**Attachment VI**

**COST POLICY STATEMENT**

**(NAME OF AGENCY/PHONE NUMBER)**

I. General Accounting Policies

 A. Basis of Accounting: Accrual

 B. Fiscal Year: July 1 through June 30

 C. Allocation basis for individual cost elements: Direct Allocation Base

D. Indirect Cost Rate Allocation Base: Direct Salaries and Wages including Fringe Benefits.

E. If your agency use a fringe benefit rate, describe the fringe benefit allocation base.

F. (Agency name) maintains adequate internal controls to insure that no cost is charged both directly and indirectly to it contracts. The name and a description of the accounting system software will need to be identified.

G. (Agency name) accumulates all indirect costs in the account titled, “Indirect Cost-Expense.” Provide the chart of account name that indirect costs are posted to.

II. Description of Cost Allocation Methodology

1. Salaries and Wages
2. Direct Costs: Identify employees whose salary is directly charged as direct cost.
3. Indirect Costs: Identify employees whose salary is directly charged as indirect cost.
4. Mixed Costs: Identify employees whose salary is charged both direct and indirect.
5. Fringe Benefits:
6. (Agency name) contributes the following fringe benefits for its employees:
7. Vacation
8. Holiday
9. Sick Leave
10. Unemployment insurance
11. Workers compensation
12. F.I.C.A.
13. Health Insurance
14. etc.

C. Treatment of Fringe Benefits – (Agency name) accounting systems track fringe benefits, (identify how fringe benefits recorded), i.e. “fringe benefits costs are tracked by individual employee and charges those costs directly or indirectly in the same manner as salary and wages. In addition, a statement is needed to identify how a fringe benefit rate(s) are established.

D.Treatment of Paid Absences – Identify how each time off category is recorded, i.e. are these costs as a direct or indirect cost.

 E. Expenses

1. Identify each expense on your income statement, and explain how each these costs are posted to your general ledger, i.e.

a. Office supplies – Office supplies are allocated to each cost center based on our allocation method. See attached Cost Allocation worksheet.

 F. Unallowable Costs

1. (Agency name) recognizes that unallowable costs as defined in 2 CFR Part 230 cannot be charged to Federal Awards, and has internal controls in place to insure that CFR is followed.

 a. Examples of unallowable costs are:

 1. Advertising and public relations

 2. Entertainment/alcoholic beverages

 3. Capital expenditures

 4. Interest

 5. Lobbying and fund raising

 6. Charitable contribution.