
519 WEST KALAMAZOO ST
LANSING, MI 48933

Basis for 2015-2016 Rate:	Restricted	Unrestricted	Medicaid
2013-2014 Indirect Costs	6,059,201.50	19,011,383.80	19,011,383.80
2013-2014 Fixed Carry Forward	-148,512.98	0.00	140,809.54
Total Indirect Costs	6,207,714.48	19,011,383.80	18,870,574.26
2013-2014 Direct Costs	139,826,571.91	126,874,389.61	126,874,389.61
2015-2016 Rate	4.44*	14.98*	14.87**

Comparison:	Restricted	Unrestricted	Medicaid
2015-2016 Actual Direct Costs	145,263,717.34	133,122,764.92	133,122,764.92
Indirect costs based on rate ** multiplied by actual direct costs	6,449,709.05	19,941,790.19	19,795,355.14
2015-2016 Actual Indirect Costs	5,338,349.70	17,479,302.12	17,479,302.12
2013-2014 Fixed Carry Forward	-148,512.98	0.00	140,809.54
Total Indirect Costs	5,486,862.68	17,479,302.12	17,338,492.58
Over/(Under) Recovery	962,846.37	2,462,488.07	2,456,862.56

2017-2018 Rate Calculation:	Restricted	Unrestricted	Medicaid
2015-2016 Actual Indirect Costs	5,338,349.70	17,479,302.12	17,479,302.12
2017-2018 Fixed Carry Forward (Over/Under Recovery from Above)	962,846.37	2,462,488.07	2,456,862.56
Total Projected Indirect 2017-2018 (Numerator)	4,375,503.33	15,016,814.05	15,022,439.56
Direct Costs	145,263,717.34	133,122,764.92	133,122,764.92
Rate for 2017-2018 **	3.01*	11.28*	11.28**

* If Rate exceeds 15%, use 15%

** If Rate exceeds 25%, use 25%

EXHIBIT C

Form DS-4513 – Indirect Cost Rate Adjustments

Form DS-4513 is used to adjust and improve the data on the R0418A so the rate accurately represents the operations of the district.

DS-4513 Electronic Rev. 4/19 Authority: EDGAR (34CFR 75.560) Completion: Mandatory. (Failure to file may affect recovery of indirect costs.)	Michigan Department of Education State Aid & School Finance P.O. Box 30008 Lansing, Michigan 48909	Information and Instructions Direct questions regarding this form to: Joanna Beeble 517-241-6435 or JoannaB@msd.k12.mi.us
SCHOOL DISTRICT INDIRECT COST RATE ADJUSTMENTS		
Educational Agency	Legal Name of School District Address City	District Entity Code Telephone Zip Code
<p>* Check the appropriate box with an X. Choose ONLY one.</p> <p> <input type="checkbox"/> A. We accept the preliminary indirect cost rate. (Part III must be completed) <input type="checkbox"/> B. We wish to adjust the preliminary indirect cost rate. (Parts I and/or II and part III must be completed.) </p>		
<p>* Instructions for Reporting (Please Read)</p> <p>Additional Exclusions * Part I and Part II asks districts to report exclusions not identified from the FID data. This includes fines and penalties, election expenses, amounts in excess of \$25,000 on major sub-contracts, and excludable expenses paid to other governmental agencies.</p> <p>General Information * When reporting exclusions, do not include costs charged to any of the following. These costs are automatically excluded through the MDE process. For the general fund, special revenue fund, trust fund, and enterprise fund:</p> <ol style="list-style-type: none"> 1. Object codes starting with "6" – Capital Outlay 2. Object codes starting with "56" – Resale Supplies and Materials – includes cost of food for food service 3. Object codes starting with "71" – Redemption of Long-term Bonds, Loans and Capital Leases 4. Object codes starting with "72" – Interest on debt 5. Object codes starting with "73" – Other Financing and Debt Expenditures 6. Object codes starting with "75" – Claims and Judgments 7. Object codes starting with "76" – Taxes Abated and Written Off 8. Object codes starting with "85" – Sub Grantee Disbursements 9. Function codes starting with "44" – Sub Grantee Payments (Flow Through Grants) <p>* Expenses that are classified as follows are also automatically excluded due to the nature of the costs:</p> <ol style="list-style-type: none"> 1. Debt Service Function 51x 2. Capital Project Funds 4x 3. Internal Service Fund (costs would be duplicated in other funds) 8x 4. District Wide Reporting 8x 		
<p>Part I - Exclusions other than sub-contracts</p> <p>* Complete the Part I-Exclusions (Other) tab for exclusions relating to the items below. Include fund and function code, and provide an explanation of the cost or reason it is excluded. Include exclusions for the following:</p> <ol style="list-style-type: none"> 1. Fines and Penalties. 2. Election Expenses. 3. Any excludable costs paid to Other Governmental Agencies reported in function codes starting with 41, 42 and 43. 4. Costs reported under the Enterprise Fund that are duplicated because they are also reported in another fund. 		
<p>Part II - Exclusions for sub-contracts</p> <p>* Complete the Part II-SubContracts tab to report major purchased service contracts in excess of \$25,000 that impact the direct cost base. For this exclusion, the first \$25,000 of the contract is included; costs in excess of \$25,000 are excluded. To be consistent, if any of these major contracts relate to a federal grant, indirect should be charged only on the first \$25,000 of the contract. Please keep in mind that Operations & Maintenance costs are considered direct in nature for the purposes of calculating the restricted rate. Review the how-to tutorial for assistance on completing the Part II-SubContracts tab.</p>		
<p>Part III: Reclassification Between Direct and Indirect Costs</p> <p>* Complete the Part III-Reclass tab for any costs directly attributed to a program or grant that were not designated as such by the State Code. Expenditures recorded in the FID using State Codes 2XX through 8XX will be automatically classified as direct expenditures. State Codes in this range indicate a grant funded expenditure, which should be considered a direct cost. Should there be any costs directly attributed to a program or grant that were not designated as such by the State Code, an adjustment should be done to subtract the amount from the indirect unrestricted, indirect Medicaid, and indirect restricted costs and to add that cost to the direct and unallowable costs. Enter the adjustment to the Direct cost pool only. The form will automatically fill in the appropriate adjustment to the indirect cost pool, and total the adjustments.</p>		
<p>Part IV: Head of Component</p> <p>* Complete Part IV-HOC if your district has been identified as having membership greater than 2,999. Districts having been identified as having membership greater than 2,999 will provide information pertaining to the Head of Component for their organization. In addition to providing this information, an organization chart is required as part of their submission.</p>		
<p>Part V: Certification</p> <p>* Certification can be completed below or within the online submission form. Check the appropriate box below with an X.</p> <p> <input type="checkbox"/> I will certify electronically using the online submission form. <input type="checkbox"/> I will certify by submitting this signed form through the online submission form. </p> <p>I hereby certify as the responsible official of said school district that the information contained in this indirect cost rate adjustment is correct and was prepared in accordance with state and federal requirements subject to specific grant limitations. I further certify that a consistent approach has been followed in treating a given type of cost as direct or indirect, and that in no case have costs of federally supported programs been included in the indirect costs reflected in this adjustment.</p> <p>Signature of Responsible Official: _____ Date: _____</p> <p style="text-align: center;">(Type name and title)</p>		
<p>Contact Person: _____ Telephone: _____</p> <p style="text-align: center;">(Type name of person completing this form)</p>		
<p>* Instructions for Submission:</p> <p>* Upload completed form by June 1 to https://fs10.formsite.com/SASF/form14/index.html. https://fs10.formsite.com/SASF/form14/index.html You are strongly encouraged to submit this excel file instead of a scanned copy or PDF.</p>		

