



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Service
Division of Cost Allocation

Cohen Building-Room 1067
330 Independence Avenue, S.W.
Washington, DC 20201
PHONE: (202)-401-2808
FAX: (202)-619-3379

NOV 22 2004

Ms. Leslie L. Schmidt
Assistant Administrator
Montana State University
211 Montana Hall
Bozeman, MT 59717

Dear Ms. Schmidt:

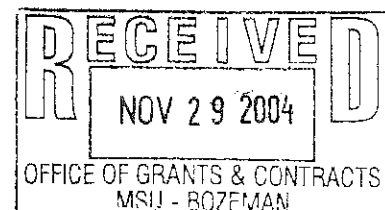
This is in response to your letter which transmitted Montana State University's Disclosure Statement (CASB Form DS-2). We have reviewed your DS-2 based on the results of the Defense Contract Audit Agency's Report Numbers 4261-2004M19100003/4 on the Adequacy and Compliance of the University's disclosure statement.

As the Administrative Contracting Officer (ACO), I am required to determine the adequacy and compliance of submitted DS-2s. In accordance with Cost Accounting Standards Board (CASB) procedures, the ACO decision will be based on recommendations issued by the cognizant agency auditor. Based on our review and consultation with audit staff, we have determined that your DS-2 adequately discloses the cost accounting practices required to be disclosed by CASB's rules, regulations, and standards, and that those practices are compliant with applicable Federal cost accounting principles.

Should you have any questions, please contact Jay Mervis of my staff on (202) 260-2381.

Sincerely,

Philip A. Simard
Director
Division of Cost Allocation





Montana State University

Cost Accounting Standards Board Disclosure Statement Form DS-2

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

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**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

GENERAL INSTRUCTIONS

1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFR (48 CFR 9903).
2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a central or group office and are allocated to one or more segments performing under Federally sponsored agreements.
3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VI.
4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under Federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under Federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.
5. The Statement must be signed by an authorized signatory of the reporting unit.
6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.
7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

GENERAL INSTRUCTIONS

8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement item number. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).

10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.

11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number ____" and "Effective Date ____" in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.

ATTACHMENT - Blank Continuation Sheet

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

COVER SHEET AND CERTIFICATION

0.1 Educational Institution

- (a) Montana State University
- (b) 309 Montana Hall
- (c) Bozeman, MT 59717
- (d) Division or Campus of (if applicable)
N/A

0.2 Reporting Unit is: (Mark one.)

- A. Independently Administered Public Institution
- B. Independently Administered Nonprofit Institution
- C. Administered as Part of a Public System
- D. Administered as Part of a Nonprofit System
- E. Other (Specify) _____

0.3 Official to Contact Concerning this Statement:

- (a) Leslie L. Schmidt
Assistant Vice President for Research
- (b) 406-994-2381

0.4 Statement Type and Effective Date:

- A. (Mark type of submission. If a revision, enter number)
 - (a) Original Statement
 - (b) Amended Statement; Revision No. 2
- B. Effective Date of this Statement: (Specify) 7/01/04

0.5 Statement Submitted To (Provide office name, location and telephone number, include area code and extension):

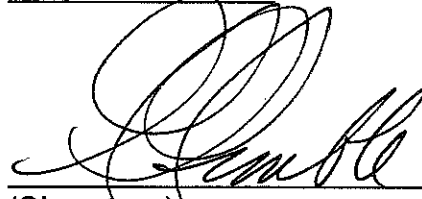
- A. Cognizant Federal Agency: Division of Cost Allocation
Dept. of Health and Human Services, Region IX
50 United Nation Plaza
San Francisco, CA 94102
415-437-7820
- B. Cognizant Federal Auditor: Office of Inspector General
Office of Audit
Dept. of Health and Human Services, Region IX
50 United Nation Plaza
San Francisco, CA 94102
415-437-8360

CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. § 422.

Date of Certification:

11-29-04



(Signature)

Dr. Geoff Gamble

President, Montana State University

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE
IS PRESCRIBED IN
18 U.S.C. § 1001

