

COST POLICY STATEMENT

Town of Guadalupe, Arizona

I. General Accounting Policies

A. Basis of Accounting - Accrual Basis

B. Fiscal Period - July 1 through June 30

C. Allocation Basis - Direct Allocation Basis

D. Indirect Cost Rate Allocation Base-Direct Salaries and Wages including vacation, holiday, sick pay and other paid absences but excluding all other fringe benefits.

E. Fringe benefit Allocation Rate -See B below.

F. The Town maintains adequate internal controls to insure that no cost is charged both directly and indirectly to Federal contracts or grants.

G. The Town accumulates all indirect costs and revenues in object of expenditure and source of revenue accounts respectively and uses the sub account number 1000 for identification as an indirect cost to be allocated.

II. Description of Cost Allocation Methodology

A. Salaries and Wages

1. Direct Costs - The majority of the Town's employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the Town such as General Government, Public Safety, Public Works and Streets, Enterprise Activities and Capital Projects. The charges are supported by auditable labor distribution reports which reflect the actual activities of employees.

2. Indirect Costs - The following staff charge 100% of their salary costs indirectly:

Town Manager, Town Receptionist, Finance Director, Finance Assistant and payroll/payables clerk

3. Mixed Charges - The following employees may charge their salary costs to both direct and indirect activities:

None

The distinction between direct and indirect is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs they are indirect. When functions are specific to one or more programs they are direct because they do not benefit all programs.

Auditable labor distribution records which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges. The time records are certified by the Town Manager.

Release time costs (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. Consequently, separate claims for release time costs are not made. The Town's accounting system records release time as a direct or indirect cost in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is recorded as a cost in the period earned.

B. Fringe Benefits

The Town contributes to the following fringe benefits for its employees: unemployment insurance, worker's compensation, F.I.C.A., health insurance, and required contributions to a defined benefit pension plan.

The Town contributes to a deferred compensation plan for the Town Manager only is a direct cost to the General Government function/department only and is not allocated.

Since the Town's accounting system tracks fringe benefit costs by individual employee and charges those costs directly or indirectly in the same manner as salary and wage costs are recorded, the Town does not need to have a fringe benefit rate established.

C. Travel

Travel costs may be charged as either direct or indirect costs depending on the purpose of the trip. For example, the Grant Administrator travels to a seminar regarding Cost Allocation and the Cost Rate Process. This trip is indirect in nature and should be charged as an indirect cost. However, if the Grant Administrator travels to a regional office to perform a specific task for a grant or contract, the trip would be considered a direct cost.

D. Council Expenses

Council expenses charged on an indirect basis are for stipends to attend meetings, special events, speeches, and seminars regarding Grants, Federal Contracts, General Government, Public Safety, Public Works and Streets, Enterprise Activities and Capital Projects. Other Council expenses are absorbed by the Town and are not charged either directly or indirectly to Federal contracts or grants.

E. Supplies and Material

To the maximum extent possible, office supplies and materials are direct charged to the contract/grant or other department which uses the supplies or materials. Supplies and materials used by staffs who are engaged in indirect activities will be charged on an indirect basis.

F. Occupancy Expenses

Rent – The Town occupies space it has purchased with bond proceeds and space purchased with general funds. Costs are obtained from deriving the fair market value of the total space available. Monthly rent costs are allocated based on square footage, directly and indirectly as follows:

(a) Direct Costs - The cost of space occupied by staff whose salaries are directly charged is charged directly.

(b) Indirect Costs - The cost of space occupied by staff whose salaries are indirectly charged is charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis will be allocated on a mixed basis in the same ratio as their salaries are allocated. (No salaries on a mixed Basis)

The cost of space required for common areas (hallways, restrooms, and Town's conference room) will be accounted for as an indirect cost.

The Town has developed a floor plan which identifies what areas are designated as direct and indirect charge space (based on square footage).

G. Utilities

The cost of electricity is charged directly and indirectly in the same ratio as its space costs are charged.

H. Communications

1. A log is maintained of all fax transmissions. The cost of fax services is charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

2. Long distance telephone calls charged directly and indirectly in the same ratio as its space costs are charged.

3. Local telephone service costs are prorated to direct and indirect charges based upon the number of telephone instruments assigned to the Town. Each telephone instrument is identified to either an indirect or a direct activity. For example, the Town has 50 telephone instruments assigned to it. Nine of the 50 instruments are assigned to the program funded by CAP. Therefore, 9/50ths of the monthly local service telephone charges are direct charged to the CAP grant. Five of the instruments are assigned to indirect staff; therefore, 5/50ths of the monthly local service charges are charged indirectly. No telephone instruments are charged on a mixed basis since the costs incurred on that basis are immaterial in amount.

4. The Town uses a meter system for postage charges. The postage meter has been programmed to identify the specific program or activity to charge costs against. Express mail costs are also specifically identified to the program or activity incurring the cost.

I. Photocopying and Printing

(a) Direct Costs - The Town maintains a photocopy activity log. From this log, the Town is able to prorate its photocopy expenses to each program based on the specific volume of copies made for each program.

(b) Indirect Costs - The Grant Director/Administrator will record copies made to the benefiting program to the maximum extent practical. In situations where the photocopies being made by the Grant Director/Administrator cannot be identified to a specific program and the matter being copied relates to the activities of all programs, the cost of such copies will be allocated as indirect costs.

Printing expenses are charged to the benefiting activity.

J. Outside Services

The Town incurs outside services costs for its annual audit, legal fees, and for staff development specialists.

1. The cost of the annual audit is charged indirectly.
2. In general, legal fees are charged directly to the benefiting program or activity.
3. Legal fees that are not identifiable to specific direct programs are charged indirectly.

K. Capital Items

Capital expenditures are charged directly to programs only in cases where a contract or grant specifically authorizes such charges. No capital item is charged indirectly. The cost of capital items purchased with non-Federal funds are recovered through depreciation charges. The Town's capitalization threshold is \$5000.

L. Depreciation

The cost of capital items purchased with non-Federal funds which are used in a manner which benefits Federal programs is recovered through depreciation charged. The Town recovers the cost of capital items using straight line depreciation methods in accordance with generally accepted accounting principles. Depreciation is charged indirectly.

M. Service to Members

The costs of activities performed primarily as a service to grant recipients, are classified as direct costs and bear their fair share of indirect costs. These activities include: maintenance and processing of all records and record retention, publications, and related functions, providing services and information to grant recipients, or the public; promotion, and other forms of public relations; meetings and conferences except those held to conduct the general administration of the Town; maintenance, protection, and investment of special funds not used in operation of the Town; and administration of payments made on behalf of members or clients including loan payments, utility payments, escrow fees, etc.

N. Unallowable Costs

The Town recognizes that the following costs, as defined in A-122, are unallowable charges to Federal awards and has internal controls in place to insure that such costs are not charged to Federal awards:

The cost of advertising and public relations, entertainment/alcoholic beverages, capital expenditures, defense claims by the Federal Government, interest, lobbying and fund raising.