Part II-Exclusions-Sub-Contracts									
			GF - Edustaff Contract EXAMPLE				Enter Contract Description Here		
			Total Contract Amount	\$ 3,940,651.54	\$ 25,000.00	EXCLUDED	\$ -	\$ 25,000.00	EXCLUDED
General Fund									
1xx, 293	Instructional	D - Direct	\$ 1,500,000.00	\$ 9,516.19	\$ 1,490,483.81				
21x	Support Serv - Pupil	D - Direct	\$ 1,000,000.00	\$ 6,344.13	\$ 993,655.87				
22x	Support Serv - Instructional	D - Direct	\$ 290,651.54	\$ 1,843.93	\$ 288,807.61				
231	Support Serv - Board of Ed	D - Direct		\$ -	\$ -				
232	Support Serv - Executive Acim	D - Direct		\$ -	\$ -				
233	Support Serv - Grant Writer	D - Direct		\$ -	\$ -				
24x	Support Serv - School Adm	D - Direct	\$ 350,000.00	\$ 2,220.44	\$ 347,779.56				
25x	Support Serv - Business	I - Indirect		\$ -	\$ -				
26x	Operations and Maintenance	I/RD - Restricted Direct	\$ 200,000.00	\$ 1,268.83	\$ 198,731.17				
27x	Pupil Transportation	D - Direct		\$ -	\$ -				
281	Support Serv - Planning & Research	D - Direct	\$ 250,000.00	\$ 1,586.03	\$ 248,413.97				
282	Support Serv - Communication	D - Direct		\$ -	\$ -				
283	Support Serv - Staff & Personnel	I - Indirect		\$ -	\$ -				
284	Support Serv - Technology	I - Indirect	\$ 350,000.00	\$ 2,220.44	\$ 347,779.56				
285	Support Serv - Pupil Accounting	D - Direct		\$ -	\$ -				
289	Support Serv - Central - Other	D - Direct		\$ -	\$ -				
29x	Support Serv - Other	D - Direct		\$ -	\$ -				
3xx	Community Services	D - Direct		\$ -	\$ -				
4xx	Payments to Government Agencies	D - Direct		\$ -	\$ -				
45x	Facilities Acquisition	D - Direct		\$ -	\$ -				
Special Revenue Funds									
1xx, 293	Instructional	D - Direct		\$ -	\$ -				
21x	Support Serv - Pupil	D - Direct		\$ -	\$ -				
22x	Support Serv - Instructional	D - Direct		\$ -	\$ -				
231	Support Serv - Board of Ed	D - Direct		\$ -	\$ -				
232	Support Serv - Executive Acim	D - Direct		\$ -	\$ -				
233	Support Serv - Grant Writer	D - Direct		\$ -	\$ -				
24x	Support Serv - School Adm	D - Direct		\$ -	\$ -				
25x	Support Serv - Business	I - Indirect		\$ -	\$ -				
26x	Operations and Maintenance	I/RD - Restricted Direct		\$ -	\$ -				
27x	Pupil Transportation	D - Direct		\$ -	\$ -				
281	Support Serv - Planning & Research	D - Direct		\$ -	\$ -				
282	Support Serv - Communication	D - Direct		\$ -	\$ -				
283	Support Serv - Staff & Personnel	I - Indirect		\$ -	\$ -				
284	Support Serv - Technology	I - Indirect		\$ -	\$ -				
285	Support Serv - Pupil Accounting	D - Direct		\$ -	\$ -				
289	Support Serv - Central - Other	D - Direct		\$ -	\$ -				
29x	Support Serv - Other	D - Direct		\$ -	\$ -				
3xx	Community Services	D - Direct		\$ -	\$ -				
4xx	Payments to Government Agencies	D - Direct		\$ -	\$ -				
45x	Facilities Acquisition	D - Direct		\$ -	\$ -				
			Total	\$ 3,940,651.54	\$ 25,000.00	\$ 3,915,651.54	\$ -	\$ 25,000.00	\$ -
<i>No adjustments to indirect</i>			Check Figure (should be zero)	\$ -	\$ -	\$ -	\$ -	\$ 25,000.00	\$ -

Part III: Reclassifications between direct and indirect costs - Detailed Schedule

All object codes are required to be listed for each function.

Pay close attention to those funds where allowed objects codes are limited.

You will see this list of allowed object codes by hovering over the object code cell for a specific function.

Additional information has been added to other functions to assist you in making the appropriate determination.

Enter the adjustment to the Direct cost pool only. The form will automatically fill in the appropriate adjustment to the indirect cost pool, and total the adjustments.

	Object Code(s)	Increase (Decrease) to Direct and Unallowable	Increase (Decrease) to Unrestricted Indirect	Increase (Decrease) to Restricted Indirect
General Fund:				
Board of Education (231)			0.00	0.00
Executive Administration (232)			0.00	
Grant Writer (233)			0.00	0.00
Fiscal Services (252)			0.00	0.00
Internal Services (257)			0.00	0.00
Other Business Services (259)			0.00	0.00
Operating Business Services (261)			0.00	
Security Services (266)			0.00	
Planning, Research (281)			0.00	0.00
Communication Services (282)			0.00	0.00
Staff/Personnel Services (283)			0.00	0.00
Support Services Technology (284)			0.00	0.00
Other Central Services (289)			0.00	0.00
Payments to Gov. Agencies (41x, 42x, 43x)			0.00	0.00
Special Revenue Funds:				
Board of Education (231)			0.00	0.00
Executive Administration (232)			0.00	
Grant Writer (233)			0.00	0.00
Fiscal Services (252)			0.00	0.00
Internal Services (257)			0.00	0.00
Other Business Services (259)			0.00	0.00
Operating Business Services (261)			0.00	
Security Services (266)			0.00	
Planning, Research (281)			0.00	0.00
Communication Services (282)			0.00	0.00
Staff/Personnel Services (283)			0.00	0.00
Support Services Technology (284)			0.00	0.00
Other Central Services (289)			0.00	0.00
Payments to Gov. Agencies (41x, 42x, 43x)			0.00	0.00
Other funds:				
Explain:			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
			0.00	0.00
Totals		0.00	0.00	0.00

Part IV: Head of Component

Background:

Per the Cost Allocation guide issued September 2009, "Generally, components are organizational units for both indirect and direct functions existing one level below the Chief Executive Officer unit. Depending on the organization, there may be circumstances where component costs would properly be accounted for in the indirect cost pool. The grantee's organizational structure is considered in determining adjustments for components."

For indirect cost rate calculation purposes, if the Head of Component (i.e. Chief Financial Officer) has more management responsibilities than day-to-day responsibilities, the costs associated with Head of Component must be pulled from the pool, or numerator, and charged to the base, or denominator. Because the Department is unable to make this determination due the level at which FID data is collected, you are asked to provide the information below.

The Department requires the information below from districts identified as having membership greater than 2,999 for the purposes of calculating the restricted rate ratio.

Has your district been identified as having membership greater than 2,999?

Check the appropriate box below with an X.

<input type="checkbox"/>	Yes
<input type="checkbox"/>	No

If you checked yes, continue to complete this form.

If you checked no, you may stop as you are not required to complete this form.

Instructions:

Provide the cost of employment for the Head of Component, or administrative head of the department, and assistant (if applicable) for function 25x Support Serv – Business.

Cost of employment may include salaries, benefits, travel, and other associated costs.

Examples of the Head of Component for function 25x Support Serv – Business include, but are not limited to, Chief Financial Officer, Assistant Superintendent, Business Manager, Executive Director, Director of Business Services, and Finance Director.

For districts who contract the business services function:

The key to identifying the head of a component in an outsourcing situation would be to look at the position internally that oversees the outsourced functions. That person would be the head of a component. Even though the district contracts out support services the organization is still responsible for the oversight of the functions.

If any portion of the position is charged to 25x Support Serv - Business function, enter the information as requested below.

Submit Organization Chart:

Districts with membership greater than 2,999 will include an organization chart as part of their submission.

The organization chart is used as a reference point for the restricted rate adjustment.

The org chart is useful in making a Head of Component determination. It must include the position entered above.

A field has been provided to upload the org chart document along with your DS-4513 submission at

<https://fs10.formsite.com/SASF/form14/index.html>.

Part IV: Head of Component

For the Head of 25x Support Serv – Business, provide the following:

(Head of Department examples: CFO, Asst. Supt., Business Manager, Executive Director, Director of Business Services,

Employee Name: _____

Position or Title: _____

Total cost of employment (as noted above): \$ 125,000.00

Is the Head split between multiple function codes? Yes No

If yes, list function codes and percentage split associated with each function.