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART I - GENERAL INFORMATION

Montana State University

Item No.	Item description	Revision Number: 2 Effective Date: 10-22-04
Part I		
1.1.0	<p>Description of Your Cost Accounting System for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperative agreements) . (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p> <p>A. <input checked="" type="checkbox"/> Accrual</p> <p>B. <input type="checkbox"/> Modified Accrual Basis <u>1/</u></p> <p>C. <input checked="" type="checkbox"/> Cash Basis</p> <p>Y. <input type="checkbox"/> Other <u>1/</u></p>	
1.2.0	<p>Integration of Cost Accounting with Financial Accounting. The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.)</p> <p>A. <input checked="" type="checkbox"/> Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.)</p> <p>B. <input type="checkbox"/> Not integrated with financial accounting records (Cost data are accumulated on memorandum records.)</p> <p>C. <input type="checkbox"/> Combination of A and B</p>	
1.3.0	<p>Unallowable Costs. Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one)</p> <p>A. <input type="checkbox"/> Specifically identified and recorded separately in the formal financial accounting records. <u>1/</u></p> <p>B. <input type="checkbox"/> Identified in separately maintained accounting records or workpapers. <u>1/</u></p> <p>C. <input type="checkbox"/> Identifiable through use of less formal accounting techniques that permit audit verification. <u>1/</u></p> <p>D. <input checked="" type="checkbox"/> Combination of A, B or C <u>1/</u></p> <p>E. <input type="checkbox"/> Determinable by other means. <u>1/</u></p> <p><u>1/</u> Describe on a Continuation Sheet.</p>	

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

PART I - GENERAL INFORMATION

Montana State University

**Item
No.**

Item description

**Revision Number: 2
Effective Date: 10-22-04**

- 1.3.0 **Treatment of Unallowable Costs.** (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)
- 1.4.0 **Cost Accounting Period:** July 1st – June 30th (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)
- 1.5.0 **State Laws or Regulations.** Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.

1/ Describe on a Continuation Sheet.

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

CONTINUATION SHEET

Montana State University

Item No.	Item description	Revision Number: 2 Effective Date: 10-22-04
1.1.0	<p>Description of Your Cost Accounting System</p> <p>Sponsored agreement direct costs are charged on a cash basis. The University's annual financial statements include accruals for accounts payable and are the basis for the indirect cost rate proposal.</p>	
1.3.0	<p>Unallowable Costs</p> <p>Unallowable costs are identified by account codes. The costs recorded in these categories are excluded from the direct and indirect cost pools charged to sponsored agreements. Unallowable account codes are based on portions of section J of Circular A-21. Examples include advertising, alcoholic beverages, bad debt, civil defense costs, commencement and convocation costs, fines and penalties, goods and services for personal use, housing and personal living expenses for institutional officers, losses on other sponsored agreements, entertainment costs, selling and marketing costs, student activity costs and trustee costs. Additionally, costs incurred by organizational units such as President's, Vice President's, University Relations and the Alumni Office whose overall activities are unallowable are identified and removed from the indirect cost pools allocated to sponsored agreements.</p>	
1.3.1	<p>Treatment of Unallowable costs</p> <p>Unallowable costs identified in 1.3.0 are excluded from being charged to federally sponsored agreements. Unallowable directly associated costs (as defined in CAS 505) are also excluded from being charged to federally sponsored agreements, but remain in the indirect cost allocation base classified as "Other Institutional Activities" in the indirect cost proposal. As part of the normal indirect cost allocation process, indirect costs are allocated to these other unallowable activities in the same manner if the unallowable costs are the type of costs that would be included in the Modified Total Direct Cost (MTDC) base required by section G of Circular A-21.</p>	
1.5.0	<p>State Laws or Regulations</p> <p>A. State of Montana Board of Regents (indirect cost rates for other state agencies) B. Montana Operations Manual at: http://www.discoveringmontana.com/doa/doaforms/accountingforms/ C. State of Montana accounting laws that affect designated accounts D. Positive cash balance (Montana Code Annotated 17-2) in all designated accounts</p> <p align="center">End part 1</p>	

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART II - DIRECT COSTS

NAME OF REPORTING UNIT
Montana State University

Item No.	Item description	Revision Number: 2	Effective Date: 10-22-04
	<p>Instructions for Part II</p> <p>Institutions should disclose what costs are, or will be, charged directly to Federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.</p>		
2.1.0	<p><u>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</u> (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)</p>		
2.2.0	<p><u>Description of Direct Materials.</u> All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)</p>		
2.3.0	<p><u>Method of Charging Direct Materials and Supplies.</u> (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p>		
2.3.1	<p>Direct Purchases for Projects are Charged to Projects at:</p> <p>A. _____ Actual Invoiced Costs B. <u> X </u> Actual Invoiced Costs Net of Discounts Taken Y. _____ Other(s) <u> 1/ </u> Z. _____ Not Applicable</p>		
2.3.2	<p>Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):</p> <p>A. <u> X </u> First In, First Out B. _____ Last In, First Out C. _____ Average Costs <u> 1/ </u> D. _____ Predetermined Costs <u> 1/ </u> Y. _____ Other(s) <u> 1/ </u> Z. _____ Not Applicable</p> <p><u> 1/ </u> Describe on a Continuation Sheet.</p>		

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART II - DIRECT COSTS

NAME OF REPORTING UNIT
Montana State University

Item
No.

Revision Number: 2

Item description

Effective Date: 10-22-04

2.4.0

Description of Direct Personal Services. All personal services directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services compensation costs, including applicable fringe benefits costs, if any, within each major institutional function or activity that are charged as direct personal services.)