Function	Percentage	\$	-
Function <u>232</u>	Percentage <u>15%</u>	\$	<u>18,750.00</u>
Function <u>250</u>	Percentage <u>85%</u>	\$	<u>106,250.00</u>

Provide a brief, general statement of the more important functions and responsibilities of this position, also

For the Assistant Head of 25x Support Serv – Business, provide the following:

(Assistant Head of Department examples: Assistant Director, Controller, Accounting Supervisor, etc.)

Employee Name: _____

Position or Title: _____

Total cost of employment (as noted above): \$ 75,000.00

Is the Head split between multiple function codes? Yes No

If yes, list function codes and percentage split associated with each function.

Function <u>252</u>	Percentage <u>50%</u>	\$	<u>37,500.00</u>
Function <u>232</u>	Percentage <u>50%</u>	\$	<u>37,500.00</u>
Function _____	Percentage _____	\$	<u>-</u>

Provide a brief, general statement of the more important functions and responsibilities of this position, also identifying the immediate subordinate positions and superior officers. This information may include actual tasks, oversight/management responsibilities, number of employees providing business services, etc. Provide the Department with a picture of how this function performs management duties and/or day-to-day functions within the district.

APPENDIX A

Classification of Costs

Michigan Department of Education
 Cost Categories by Indirect Cost Rate
 Unrestricted

R0418A Category	Function	Function Name	Indirect	Direct or Unallowable	Excluded
1xx, 293 Instructional	111	Instructional -Elementary - Learning		X	
1xx, 293 Instructional	112	Instructional -Middle/Junior High		X	
1xx, 293 Instructional	113	Instructional -High School		X	
1xx, 293 Instructional	118	Instructional -Prekindergarten		X	
1xx, 293 Instructional	119	Instructional -Summer School		X	
1xx, 293 Instructional	122	Instructional -Special Education		X	
1xx, 293 Instructional	125	Instructional - Compensatory Education		X	
1xx, 293 Instructional	127	Instructional - Career amd Technical Education		X	
1xx, 293 Instructional	131	Instructional - Basic		X	
1xx, 293 Instructional	132	Instructional - Secondary		X	
1xx, 293 Instructional	133	Instructional - Secondary Vocational		X	
1xx, 293 Instructional	135	Instructional - Occupational Training or Upgrading		X	
21x Support Serv - Pupil	211	Truancy/Absenteeism Services		X	
21x Support Serv - Pupil	212	Guidance Services		X	
21x Support Serv - Pupil	213	Health Services		X	
21x Support Serv - Pupil	214	Psychological Services		X	
21x Support Serv - Pupil	215	Speech Pathology and Audiology Services		X	
21x Support Serv - Pupil	216	Social Work Services		X	
21x Support Serv - Pupil	217	Visual Aid Services		X	
21x Support Serv - Pupil	218	Teacher Consultant		X	
21x Support Serv - Pupil	219	Other Pupil Support Services		X	
22x Support Serv - Instructional	221	Improvement of Instruction		X	
22x Support Serv - Instructional	222	Educational Media Services		X	
22x Support Serv - Instructional	224	Educational Television		X	
22x Support Serv - Instructional	225	Instruction Related Technology		X	
22x Support Serv - Instructional	226	Supervision and Direction of Instructional Staff		X	
22x Support Serv - Instructional	227	Academic Student Assessment		X	
22x Support Serv - Instructional	229	Other Instructional Staff Services		X	
231 Support Serv - Board of Ed	231	Board of Education		X	
232 Support Serv - Executive Ad	232	Executive Administration		X	
233 Support Serv - Grant Writer	233	Grant Writer/Grant Procurement		X	
24x Support Serv - School Adm	241	Office of Principal		X	
24x Other School	249	Other School Administration		X	
25x Support Serv - Business	252	Fiscal Services	X		
25x Support Serv - Business	257	Internal Services	X		
25x Other Business	259	Other Business Services	X		
26x Operations	261	Operations and Building Services	X		
26x Operations	266	Security Services	X		
27x Pupil Transportation	271	Pupil Transportation Services		X	
281 Support Serv - Planning & Research	281	Planning, Research, Development, and Evaluation		X	
282 Support Serv - Communication	282	Communication Services		X	
283 Support Serv - Staff & Personnel	283	Staff/Personnel Services	X		
284 Support Serv - Technology	284	Non-Instructional Technology Services	X		
285 Support Serv - Pupil Accounting	285	Pupil Accounting		X	
289 Support Serv - Central Other	289	Other Central Services		X	
29x Support Serv - Other	291	Pupil Activities		X	
29x Support Serv - Other	292	Bookstore Activities/Cosignment Activities		X	
29x Support Serv - Other	293	Athletic Activities		X	
29x Support Serv - Other	294	Endowment Activities		X	
29x Support Serv - Other	295	Agency Activities		X	
29x Support Serv - Other	297	Food Services		X	
29x Support Serv - Other	299	Other Support Services		X	
3xx Community Services	311	Community Services Direction		X	
3xx Community Services	321	Community Recreation		X	
3xx Community Services	331	Community Activities		X	
3xx Community Services	341	Public Library		X	
3xx Community Services	351	Custody amd Care of Children		X	
3xx Community Services	361	Welfare Activities		X	
3xx Community Services	371	Non-Public School Pupils		X	
3xx Community Services	391	Other Community Services		X	
4xx Payments to Government Agencies	411	Payments to Other Public Schools Within the State of		X	
4xx Payments to Government Agencies	421	Payments to Other Public Schools OUTSIDE the State of		X	
4xx Payments to Government Agencies	431	Payments to State Schools for the Deaf and Blind		X	
4xx Payments to Government Agencies	441	Payments to Other Governmental Entities		X	
4xx Payments to Government Agencies	445	Payments to Not for Profit Entities (Sub-grantee		X	
4xx Payments to Government Agencies	451	Site Acquisition Services		X	
4xx Payments to Government Agencies	452	Site Improvement Services		X	
4xx Payments to Government Agencies	453	Architecture and Engineering Services		X	
4xx Payments to Government Agencies	455	Building Acquisition and Construction Services		X	
4xx Payments to Government Agencies	456	Building Improvements Services		X	
4xx Payments to Government Agencies	459	Other Facilities Acquisition and Construction Svcs		X	
4xx Payments to Government Agencies	491	Prior Period Adjustments		X	
4xx Payments to Government Agencies	492	Adjustments Prior Period Revenue Accounts		X	
Debt Service Funds	511	Debt Service - Long Term Only			X
Debt Service Funds	512	Debt Service - Long Term Only - Payment to Escrow Agent			X
Debt Service Funds	513	Un-amortized Gain/Losses on Debt Defeasance			X

**Michigan Department of Education
Cost Categories by Indirect Cost Rate
Restricted**

R0418A Category	Function	Function Name	Indirect	Direct or Unallowable	Excluded
1xx, 293 Instructional	111	Instructional -Elementary - Learning		X	
1xx, 293 Instructional	112	Instructional -Middle/Junior High		X	
1xx, 293 Instructional	113	Instructional -High School		X	
1xx, 293 Instructional	118	Instructional -Prekindergarten		X	
1xx, 293 Instructional	119	Instructional -Summer School		X	
1xx, 293 Instructional	122	Instructional -Special Education		X	
1xx, 293 Instructional	125	Instructional - Compensatory Education		X	
1xx, 293 Instructional	127	Instructional - Career amd Technical Education		X	
1xx, 293 Instructional	131	Instructional - Basic		X	
1xx, 293 Instructional	132	Instructional - Secondary		X	
1xx, 293 Instructional	133	Instructional - Secondary Vocational		X	
1xx, 293 Instructional	135	Instructional - Occupational Training or Upgrading		X	
21x Support Serv - Pupil	211	Truancy/Absenteeism Services		X	
21x Support Serv - Pupil	212	Guidance Services		X	
21x Support Serv - Pupil	213	Health Services		X	
21x Support Serv - Pupil	214	Psychological Services		X	
21x Support Serv - Pupil	215	Speech Pathology and Audiology Services		X	
21x Support Serv - Pupil	216	Social Work Services		X	
21x Support Serv - Pupil	217	Visual Aid Services		X	
21x Support Serv - Pupil	218	Teacher Consultant		X	
21x Support Serv - Pupil	219	Other Pupil Support Services		X	
22x Support Serv - Instructional	221	Improvement of Instruction		X	
22x Support Serv - Instructional	222	Educational Media Services		X	
22x Support Serv - Instructional	224	Educational Television		X	
22x Support Serv - Instructional	225	Instruction Related Technology		X	
22x Support Serv - Instructional	226	Supervision and Direction of Instructional Staff		X	
22x Support Serv - Instructional	227	Academic Student Assessment		X	
22x Support Serv - Instructional	229	Other Instructional Staff Services		X	
231 Support Serv - Board of Ed	231	Board of Education		X	
232 Support Serv - Executive Ad	232	Executive Administration		X	
233 Support Serv - Grant Writer	233	Grant Writer/Grant Procurement		X	
24x Support Serv - School Adm	241	Office of Principal		X	
24x Other School	249	Other School Administration		X	
25x Support Serv - Business	252	Fiscal Services	X		
25x Support Serv - Business	257	Internal Services	X		
25x Other Business	259	Other Business Services	X		
26x Operations	261	Operations and Building Services		X	
26x Operations	266	Security Services		X	
27x Pupil Transportation	271	Pupil Transportation Services		X	
281 Support Serv - Planning & Research	281	Planning, Research, Development, and Evaluation		X	
282 Support Serv - Communication	282	Communication Services		X	
283 Support Serv - Staff & Personnel	283	Staff/Personnel Services	X		
284 Support Serv - Technology	284	Non-Instructional Technology Services	X		
285 Support Serv - Pupil Accounting	285	Pupil Accounting		X	
289 Support Serv - Central Other	289	Other Central Services		X	
29x Support Serv - Other	291	Pupil Activities		X	
29x Support Serv - Other	292	Bookstore Activities/Cosignment Activities		X	
29x Support Serv - Other	293	Athletic Activities		X	
29x Support Serv - Other	294	Endowment Activities		X	
29x Support Serv - Other	295	Agency Activities		X	
29x Support Serv - Other	297	Food Services		X	
29x Support Serv - Other	299	Other Support Services		X	
3xx Community Services	311	Community Services Direction		X	
3xx Community Services	321	Community Recreation		X	
3xx Community Services	331	Community Activities		X	
3xx Community Services	341	Public Library		X	
3xx Community Services	351	Custody amd Care of Children		X	
3xx Community Services	361	Welfare Activities		X	
3xx Community Services	371	Non-Public School Pupils		X	
3xx Community Services	391	Other Community Services		X	
4xx Payments to Government Agencies	411	Payments to Other Public Schools Within the State of		X	
4xx Payments to Government Agencies	421	Payments to Other Public Schools OUTSIDE the State of		X	
4xx Payments to Government Agencies	431	Payments to State Schools for the Deaf and Blind		X	
4xx Payments to Government Agencies	441	Payments to Other Governmental Entities		X	
4xx Pavments to Government Agencies	445	Payments to Not for Profit Entities (Sub-grantee		X	
4xx Payments to Government Agencies	451	Site Acquisition Services		X	
4xx Payments to Government Agencies	452	Site Improvement Services		X	
4xx Payments to Government Agencies	453	Architecture and Engineering Services		X	
4xx Payments to Government Agencies	455	Building Acquisition and Construction Services		X	
4xx Payments to Government Agencies	456	Building Improvements Services		X	
4xx Payments to Government Agencies	459	Other Facilities Acquisition and Construction Svcs		X	
4xx Payments to Government Agencies	491	Prior Period Adjustments		X	
4xx Payments to Government Agencies	492	Adjustments Prior Period Revenue Accounts		X	
Debt Service Funds	511	Debt Service - Long Term Only			X
Debt Service Funds	512	Debt Service - Long Term Only - Payment to Escrow Agent			X
Debt Service Funds	513	Un-amortized Gain/Losses on Debt Defeasance			X

**Michigan Department of Education
Cost Categories by Indirect Cost Rate
Medicaid**

RO418A Category	Function	Function Name	Indirect	Direct or Unallowable	Excluded
1xx, 293 Instructional	111	Instructional -Elementary - Learning		X	
1xx, 293 Instructional	112	Instructional -Middle/Junior High		X	
1xx, 293 Instructional	113	Instructional -High School		X	
1xx, 293 Instructional	118	Instructional -Prekindergarten		X	
1xx, 293 Instructional	119	Instructional -Summer School		X	
1xx, 293 Instructional	122	Instructional -Special Education		X	
1xx, 293 Instructional	125	Instructional - Compensatory Education		X	
1xx, 293 Instructional	127	Instructional - Career amd Technical Education		X	
1xx, 293 Instructional	131	Instructional - Basic		X	
1xx, 293 Instructional	132	Instructional - Secondary		X	
1xx, 293 Instructional	133	Instructional - Secondary Vocational		X	
1xx, 293 Instructional	135	Instructional - Occupational Training or Upgrading		X	
21x Support Serv - Pupil	211	Truancy/Absenteeism Services		X	
21x Support Serv - Pupil	212	Guidance Services		X	
21x Support Serv - Pupil	213	Health Services		X	
21x Support Serv - Pupil	214	Psychological Services		X	
21x Support Serv - Pupil	215	Speech Pathology and Audiology Services		X	
21x Support Serv - Pupil	216	Social Work Services		X	
21x Support Serv - Pupil	217	Visual Aid Services		X	
21x Support Serv - Pupil	218	Teacher Consultant		X	
21x Support Serv - Pupil	219	Other Pupil Support Services		X	
22x Support Serv - Instructional	221	Improvement of Instruction		X	
22x Support Serv - Instructional	222	Educational Media Services		X	
22x Support Serv - Instructional	224	Educational Television		X	
22x Support Serv - Instructional	225	Instruction Related Technology		X	
22x Support Serv - Instructional	226	Supervision and Direction of Instructional Staff		X	
22x Support Serv - Instructional	227	Academic Student Assessment		X	
22x Support Serv - Instructional	229	Other Instructional Staff Services		X	
231 Support Serv - Board of Ed	231	Board of Education		X	
232 Support Serv - Executive Ad	232	Executive Administration		X	
233 Support Serv - Grant Writer	233	Grant Writer/Grant Procurement		X	
24x Support Serv - School Adm	241	Office of Principal		X	
24x Other School	249	Other School Administration		X	
25x Support Serv - Business	252	Fiscal Services	X		
25x Support Serv - Business	257	Internal Services	X		
25x Other Business	259	Other Business Services	X		
26x Operations	261	Operations and Building Services	X		
26x Operations	266	Security Services	X		
27x Pupil Transportation	271	Pupil Transportation Services		X	
281 Support Serv - Planning & Research	281	Planning, Research, Development, and Evaluation		X	
282 Support Serv - Communication	282	Communication Services		X	
283 Support Serv - Staff & Personnel	283	Staff/Personnel Services	X		
284 Support Serv - Technology	284	Non-Instructional Technology Services	X		
285 Support Serv - Pupil Accounting	285	Pupil Accounting		X	
289 Support Serv - Central Other	289	Other Central Services		X	
29x Support Serv - Other	291	Pupil Activities		X	
29x Support Serv - Other	292	Bookstore Activities/Cosignment Activities		X	
29x Support Serv - Other	293	Athletic Activities		X	
29x Support Serv - Other	294	Endowment Activities		X	
29x Support Serv - Other	295	Agency Activities		X	
29x Support Serv - Other	297	Food Services		X	
29x Support Serv - Other	299	Other Support Services		X	
3xx Community Services	311	Community Services Direction		X	
3xx Community Services	321	Community Recreation		X	
3xx Community Services	331	Community Activities		X	
3xx Community Services	341	Public Library		X	
3xx Community Services	351	Custody amd Care of Children		X	
3xx Community Services	361	Welfare Activities		X	
3xx Community Services	371	Non-Public School Pupils		X	
3xx Community Services	391	Other Community Services		X	
4xx Payments to Government Agencies	411	Payments to Other Public Schools Within the State of		X	
4xx Payments to Government Agencies	421	Payments to Other Public Schools OUTSIDE the State of		X	
4xx Payments to Government Agencies	431	Payments to State Schools for the Deaf and Blind		X	
4xx Payments to Government Agencies	441	Payments to Other Governmental Entities		X	
4xx Pavments to Government Agencies	445	Payments to Not for Profit Entities (Sub-grantee		X	
4xx Payments to Government Agencies	451	Site Acquisition Services		X	
4xx Payments to Government Agencies	452	Site Improvement Services		X	
4xx Payments to Government Agencies	453	Architecture and Engineering Services		X	
4xx Payments to Government Agencies	455	Building Acquisition and Construction Services		X	
4xx Payments to Government Agencies	456	Building Improvements Services		X	
4xx Payments to Government Agencies	459	Other Facilities Acquisition and Construction Svcs		X	
4xx Payments to Government Agencies	491	Prior Period Adjustments		X	
4xx Payments to Government Agencies	492	Adjustments Prior Period Revenue Accounts		X	
Debt Service Funds	511	Debt Service - Long Term Only			X
Debt Service Funds	512	Debt Service - Long Term Only - Payment to Escrow Agent			X
Debt Service Funds	513	Un-amortized Gain/Losses on Debt Defeasance			X