2.5.0

Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)

	<u>Direct Personal Services Category</u>			
	<u>Faculty</u> (1)	<u>Staff</u> (2)	<u>Students</u> (3)	<u>Other 1/</u> (4)
A. Payroll Distribution Method (Individual time card/actual hours and rates)	<u> X </u>	<u> X </u>	<u> X </u>	<u> </u>
B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
C. After-the-fact Activity Records (Percentage Distribution of employee activity)	<u> X </u>	<u> X </u>	<u> X </u>	<u> </u>
D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Y. Other(s) <u> 1/ </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

1/ Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART II - DIRECT COSTS

NAME OF REPORTING UNIT
Montana State University

Item No. Revision Number: 2
Item description Effective Date: 10-22-04

- 2.5.1 **Salary and Wage Cost Distribution Systems.**
 Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (If "NO", describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.)
 Yes
 No
- 2.5.2 **Salary and Wage Cost Accumulation System.**
 (Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)
- 2.6.0 **Description of Direct Fringe Benefits Costs.** All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet all of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post-retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)
- 2.6.1 **Method of Charging Direct Fringe Benefits.** (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0. is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.)
- 2.7.0 **Description of Other Direct Costs.** All other items of cost directly identified with Federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.)

COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS

PART II - DIRECT COSTS

NAME OF REPORTING UNIT
Montana State University

Item No. Revision Number: 2
Item description Effective Date: 10-22-04

2.8.0 **Cost Transfers.** When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if "No", explain on a continuation sheet how the credit differs from original charge.)

Yes
 No

2.9.0 **Interorganizational Transfers.** This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of interorganizational transfers or materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

	<u>Materials</u> (1)	<u>Supplies</u> (2)	<u>Services</u> (3)
A. At full cost <u>excluding</u> indirect costs attributable to group or central office expenses.	<u> X </u>	<u> X </u>	<u> X </u>
B. At full cost <u>including</u> indirect costs attributable to group or central office expenses.	_____	_____	_____
C. At established catalog or market price or prices based on adequate competition.	_____	_____	_____
Y. Other(s) <u>1/</u>	_____	_____	_____
Z. Interorganizational transfers are not applicable	_____	_____	_____

1/ Describe on a Continuation Sheet.

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

CONTINUATION SHEET

**NAME OF REPORTING UNIT
Montana State University**

**Item
No.**

Item description

**Revision Number: 2
Effective Date: 10-22-04**

2.1.0

Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives

In order to comply with OMB Circular A-21 and the Cost Accounting Standards Board's cost accounting standards, the University's policies for charging costs to federally sponsored projects are:

- 1.) Clerical and administrative salaries will be charged indirectly unless direct charging can be justified in accordance with OMB Circular A-21.
- 2.) Postage will generally be charged indirectly.
- 3.) Basic telephone charges will generally be charged indirectly. Long distance charges will be generally charged directly.
- 4.) Lab supplies associated with the lab activity will generally be charged directly.
- 5.) Office supplies will generally be charged indirectly.
- 6.) Software that is customized or directly related will generally be charged directly, all other software purchases will be charged indirectly.
- 7.) Subscriptions will generally be charged indirectly.
- 8.) Institutional membership will generally be charge indirectly.
- 9.) Repair and maintenance charges for equipment purchased on the award will generally be charged directly.
- 10.) Other related costs (photocopies, faxes, travel, technical and scientific equipment, rent, animal care and other services provided by specialized service facilities) will generally be charged directly.

Expectations to this policy will be permitted only under the following circumstances:

- 1.) Clerical and administrative individuals whose salaries are paid from a federally sponsored project must have responsibilities specifically associated with the work of the federally sponsored project. The specific association requirements may be satisfied in one of three ways:
 - A.) Unusually high levels of administrative activity associated with unusually large and complex projects such as program projects, cooperative agreements, coordinating centers, multicenter grants or operations offices. Only such cases, eligible responsibilities might include coordination of financial activities for multiple projects, core units, meeting for steering or advisory committees, pilot programs, special reporting needs, etc.
 - B.) Administrative work that is specifically related to the distinctive scientific and technical requirements of the work of the sponsored project, such as data collection, maintaining subject/patient data, phone surveys, etc.
 - C.) The clerical and administrative salaries must support a major project or activity. A major project would include:
 - Large complex programs such as research centers and other federally sponsored programs that entail assembling and managing teams of

2.1.0**Continued**

- investigators from a large number of institutions or departments.
- Projects with involve extensive data accumulation and entry, surveying, tabulation, cataloging and reporting.
- Projects that require making substantial travel and meeting arrangements for large numbers of program participants.
- Projects whose principal focus is the preparation and production of manuals and large reports excluding routine progress and technical reports.
- Projects that are geographically inaccessible to normal departmental administrative services i.e., remote research projects conducted in Antarctica or Africa for example.

- 2.) Postage- direct charges for postage should be restricted to projects with a high demand for these items as described in the budget narrative of the proposal submitted.
- 3.) Basic telephone charges may be direct charged for major projects/activities.
- 4.) General office supplies – direct charging of general office supplies should be restricted to projects with a high demand for these items as described in the budget narrative.

To adhere to these policies the University relies on the judgment of the Principal Investigator (PI) to determine if these circumstances exist for a specific project. The PI is responsible for determining if special circumstances require a cost that is usually charged as indirect to be charged as direct. Final approval of these exceptional circumstance charges is the responsibility of the Sponsored Research Office and is consistent with Circular A-21 and supplemental guidance issued by OMB.

Likewise, the University's policies permit direct charges to non-federal sponsored agreements for administrative and clerical salaries, office supplies, postage, local telephone expenses and membership costs if permitted by the sponsor.

To assure consistent treatment of costs between sponsored agreements and non-sponsored activities Direct Charged Equivalents (DCE's) are used to assign appropriate amounts of departmental general fund expenses directly to instruction and other non-sponsored direct cost objectives. DCE's are mathematical formulas which estimate the portion of general fund expenses that should be assigned directly to non-sponsored activities, and the portion that should be included in the Departmental Administration indirect cost pool. The University accomplishes this calculation using the CRIS indirect cost proposal software from the consulting firm Maximus. The use of DCE's is a long established accounting convention at academic institutions that is designed to help achieve consistent treatment of costs as required by Circular A-21 and CAS 502.

2.2.0**Description of Direct Materials**

The principle types of materials and supplies charged directly to sponsored agreements include: compressed gases and liquids, lab supplies associated with lab activities, directly related software, technical and scientific minor equipment, animal care and other specialized service facilities, books and reference materials.

2.4.0**Description of Direct Personal Services**

The principle types of personal services charged directly to sponsored agreements include: faculty, technical staff, research fellows, post-doctoral scholars, classified employees, graduate and undergraduate students and temporary employees. Fringe benefits are applicable to all of the above and are described in 2.6.0.

<p>2.5.0</p>	<p>Method of Charging Direct Salaries and Wages</p> <p>Proposal budgets are prepared in accordance with the requirements of the sponsoring agency. Examples of these requirements include the NSF 2/9 summer salary rule or the NIH annual salary rate limitation. Two primary methods are used to direct charge salaries and wages to sponsored agreements:</p> <ol style="list-style-type: none"> 1) Salaries for faculty, staff and students are charged to specific sponsored projects in the amount expected to equal the effort worked for that project. 2) Individual time cards are used for hourly staff and hourly students.
<p>2.5.2</p>	<p>Salary and Wage Cost Accumulation System</p> <p>Web based after-the-fact Time & Effort (T&E) reports are generated monthly based on actual payroll records. These reports reflect how faculty, staff and students were paid. Responsible officials within each department complete and certify how each employee spent their time in the T&E reports. Where the actual effort for a sponsored agreement is less than the salary paid from the project the charges are appropriately adjusted to reflect actual effort. Effort that exceeds the salary distribution of a particular sponsored agreement is recorded as cost share.</p>
<p>2.6.0</p>	<p>Description of Direct Fringe Benefit Costs</p> <p>Group Insurance (health, dental, life, accidental death and disability) FICA Workers Compensation Medicare Unemployment Compensation Termination Pool One of the following retirement plans: Public Employees Retirement (PERD) TRS Retirement TIAA/CREF Retirement</p>
<p>2.6.1</p>	<p>Method of Charging Direct Fringe Benefits</p> <p>All fringe benefits (with the exception of Group Insurance) are budgeted and direct charged on a percentage calculation of the employee's gross monthly salary or wage. The Group Insurance benefit is budgeted and direct charged as a fixed dollar amount. The fringe benefit amount attributable to each employee is direct charged to sponsored agreements based on the distribution of the employee's salary or wage.</p>
<p>2.7.0</p>	<p>Description of Other Direct Costs</p> <p>The principle types of other direct costs charged to sponsored agreements include: consultants, subcontracts, communication (long distance telephone charges, printing services, photocopy charges, reprints & page charges and photography services), travel, rent, repair and maintenance, equipment, participant support, and student tuition.</p> <p style="text-align: right;">End part 2</p>