**Michigan Department of Education
Cost Categories by Indirect Cost Rate
Special Education**

R0418A Category	Function	Function Name	Indirect	Direct or Unallowable	Excluded
1xx, 293 Instructional	111	Instructional -Elementary - Learning		X	
1xx, 293 Instructional	112	Instructional -Middle/Junior High		X	
1xx, 293 Instructional	113	Instructional -High School		X	
1xx, 293 Instructional	118	Instructional -Prekindergarten		X	
1xx, 293 Instructional	119	Instructional -Summer School		X	
1xx, 293 Instructional	122	Instructional -Special Education		X	
1xx, 293 Instructional	125	Instructional - Compensatory Education		X	
1xx, 293 Instructional	127	Instructional - Career amd Technical Education		X	
1xx, 293 Instructional	131	Instructional - Basic		X	
1xx, 293 Instructional	132	Instructional - Secondary		X	
1xx, 293 Instructional	133	Instructional - Secondary Vocational		X	
1xx, 293 Instructional	135	Instructional - Occupational Training or Upgrading		X	
21x Support Serv - Pupil	211	Truancy/Absenteeism Services		X	
21x Support Serv - Pupil	212	Guidance Services		X	
21x Support Serv - Pupil	213	Health Services		X	
21x Support Serv - Pupil	214	Psychological Services		X	
21x Support Serv - Pupil	215	Speech Pathology and Audiology Services		X	
21x Support Serv - Pupil	216	Social Work Services		X	
21x Support Serv - Pupil	217	Visual Aid Services		X	
21x Support Serv - Pupil	218	Teacher Consultant		X	
21x Support Serv - Pupil	219	Other Pupil Support Services		X	
22x Support Serv - Instructional	221	Improvement of Instruction		X	
22x Support Serv - Instructional	222	Educational Media Services		X	
22x Support Serv - Instructional	224	Educational Television		X	
22x Support Serv - Instructional	225	Instruction Related Technology		X	
22x Support Serv - Instructional	226	Supervision and Direction of Instructional Staff		X	
22x Support Serv - Instructional	227	Academic Student Assessment		X	
22x Support Serv - Instructional	229	Other Instructional Staff Services		X	
231 Support Serv - Board of Ed	231	Board of Education		X	
232 Support Serv - Executive Ad	232	Executive Administration		X	
233 Support Serv - Grant Writer	233	Grant Writer/Grant Procurement		X	
24x Support Serv - School Adm	241	Office of Principal		X	
24x Other School	249	Other School Administration		X	
25x Support Serv - Business	252	Fiscal Services		X	
25x Support Serv - Business	257	Internal Services		X	
25x Other Business	259	Other Business Services		X	
26x Operations	261	Operations and Building Services	X		
26x Operations	266	Security Services	X		
27x Pupil Transportation	271	Pupil Transportation Services		X	
281 Support Serv - Planning & Research	281	Planning, Research, Development, and Evaluation		X	
282 Support Serv - Communication	282	Communication Services		X	
283 Support Serv - Staff & Personnel	283	Staff/Personnel Services		X	
284 Support Serv - Technology	284	Non-Instructional Technology Services		X	
285 Support Serv - Pupil Accounting	285	Pupil Accounting		X	
289 Support Serv - Central Other	289	Other Central Services		X	
29x Support Serv - Other	291	Pupil Activities		X	
29x Support Serv - Other	292	Bookstore Activities/Cosignment Activities		X	
29x Support Serv - Other	293	Athletic Activities		X	
29x Support Serv - Other	294	Endowment Activities		X	
29x Support Serv - Other	295	Agency Activities		X	
29x Support Serv - Other	297	Food Services		X	
29x Support Serv - Other	299	Other Support Services		X	
3xx Community Services	311	Community Services Direction		X	
3xx Community Services	321	Community Recreation		X	
3xx Community Services	331	Community Activities		X	
3xx Community Services	341	Public Library		X	
3xx Community Services	351	Custody amd Care of Children		X	
3xx Community Services	361	Welfare Activities		X	
3xx Community Services	371	Non-Public School Pupils		X	
3xx Community Services	391	Other Community Services		X	
4xx Payments to Government Agencies	411	Payments to Other Public Schools Within the State of		X	
4xx Payments to Government Agencies	421	Payments to Other Public Schools OUTSIDE the State of		X	
4xx Payments to Government Agencies	431	Payments to State Schools for the Deaf and Blind		X	
4xx Payments to Government Agencies	441	Payments to Other Governmental Entities		X	
4xx Payments to Government Agencies	445	Payments to Not for Profit Entities (Sub-grantee		X	
4xx Payments to Government Agencies	451	Site Acquisition Services		X	
4xx Payments to Government Agencies	452	Site Improvement Services		X	
4xx Payments to Government Agencies	453	Architecture and Engineering Services		X	
4xx Payments to Government Agencies	455	Building Acquisition and Construction Services		X	
4xx Payments to Government Agencies	456	Building Improvements Services		X	
4xx Payments to Government Agencies	459	Other Facilities Acquisition and Construction Svcs		X	
4xx Payments to Government Agencies	491	Prior Period Adjustments		X	
4xx Payments to Government Agencies	492	Adjustments Prior Period Revenue Accounts		X	
Debt Service Funds	511	Debt Service - Long Term Only			X
Debt Service Funds	512	Debt Service - Long Term Only - Payment to Escrow Agent			X
Debt Service Funds	513	Un-amortized Gain/Losses on Debt Defeasance			X

Function codes 1xx (Instructional): R0418A category “Instructional” includes all function codes 100-199 and function code 293. All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function code 111 (Elementary)

Classification: Direct

Learning experiences concerned with knowledge, skills, appreciations, attitudes, and behavioral characteristics considered to be needed by all pupils in terms of their awareness of life within our culture and the world of work and which normally may be achieved during the elementary school years.

Function code 112 (Middle/Junior High)

Classification: Direct

Learning experiences concerned with knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by all pupils in terms of understanding themselves and their relationships with society and various career clusters, and which normally may be achieved during the middle and/or junior high school years.

Function code 113 (High School)

Classification: Direct

Learning experiences concerned with knowledge, skills, appreciations, attitudes and behavioral characteristics considered to be needed by all pupils in terms of understanding themselves and their relationships with society and various occupations and/or professions which normally may be achieved in the high school years.

Function code 118 (Pre-Kindergarten)

Classification: Direct

Learning Experiences designed for ages preceding kindergarten.

Function code 119 (Summer School)

Classification: Direct

Any basic program activity offered in summer.

Function code 122 (Special Education)

Classification: Direct

Instructional activities designed primarily to deal with pupils having impairments requiring special accommodation. The special education programs area includes Preprimary, Elementary, Middle/Junior High, and High School services for pupils with mental, emotional, hearing, visual, speech, language, physical and other impairments and learning disabilities. Homebound and hospitalized programs for pupils who are not classified as special education pupils should not be included in this account.

Function code 125 (Compensatory Education)**Classification: Direct**

Instructional activities designed to improve the achievement in basic cognitive skills of pupils who have extraordinary need for assistance to improve their competence in such basic skills as State At Risk, NCLB Title I, and Bilingual.