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

PART III - INDIRECT COSTS

NAME OF REPORTING UNIT
Montana State University

Item No.	Item description	Revision Number: 2 Effective Date: 10-22-04
	Instructions for Part III	
	<p>Institutions should disclose how the segment's total indirect costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and "billed" to users, and the specific indirect cost pools and allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.</p> <p>The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.</p> <ul style="list-style-type: none"> A. Direct Charge or Allocation B. Total Expenditures C. Modified Total Cost Basis D. Modified Total Direct Cost Basis E. Salaries and Wages F. Salaries, Wages and Fringe Benefits G. Number of Employees (head count) H. Number of Employees (full-time equivalent basis) I. Number of Students (head count) J. Number of Students (full-time equivalent basis) K. Student Hours -- classroom and work performed L. Square Footage M. Usage N. Unit of Product O. Total Production P. More than one base (Separate Cost Groupings) <u>1/</u> Y. Other(s) <u>1/</u> Z. Category or Pool not applicable 	
	<u>1/</u>	List on a continuation sheet, the category and subgrouping(s) of expense involved and the allocation base(s) used.

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PART III - INDIRECT COSTS

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3.1.0

Indirect Cost Categories - Accumulation and Allocation. This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to other applicable indirect cost categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading "Allocation Sequence," insert 1, 2, or 3 next to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert "CA." If an indirect cost category listed in this section is not used, insert "NA.")

<u>Indirect Cost Category</u>	<u>Accumulation Method</u>	<u>Allocation Base Code</u>	<u>Allocation Sequence</u>
(a) Depreciation/Use Allowances/Interest			1
Building	YES	L	
Equipment	YES	L	
Capital Improvements to Land <u>1/</u>	YES	H,J	
Interest <u>1/</u>	YES	L	
(b) Operation and Maintenance	YES	L	2
(c) General Administration and General Expense	YES	C	3
(d) Departmental Administration	YES	C	
(e) Sponsored Projects Administration	YES	P	
(f) Library	YES	H,J,E	
(g) Student Administration and Services	YES	J	
(h) Other <u>1/</u>	N/A	N/A	

1/ Describe on a Continuation Sheet.

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3.2.0	<p>Service Centers. Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include "recharge centers" and the "specialized service facilities" defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter "Z" in Column 1, if not applicable.)</p>						
		(1)	(2)	(3)	(4)	(5)	(6)
	(a) Scientific Computer Operations	<u>Z</u>	—	—	—	—	—
	(b) Business Data Processing	<u>C</u>	<u>C</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
	(c) Animal Care Facilities	<u>C</u>	<u>C</u>	<u>C</u>	<u>B</u>	<u>A</u>	<u>B</u>
	(d) Other Service Centers with Annual Operating Budgets exceeding \$1,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)						
	<u>Facilities Services</u>	<u>C</u>	<u>B</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
	<u>Campus Stores</u>	<u>C</u>	<u>B</u>	<u>C</u>	<u>A</u>	<u>A</u>	<u>B</u>
	(1) Category Code: Use code "A" if the service center costs are billed only as direct costs of final cost objectives; code "B" if billed only to indirect cost categories or indirect cost pools; code "C" if billed to both direct and indirect cost objectives.						
	(2) Burden Code: Code "A" -- center receives an allocation of all applicable indirect costs; Code "B" -- partial allocation of indirect costs; Code "C" -- no allocation of indirect costs.						
	(3) Billing Rate Code: Code "A" -- billing rates are based on historical costs; Code "B" -- rates are based on projected costs; Code "C" -- rates are based on a combination of historical and projected costs; Code "D" -- billings are based on the actual costs of the billing period; Code "Y" -- other (explain on a Continuation Sheet).						
	(4) User Charges Code: Code "A" -- all users are charged at the same billing rates; Code "B" -- some users are charged at different rates than other users (explain on a Continuation Sheet).						
	(5) Actual Costs vs. Revenues Code: Code "A" -- billings (revenues) are compared to actual costs (expenditures) at least annually; Code "B" -- billings are compared to actual costs less frequently than annually.						
	(6) Variance Code: Code "A" -- Annual variances between billed and actual costs are prorated to users (as credits or charges); Code "B" -- variances are carried forward as adjustments to billing rate of future periods; Code "C" -- annual variances are charged or credited to indirect costs; Code "Y" -- other (explain on a Continuation Sheet).						

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3.3.0	<p><u>Indirect Cost Pools and Allocation Bases</u></p> <p>(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally sponsored agreements or similar cost objectives.)</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: center;"><u>Indirect Cost Pools</u></th> <th style="text-align: center;"><u>Allocation Base Code</u></th> </tr> </thead> <tbody> <tr> <td colspan="2">A. Instruction</td> </tr> <tr> <td><input checked="" type="checkbox"/> On-Campus</td> <td>P _____</td> </tr> <tr> <td><input checked="" type="checkbox"/> Off-Campus</td> <td>P _____</td> </tr> <tr> <td><input type="checkbox"/> Other <u>1/</u></td> <td>_____</td> </tr> <tr> <td colspan="2">B. Organized Research</td> </tr> <tr> <td><input checked="" type="checkbox"/> On-Campus</td> <td>P _____</td> </tr> <tr> <td><input checked="" type="checkbox"/> Off-Campus</td> <td>P _____</td> </tr> <tr> <td><input type="checkbox"/> Other <u>1/</u></td> <td>_____</td> </tr> <tr> <td colspan="2">C. Other Sponsored Activities</td> </tr> <tr> <td><input checked="" type="checkbox"/> On-Campus</td> <td>P _____</td> </tr> <tr> <td><input checked="" type="checkbox"/> Off-Campus</td> <td>P _____</td> </tr> <tr> <td><input type="checkbox"/> Other <u>1/</u></td> <td>_____</td> </tr> </tbody> </table>	<u>Indirect Cost Pools</u>	<u>Allocation Base Code</u>	A. Instruction		<input checked="" type="checkbox"/> On-Campus	P _____	<input checked="" type="checkbox"/> Off-Campus	P _____	<input type="checkbox"/> Other <u>1/</u>	_____	B. Organized Research		<input checked="" type="checkbox"/> On-Campus	P _____	<input checked="" type="checkbox"/> Off-Campus	P _____	<input type="checkbox"/> Other <u>1/</u>	_____	C. Other Sponsored Activities		<input checked="" type="checkbox"/> On-Campus	P _____	<input checked="" type="checkbox"/> Off-Campus	P _____	<input type="checkbox"/> Other <u>1/</u>	_____	
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A. Instruction																												
<input checked="" type="checkbox"/> On-Campus	P _____																											
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<input checked="" type="checkbox"/> Off-Campus	P _____																											
<input type="checkbox"/> Other <u>1/</u>	_____																											
3.4.0	<p>D. Other Institutional Activities <u>1/</u></p> <p><u>Composition of Indirect Cost Pools.</u> (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.)</p> <p><u>1/</u> Describe on a Continuation Sheet.</p>																											

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3.5.0

Composition of Allocation Bases. (For each allocation base code used in Items 3.1.0 and 3.3.0, describe on a continuation sheet the makeup of the base. For example, if a modified total direct cost base is used, specify which of the elements of direct cost identified in Part II, Direct Costs, that are included, e.g., materials, salaries and wages, fringe benefits, travel costs, and excluded, e.g., subcontract costs over first \$25,000. Where applicable, explain if service centers are included or excluded. Specify the benefiting functions and activities included. If any cost objectives are excluded from the allocation base, such cost objectives and the alternate allocation method used should be identified. If an indirect cost allocation is based on Cost Analysis Studies, identify the study, and fully describe the study methods and techniques applied, the composition of the specific allocation base used, and the frequency of each recurring study .

3.6.0

Allocation of Indirect Costs to Programs That Pay Less Than Full Indirect Costs. Are appropriate direct costs of all programs and activities included in the indirect cost allocation bases, regardless of whether allocable indirect costs are fully reimbursed by the sponsoring organizations?

A. Yes

B. No ^{1/}

^{1/} Describe on a Continuation Sheet.

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CONTINUATION SHEET

NAME OF REPORTING UNIT
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Item No.	Item description	Revision Number: 2 Effective Date: 10-22-04
3.1.0	<p>Indirect Cost Categories – Accumulation and Allocation</p> <p>I. Accumulation Method</p> <p>Depreciation The acquisition costs of buildings, capital improvements, and equipment are recorded in the University's property reporting system. The information in this system is used to compute annual depreciation for buildings, improvements, and equipment.</p> <p>Interest The interest expense in this indirect cost pool is interest on debt associated with buildings, equipment and capital improvements as defined in Circular A-21. The overall annual interest costs are recorded in the University's accounting system. The interest associated with individual building construction and improvement projects is maintained in separate work papers. A particular bond issue may finance several construction projects or items of capital. The amount of interest allocated to each is based on that project's or item's proportional share of the bond proceeds. The interest cost included in the indirect cost proposal is limited to interest on construction projects completed on or after July 1, 1982 and equipment purchased on or after that date as required by Circular A-21.</p> <p>Departmental Administration Departmental administration expenses are only partially identified by the accounting system. This cost pool consists of the administrative costs of deans' offices; costs associated with the administrative work of department heads, faculty and other professional research and academic staff; and other departmental support services. The costs of deans' offices are identified by the account system. The costs associated with administrative activities of department heads, faculty and other professional academic staff are covered by a standard allowance of 3.6% of modified total direct costs specified in Circular A-21. The remaining departmental support costs include the salaries and fringe benefits of administrative and clerical staff (excluding direct charges for administrative and clerical services under the conditions explained in 2.1.0), departmental business managers, office supplies, postage, travel associated with administrative activities, etc. This portion of departmental administration expenses is accumulated through an analysis of departmental general fund accounts and the application of "Direct Charge Equivalents" (DCEs). As explained in 2.1.0, DCEs are mathematical formulas which estimate the portion of departmental general fund expenses that should be assigned directly to instruction and other non-sponsored direct costs objectives and the portion that should be included in the departmental administration indirect cost pool.</p> <p>Montana State University accomplishes the DCE calculation using the CRIS indirect cost proposal software from the consulting firm Maximus. The specific DCE/DA methodology used by the University is described below and is consistent with federal guidelines.</p>	