Function code 127 (Career and Technical Education)**Classification: Direct**

Instructional activities which provide laboratory, simulations or instruction offered at the secondary level, based upon individually designed learning experiences in a vocational subject preparing the pupil for competencies required in a recognized occupation coded in accordance with recognized and approved Classification of Instructional Programs (CIP) codes. See the identifications found in the State Code for approved CIP codes.

Function code 131 (Basic)**Classification: Direct**

Learning experiences concerned with the fundamental tools of learning for adults who have never attended school or who have interrupted formal schooling and need knowledge and skills to raise their level of education. It is generally considered to include grade levels one through eight. The term adult basic education is also used.

Function code 132 (Secondary)**Classification: Direct**

Learning experiences designed to develop the knowledge, skills, appreciation, attitudes, and behavioral characteristics considered to be needed by adults who have interrupted formal schooling. It is generally considered to include grade levels nine through twelve.

Function code 133 (Secondary Vocational)**Classification: Direct**

Vocational learning experiences by means of laboratory, simulation or instruction offered at the secondary high school level, based upon individually designed learning experience in a vocational subject preparing the pupil for competencies required in a recognized and approved Office of Education (O.E.) code.

Function code 135 (Occupational Training or Upgrading Retraining)**Classification: Direct**

Learning experiences concerned with the skills and knowledge required for employment in a new occupation, to extend or update competencies or preparation for employment in a new or different occupation. (Adults who are high school graduates or are not seeking a high school diploma.)

Function codes 21x (Pupil Support): R0418A category Support Serv – Pupil includes all function codes 210-299, except 293 which is included with Function codes 1xx. All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function code 211 (Truancy/Absenteeism Services)

Classification: Direct

Consists of those activities that have as their purpose the improvement of pupil attendance.

Function code 212 (Guidance Services)

Classification: Direct

Consists of those activities of counseling with pupils and parents, providing consultation with other staff members on learning problems, evaluating the abilities of pupils, assisting pupils to make their own educational and career plans and choices, assisting pupils in personal and social development, providing referral assistance, and working with other staff members in planning and conducting guidance programs for pupils.

Function code 213 (Health Services)

Classification: Direct

Consists of physical and mental health services. Included are activities involved with providing pupils with appropriate medical, dental, nursing occupational therapy, or other health services.

Function code 214 (Psychological Services)

Classification: Direct

Consists of those activities of administering psychological tests, interpreting the results of psychological tests, working with other staff members in planning school programs to meet the special needs of pupils as indicated by psychological tests, and planning and managing a program of psychological services including psychological counseling for the school or school system.

Function code 215 (Speech Pathology and Audiology)

Classification: Direct

Consists of those activities which have as their purpose the identification, assessment, and treatment of children with impairments in speech, hearing and language.

Function code 216 (Social Work Services)

Classification: Direct

Consists of those activities that have as their purpose the performance of school social work activities dealing with the problems of pupils that involve the home, school, and community.

Function code 217 (Visual Aid Services)

Classification: Direct

Consists of those activities that have as their purpose the identification, assessment, and treatment of children with sight impairments.

Function code 218 (Teacher Consultant)

Classification: Direct

Consists of those activities for special education programs and services. See Department Administrative Rules 340.1755 and R340.1749 for the appropriate use of special education teacher consultants.

Function code 219 (Other Pupil Support Services)**Classification: Direct**

This function is assigned to expenditures involving monitoring activities, such as, lunchroom monitors, hall monitors, playground monitors and crossing guards. Bus monitors are assigned to the transportation function, 271.

Function codes 22x (Instructional Support): R0418A category Support Serv – Instructional includes all function codes 220-229. All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function code 221 (Improvement of Instruction)**Classification: Direct**

Consists of those activities that are designed primarily for assisting instructional staff in planning, developing, and evaluating the process of providing challenging and natural learning experiences for pupils. These activities include curriculum development, techniques of instruction, child development and understanding, in-service training for instructional staff.

Function code 222 (Educational Media Services)**Classification: Direct**

Consists of those activities such as selecting, acquiring, preparing, cataloging, and circulating books and other printed materials; planning the use of educational media by teachers and other members of the instructional staff; and guiding instructional staff members in their use of educational media. Included here are the activities for planning the use of the educational media by pupils and instructing pupils in their use of media materials.

Function code 224 (Educational Television)**Classification: Direct**

Consists of those activities concerned with planning, programming, and writing educational programs or segments of programs for use on closed circuit or broadcast television or radio.

Function code 225 (Instruction Related Technology)**Classification: Direct**

Consists of all technology activities and services for the purpose of supporting instruction. Specifically costs associated with the operation and support of computer learning labs, media center computer labs, instructional technology centers, instructional networks, and establishing technology for distance learning programs.

Function code 226 (Supervision and Direction of Instructional Staff)**Classification: Direct**

Directing and managing instructional services. Includes the activities of program coordination and program compliance monitoring. Examples: Special Education, Career Technical, and Title I directors.

Function code 227 (Academic Student Assessment)

Classification: Direct

Services rendered for the academic assessment of pupils. Examples: Purchased academic testing services, purchased grading services, academic testing supplies.

Function code 229 (Other Instructional Staff Services)

Classification: Direct

Consists of activities other than those defined above to assist instructional staff.

Function code 231 (Board of Education)

Classification: Direct

Activities performed by the elected body that has been created according to state law and vested with responsibilities for educational activities in a district. Includes legal, audit and election costs or fees.

Costs, other than the exclusions, are considered direct and unallowable. The following object codes may be adjusted into the restricted, unrestricted, and Medicaid cost pools if they meet the definition of indirect costs and are not directly charged to specific programs:

3170	Legal Services
3180	Audit Services

Function codes 232 (Executive Administration)

Classification: Direct

Those activities associated with the district-wide general or executive responsibilities, including the development and execution of district policies through staff at all levels. Titles may include superintendent, associate or assistant superintendent, but may not be limited to such designations. These activities may be distinguished from the supervision or direction of a specific function, program or supporting service that may appropriately be charged to another specific instructional or supporting function. When the same individual directs two or more functions, the services of that individual's office may be prorated between the functions concerned. Include community relation's services (district wide activities and programs designed to improve district/community relations.)

Costs, other than the exclusions, are classified as direct and unallowable costs. These function codes are classified this way to portray the most conservative rates; however, adjustments are allowed to reflect more appropriate rates. Be aware that the costs of the superintendent's office, as the chief executive officer (CEO) of the district, can be included in the *unrestricted* and *Medicaid* indirect cost pools but not the *restricted* indirect cost pool. In addition, the costs of assistant or associate superintendents' offices can be included in the *unrestricted* and *Medicaid* indirect cost pools if they are not primarily responsible for a specific program. For example, the costs of the office of an assistant superintendent serving as a deputy CEO can be included in the *unrestricted* and *Medicaid* indirect cost pools, but the costs of the office of an associate superintendent of instruction cannot. If you would like a proportion of the cost associated with the superintendent's time to be allocated to the restricted indirect cost pool, you must split the

costs between the 232 function code and the applicable 250 or 280 series function code in your FID submission.

Function code 233 (Grant Writer/Grant Procurement)

Classification: Direct

District-wide activities associated with grant writing and administrative activities necessary for meeting state and federal requirements related to grants. Examples: When a district employs a district-wide grant writer or coordinator.

Costs, other than the exclusions, are classified as direct and unallowable costs; however, the following object codes may be adjusted into the unrestricted, Medicaid, and restricted indirect cost pool if they meet the definition of indirect costs and are not directly charged to specific programs. Please be prepared to explain why supplement, not supplant concepts apply when requesting an adjustment into the restricted indirect cost pool.

11xx	Administration
13xx	Professional - Business
14xx	Professional - Other
15xx	Technical
16xx	Operation and Service
17xx	Special Salary Payments *
18xx	Temporary Salaries
19xx	Overtime Salaries
2xxx	Employee Benefits*
31xx	Professional and Technical Services
32xx	Travel/Workshops – Staff
34xx	Communication
35xx	Advertisement*
36xx	Printing and Binding
41xx	Repairs and Maintenance Services
42xx	Other Repairs and Maintenance
49xx	Other Purchased Services
54xx	Periodicals
59xx	Other Supplies
74xx	Dues and Fees
79xx	Miscellaneous

Function codes 24x (Support Services School Administration): R0418A category “Support Serv - School Adm” includes all function codes 240-249. All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function code 241 (Office of the Principal)

Classification: Direct

Activities performed by the principal, assistant principal and other assistants in the general supervision of all operations of the school building; evaluation of staff members of the school;

supervision and maintenance of the school records are included under this function, along with clerical staff for these activities.