3.1.0**Indirect Cost Categories – Accumulation and Allocation (continued)**DCE/DA Methodology:

A unique DA cost pool is established for each academic department. Within each of these cost pools, five separate components are calculated:

- 1) 100% Administrative salaries and wages
- 2) DCE General Support salaries and wages
- 3) 3.6% Faculty and Professional salaries and wages
- 4) prorated share of employee benefits
- 5) DCE share of other general expenditures

Administrative and General Support Salaries and Wages

The first two components, Administrative and General Support salaries and wages are determined through a review of the institution's payroll system. Job positions for each academic department which are defined as pure administrative and are charged only to the general operating accounts of the department are categorized as 100 percent departmental administration.

Job positions per each academic department which are defined as General Support (e.g. secretaries, technicians, student help, etc.) and Faculty and Professional (e.g. professors, departmental chairmen, laboratory directors, scientists, graduate and research assistants, etc.), and have been direct charged to sponsored agreements, are used to calculate a direct charge equivalent (DCE).

The DCE ratio is defined as General Support salaries and wages charged to sponsored agreements, divided by Faculty and Professional salaries and wages charged to sponsored agreements. The DCE ratio is computed on a department-by-department basis.

The DCE ratio is then compared against the actual General Support salaries and wages and the actual Faculty and Professional salaries and wages (less the 3.6 percent Faculty Administrative Allowance) which have been charged to each department's general operating account.

When the DCE ratio is less than the ratio calculated for the general operating account for a given department, an excess or residual of General Support salaries and wages exists within the general operating account. This excess is treated as pure Departmental Administration and is transferred to the DA cost pool. When the DCE ratio is greater than the ratio calculated for the general operating account, no excess General Support salaries and wages exists and no transfer is made to the DA cost pool.

The important assumption underlying this methodology is that the General Support salaries which support the Faculty and Professional salaries within the general operating account be in the same proportion as the General Support salaries which support the Faculty and Professional salaries for sponsored agreements.

Faculty and Professional Salaries and Wages

The next component, Faculty and Professional (F&P) salaries and wages is determined by taking the modified total direct costs (MTDC), less the Administrative salaries and wages. General Support salaries and wages, and all other DA items, and multiplying the result by the 3.6 percent Faculty Administrative Allowance (FAA). The salary and wage portion of F&P is then calculated by dividing the FAA by one plus the academic employee benefit rate. The resulting amount of Faculty and Professional salaries and wages is then transferred from the general operating account to the DA cost pool.

3.1.0**Indirect Cost Categories – Accumulation and Allocation (continued)****Employee Benefits and Other General Expenditures**

The final two components, Employee Benefits and Other General Expenditures, are determined by taking a prorated share and a DCE share, respectively. Benefits are determined by applying the department benefit rate to salaries that were reclassified to the DA pool. Other General Expenditures are determined by a DCE calculation similar to what is described above with General Support salaries and wages.

All Other Indirect Cost Categories

The remaining indirect cost categories are identified by the University's accounting system, however adjustments and reclassifications are needed to recast the information in the University's financial statements into the cost pools required by Circular A-21.

II Allocation Base Code**Depreciation on Equipment**

The specific allocation process for equipment depreciation is described in 3.5.0.

Depreciation on Capital Improvements to Land

Depreciation on capital improvements to land are allocated based on the standard method in section F.2.b(4) of Circular A-21, which uses a combination of full-time-equivalent student and employee data and salary data in a multi-step allocation process.

Interest

Interest costs are allocated on the same basis as the depreciation on the buildings, capital improvements and equipment to which the interest relates.

Departmental Administration

Departmental administration expenses are generally allocated in accordance with the standard Circular A-21 methodology.

Library

Library costs are allocated based on the standard method in Circular A-21, which uses a combination of full-time-equivalent student and employee data and salary data in a multi-step allocation process.

Student Administration and Services

The Student Administration and Services indirect cost pool is allocated entirely to the instruction function in accordance with the standard allocation base in section F.9.b of Circular A-21.

3.3.0**Indirect Cost Pools and Allocation Bases**

The University has four different indirect cost basis options depending on the policy and regulation of the sponsoring organization.