Function code 249 (Other School Administration)

Classification: Direct

Other activities of district administration not defined above. Include full-time department chair persons and graduation expenditures here.

Function Code 25x (Support Services Business): R0418A category “Support Serv - Business” includes all function codes 250-259. Costs, other than exclusions, are classified as unrestricted, Medicaid, and restricted indirect costs. Should there be any costs directly attributed to a program or grant included in this classification, an adjustment should be done to subtract the amount from the indirect unrestricted, indirect Medicaid, and indirect restricted costs and to add that cost to the direct and unallowable costs.

Function code 252 (Fiscal Services)

Classification: Indirect (Unrestricted, Restricted, Medicaid)

Classification: Direct (Special Education)

Activities concerned with the fiscal operations of the district. This function includes budgeting, receiving and disbursing, financial accounting, payroll, purchasing, inventory control, and internal auditing.

Function code 257 (Internal Services)

Classification: Indirect (Unrestricted, Restricted, Medicaid)

Classification: Direct (Special Education)

Activities concerned with storing and distributing supplies, furniture, and equipment. Also include district wide duplicating/printing services and central mail services.

Function code 259 (Other Business Services)

Classification: Indirect (Unrestricted, Restricted, Medicaid)

Classification: Direct (Special Education)

This function is assigned to those kinds of transactions that should not be identified to any of the business activities defined above. Examples: short term interest on notes, judgments, taxes abated and written off.

Function Code 26x (Operations and Maintenance): R0418A category “Operations and Maintenance” includes all function codes 260-269. Costs, other than exclusions, are classified as unrestricted and Medicaid indirect costs. Should there be any costs directly attributed to a program or grant included in this classification, an adjustment should be done to subtract the amount from the indirect and Medicaid unrestricted costs and to add that cost to the direct and unallowable costs.

Function code 261 (Operating Buildings Services)**Classification: Indirect (Unrestricted, Medicaid, Special Education)****Classification: Direct (Restricted)**

Activities concerned with keeping the physical plant open, clean, and ready for daily use. They include operating the heating, lighting, and ventilation systems, and repairing facilities/equipment. Also included are operating building leases, property and liability insurance, janitorial and ground maintenance costs. May be used in a Capital Projects fund only to extent allowed by law.

Function code 266 (Security Services)**Classification: Indirect (Unrestricted, Medicaid, Special Education)****Classification: Direct (Restricted)**

Activities concerned with maintaining order and safety in school buildings, on the grounds and in the vicinity of schools at all times. Included are police activities for school functions, traffic control on grounds and in the vicinity of schools, building alarm systems, and security guards.

Function codes 27x (Pupil Transportation): R0418A category "Pupil Transportation" includes all function codes 270-279. All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function code 271 (Pupil Transportation Services)**Classification: Direct**

Activities concerned with the conveyance of pupils to and from school, as provided by state law. It includes trips between home and school or trips to school activities. All other direct costs related to pupil transportation should be included under this function, i.e., physical exams, uniforms, school bus driver licenses, awards, bus monitors, etc. May be used in Capital Projects Funds only to extent allowed by law.

Function Code 281 (Planning, Research, Development, and Evaluation)**Classification: Direct**

Activities, on a system-wide basis, associated with conducting and managing programs of planning, research, development, and evaluation for a school system.

R0418A categorizes this function as "Support Serv - Planning & Research." Costs, other than exclusions, are classified as direct costs. Adjustments into the unrestricted indirect, Medicaid indirect, and restricted indirect cost pools from the direct and unallowable cost pool will be accepted, provided the costs meet the definition of indirect costs and are not directly charged to specific programs or grants. See function code 233 for potential allowable object codes.

Function Code 282 (Communication Services)**Classification: Direct**

Activities concerned with writing, editing, and other preparation necessary to disseminate educational and administrative information to pupils, staff, managers or to the general public through direct mailing, the various news media, or personal contact.

R0418A categorizes this function as “Support Serv - Communication.” Costs, other than exclusions, are classified as direct costs. Adjustments into the unrestricted indirect, Medicaid indirect, and restricted indirect cost pools from the direct and unallowable cost pool will be accepted, provided the costs meet the definition of indirect costs and are not directly charged to specific programs or grants. See function code 233 for potential allowable object codes.

Function Code 283 (Staff/Personnel Services)

Classification: Indirect (Unrestricted, Restricted, Medicaid)

Classification: Direct (Special Education)

Activities concerned with maintaining an efficient staff for the school system. It includes such activities as recruiting and placement, staff transfers, in-service training, health services, staff accounting, and staff relations and negotiations. In-service training and professional development for non-instructional support staff should be recorded here.

R0418A categorizes this function as “Support Serv - Staff & Personnel.” Costs, other than exclusions, are classified as unrestricted, Medicaid, and restricted indirect costs. Should there be any costs directly attributed to a program or grant included in this classification, an adjustment should be done to subtract the amount from the indirect unrestricted, indirect Medicaid, and indirect restricted costs and to add that cost to the direct and unallowable costs.

Function Code 284 (Support Services Technology)

Classification: Indirect (Unrestricted, Restricted, Medicaid)

Classification: Direct (Special Education)

Activities concerned with supporting the school district’s information technology systems, including supporting administrative networks, maintaining administrative information systems, and processing data for administrative and managerial purposes. Includes costs associated with the administration and supervision of technology personnel, systems planning and analysis, systems application development, systems operations, network support services, hardware maintenance and support, etc.

R0418A categorizes this function as “Support Serv – Technology.” Costs, other than exclusions, are classified as unrestricted, Medicaid, and restricted indirect costs. Should there be any costs directly attributed to a program or grant included in this classification, an adjustment should be done to subtract the amount from the indirect unrestricted, indirect Medicaid, and indirect restricted costs and to add that cost to the direct and unallowable costs.

Function Code 285 (Pupil Accounting)

Classification: Direct

Consists of those activities concerned with acquiring, maintaining, and auditing records of pupil attendance, and reporting information to various oversight agencies. All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function Code 289 (Other Central Services)**Classification: Direct**

Central services not defined above. Costs, other than exclusions, are classified as direct costs. Adjustments into the unrestricted indirect, Medicaid indirect, and restricted indirect cost pools from the direct and unallowable cost pool will be accepted, provided the costs meet the definition of indirect costs and are not directly charged to specific programs or grants. See function code 233 for potential allowable object codes.

Function Codes 29x (Support Service – Other): R0418A categorizes all functions codes 290-299 as “Support Serv – Other.” All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function Code 291 (Pupil Activities)**Classification: Direct**

Consists of those activities concerned with financing the pupil organizations that are under the supervision of the school.

Function Code 292 (Bookstore Activities/Consignment Activities)**Classification: Direct**

Consists of those activities concerned with financing the bookstore/consignment activities that are under the supervision of the school.

Function Code 293 (Athletic Activities)**Classification: Direct**

Consists of those activities concerned with financing the interscholastic athletic programs that are under the supervision of the school.

Function Code 294 (Endowment Activities)**Classification: Direct**

Consists of those activities concerned with the purpose of expending monies for the purpose stated in the Endowment.

Function Code 295 (Agency Activities)**Classification: Direct**

Support for Agency Funds.

Function Code 297 (Food Services)**Classification: Direct**

Consists of those activities concerned with providing food to pupils and staff in a school or school system. This service includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food.

For the general fund, special revenue fund, trust fund, and enterprise fund, object codes starting with “56” – Resale Supplies and Materials – including cost of food for food service are already classified as excluded on the R0418A.

Function Code 299 (Other Support Services)**Classification: Direct**

Other Support Services

Function Codes 3xx (Community Services): Community Services consists of those activities not directly related to providing education for pupils in a school system. These include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities.

R0418A categorizes all function codes 300-399 as “Community Services.” All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function Code 311 (Community Services Direction)**Classification: Direct**

Activities concerned with directing and managing community services activities, i.e., community school direction.

Function Code 321 (Community Recreation)**Classification: Direct**

Consists of those activities concerned with providing recreation for the community, as a whole, or for some segment of the community. It includes such staff activities as organizing and supervising playgrounds, swimming pools, and other recreation programs for the community.

Function Code 331 (Community Activities)**Classification: Direct**

Consists of those activities concerned with providing services to civic affairs organizations. This includes services to parent-teacher association meetings, other parental involvement functions, public forums, lectures, and civil defense planning.

Function Code 341 (Public Library)**Classification: Direct**

Pertains to the operation of public libraries by a school system or the provision of library services to the general public through the school library. It includes such activities as budgeting and planning the library’s collection in relation to the community and informing the community of public library resources and services.

Function Code 351 (Custody and Care of Children)**Classification: Direct**

Pertains to providing programs for the custodial care of children in residential day schools or child care centers which are not part of, or directly related to, the instructional program and where the attendance of the children is not included in the attendance figures for the school system.

Function Code 361 (Welfare Activities)

Classification: Direct

Pertains to providing for the personal needs of individuals who have been designated as needy by an appropriate governmental entity. They include food or other personal needs.

Function Code 371 (Non-Public School Pupils)

Classification: Direct

Services to pupils attending a school established by an agency other than the state, subdivision of the state, or the federal government, which usually is supported primarily by other than public funds. They may consist of such activities as those involved in providing instructional services, attendance and social work services, health services, professional development and transportation services for non-public school pupils.

Function Code 391 (Other Community Services)

Classification: Direct

Services provided the community that cannot be classified under the preceding areas of responsibility. An example would be Adult Employment Programs.

Function Codes 4xx (Payments to Government Agencies): R0418A categorizes all functions 400-449 as "Payments to Government Agencies."

Function Code 411 (Payments to Other Public Schools Within the State of Michigan)

Classification: Direct

Sub-Grantee /Flow Through Distributions Only. All other payments for services, supplies, and materials should be reported in the appropriate function and object code 82xx.

All costs, other than exclusions are considered direct. An analysis of the costs contained in this category must be done to determine if the costs meet the criteria for indirect costs. If so, adjustments will be allowed.

Function Code 421 (Payments to Other Public Schools OUTSIDE the State of Michigan)

Classification: Direct

These are conduit-type payments to school systems outside the state for services rendered to pupils residing in the paying school district. These payments are generally for tuition and transportation where a governmental unit in one state collects money from a non-operating district and pays it to an operating district in another state. The non-operating district records such payments here.

All costs, other than exclusions are considered direct. An analysis of the costs contained in this category must be done to determine if the costs meet the criteria for indirect costs. If so, adjustments will be allowed.

Function Code 431 (Payments to State Schools for the Deaf and Blind)

Classification: Direct

Payments to State Schools for the Deaf and Blind.

All costs, other than exclusions are considered direct. An analysis of the costs contained in this category must be done to determine if the costs meet the criteria for indirect costs. If so, adjustments will be allowed.

Function Code 441 (Payments to Other Governmental Entities)

Classification: Excluded

Sub-grantee Relationships Only (Non-Public Schools, Community Organizations, etc.). All flow through transactions are excluded.

Function Code 445 (Payments to Not for Profit Entities (Sub-grantee Relationships Only))

Classification: Excluded

All flow through transactions are excluded.

Function Codes 45x (Facilities Acquisition): R0418A categorizes all function codes 450-459 as “Facilities Acquisition.” All costs, other than the exclusions, must be considered direct. No adjustments are allowed.

Function Code 451 (Site Acquisition Services)

Classification: Direct

Activities concerned with initially acquiring and improving sites.

Function Code 452 (Site Improvement Services)

Classification: Direct

Activities concerned with improving sites, and with maintaining existing site improvements.

Function Code 453 (Architecture and Engineering Services)

Classification: Direct

Activities of architects and engineers related to acquiring and improving sites and improving buildings. Charges are made to this function only for those preliminary activities that may or may not result in additions to the school district property. Otherwise charge to 451, 452, 455, or 456.

Function Code 455 (Site Improvement Services)

Classification: Direct

Activities concerned with buying or constructing buildings. Include cost for the initial equipping of facilities.

Function Code 456 (Building Improvements Services)

Classification: Direct

Activities concerned with building additions and with installing or extending service systems and other built-in equipment. Include the cost for re-equipping the facility.

Function Code 459 (Other Facilities Acquisition and Construction Services)

Classification: Direct

Other Facilities Acquisition and Construction Services that cannot be classified above.

Function Code 491 (Prior Period Adjustments-Material Transactions)

Classification: Not included

Amounts reported here must be reported in the audited financial statements as adjustments to the prior year fund balance with appropriate notation.

Function Code 492 (Adjustments to Prior Period Revenue Accounts (Debit Amounts))

Classification: Not included

For example; a refund of prior year state school aid revenue that was not established as an accounts payable during the prior year.

Function Code 511 (Debt Service - Long Term Only)

Classification: Excluded

Principal on short-term notes/loans will be recorded in offsetting balance sheet accounts (Notes payable/Cash) rather than as an “other financing use.” Interest on short-term notes/loans will be coded in Function 259.

Function Code 512 (Debt Service - Long Term Only)

Classification: Excluded

Payment to Escrow Agent.

Function Code 513 (Un-amortized Gain/Losses on Debt Defeasance)

Classification: Excluded

Un-amortized Gain/Losses on Debt Defeasance.

Function Codes 6xx (Fund Modifications (Other Operating Transfers Out))

Classification: Not included

This category represents outgoing transfers to other funds within the same school district that would create a duplication of consolidated data for the school district if recorded as an ordinary expenditure. Use “6” in the first position of the function code, then the two position fund code of the fund the dollars are going to.

Function Code 711 (Depreciation Expense)

Classification: Not included

Non-governmental Funds Only.

For the general fund, special revenue fund, trust fund, and enterprise fund, the following costs are already classified as excluded on form R0418/R0418a:

1. Object codes starting with “6” – capital outlay
2. Object codes starting with “56” – Resale Supplies and Materials – includes cost of food for food service
3. Object codes starting with “71” – Redemption of Long-term Bonds, Loans and Capital Leases
4. Object codes starting with “72” – Interest on debt
5. Object codes starting with “73” – Other Financing and Debt Expenditures

6. Object codes starting with “75” – Claims and Judgments
7. Object codes starting with “76” – Taxes Abated and Written Off
8. Object codes starting with “85” – Sub Grantee Disbursements
9. Function Codes starting with “44” – Sub Grantee Payments (Flow Through Grants)

Expenses that are classified as follows are also excluded (automatically) due to the nature of the costs:

1. Debt Service Function 51X
2. Capital Project Fund
3. Internal Service Fund (costs would be duplicated in other funds)
4. District Wide Reporting

Adjustments will be required to exclude the following types of costs:

1. Fines and Penalties
2. Election Expenses
3. Major purchased service contracts in excess of \$25,000 that impact the direct cost base. For this exclusion, the first \$25,000 of the contract is included; costs in excess of \$25,000 are excluded. To be consistent, if any of these major contracts relate to a federal grant, indirect should be charged only on the first \$25,000 of the contract.
4. Any excludable costs paid to Other Governmental Agencies reported in function codes starting with 41, 42 and 43.
5. Costs reported under the Enterprise Fund that are duplicated because they are also reported in another fund.

Record these additional exclusions in Part I and Part II of the DS-4513. Provide an explanation or description of the cost, the fund and function code from the FID and the amount to be excluded. Any expenditures that are recorded in the FID using State Codes 2XX through 8XX will be automatically classified as direct expenditures. State Codes in this range indicate a grant funded expenditure, which should be considered a direct cost. Should there be any costs directly attributed to a program or grant that were not designated as such by the State Code, an adjustment should be done to subtract the amount from the indirect unrestricted, indirect Medicaid, and indirect restricted costs and to add that cost to the direct and unallowable costs.

There are instances where the classification assumed by pulling financial data from the FID is incomplete or inaccurate. Guidance, by function code, is provided to assist you in reporting any necessary adjustments to your indirect cost information. Record these adjustments, by fund, function code and object code on Part III of the DS-4513. ***Please enter the adjustment to the Direct cost pool only. The form will fill in the appropriate adjustment to the Indirect cost pool, and total the adjustments.***