The four are:

Total Expenditures

Modified Total Cost Basis (total expenditures less equipment)

Modified Total Direct Cost Basis

Salaries, Wages and Fringe Benefits

3.4.0**Composition of Indirect Cost Pools****Building and Land Improvements**

These cost pools consists of the annual depreciation on the University's buildings and capital improvements to land and buildings, net of Federal participation, computed in accordance with Circular A-21.

Depreciation on Equipment

This cost pool consists of the annual depreciation on the University's capital equipment, net of Federal participation, computed in accordance with Circular A-21, Section J.12.b.

Interest

This cost pool consists of the current year non-capitalized interest on debt associated with certain buildings, equipment and capital improvements, as defined in Sections J.22.c and f. of Circular A-21.

Operations and Maintenance of Plant

This cost pool consists of costs incurred for the administration, supervision, operation, maintenance, preservation, and protection of institutional facilities. It includes expenses incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; environmental safety; hazardous waste disposal; property liability and all other insurance relating to property; space and capital leasing; facility planning and management; and, central receiving. It also includes its allocable share of fringe benefit costs, depreciation and use allowances, and interest costs.

General Administration and General Expenses

This cost pool consists of costs that have been incurred for the general executive and administrative offices and other expenses of a general character and include: President's Office, Provost, Personnel & Payroll Services, Vice President for Administration & Finance and the Vice President for Research, etc. This category includes expenses incurred for such items as salaries, fringe benefits, other supporting expenses and its share of appropriate cross allocations from other indirect cost pools.

Composition of Indirect Cost Pools (continued)**Departmental Administration**

This cost pool consists of costs incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research units such as institutes, study centers, and research centers. This category includes expenses incurred for such items as salaries, fringe benefits, other supporting expenses and its allocable share of appropriate cross allocations from other indirect cost pools. See 3.1.0 for additional information on the composition and accumulation of departmental administration expenses.

Sponsored Projects Administration

This cost pool consists of expenditures incurred by the University to administer sponsored projects. Administration of sponsored projects includes functions such as pre-award activities (funding information, and proposal processing), post-award administration (agreement negotiations, award modifications and renewals), fiscal compliance (grant and contract accounting and indirect cost proposal). Costs included salaries and expenses of managers, professional staff, and administrative support staff. This category also includes its share of appropriate cross allocations from other indirect cost pools.

3.4.0 Composition of Indirect Cost Pools (continued)

Library Expenses

The expenses under this heading are those that have been incurred for the operation of the library, including the cost of books and library materials purchased for the library, less any items of library income that qualify as applicable. This category includes expenses incurred for such items as salaries, fringe benefits, other supporting expenses and its share of appropriate cross allocations from other indirect cost pools.

Student Administration and Services

The expensed under this heading are those that have been incurred for the administration of student affairs and for services to students, including expenses of such activities as deans of students, admissions, registrar, counseling and placement services, student advisers, student health and infirmary services, catalogs, and commencements and convocations. This category includes expenses incurred for such items as salaries, fringe benefits, other supporting expenses and its share of appropriate cross allocations from other indirect cost pools.

3.5.0 Composition of Allocation Bases

Depreciation of Buildings

Building depreciation is allocated on a building-by-building basis among the functions performed in each building (e.g., organized research, instruction, etc.) and based on the amount of net assignable square feet occupied by each function. Functional usage is determined on a room-by-room basis through a periodic space inventory and functional use survey, which assigns a specific percentage of use to each function performed in each room.

Depreciation on Equipment

Equipment depreciation is first identified to the room in which the equipment is located. The amount assigned to each room is further allocated to the functions performed in that room based on the proportional amount of net assignable square feet occupied by each function. Functional usage is determined by the space inventory and functional use survey described under Depreciation on Buildings. Equipment not identified to a specific room is allocated to functions based on the proportional amount of net assignable square feet occupied by each function for the department that owns the equipment.

Depreciation on Capital Improvements to Land

As noted in 3.1.0, depreciation on capital improvements to land are allocated based on a 40 year useful life and are allocated to functions based on the standard method in Circular A-21.

Interest

As indicated in 3.1.0 interest costs are allocated on the same basis as the depreciation on buildings, capital improvements, and equipment to which the interest relates.

Operation and Maintenance

Operation and Maintenance expenses are allocated based on the amount of net assignable square feet occupied by each function. The functional use of space is determined by the space inventory and functional use survey described under Depreciation on Buildings.

3.5.0**Composition of Allocation Bases (continued)****General Administration and General Expenses**

General Administration and General Expenses are allocated based on Modified Total Direct Costs, and consist of salaries and wages, fringe benefits, materials and supplies, services, travel, and subcontracts up to the first \$25,000 of each subcontract (regardless of the period covered by the subcontract). The following cost elements are excluded from the Modified Total Direct Costs base: equipment that meets the University's capitalization threshold, other capital expenditures, tuition remission, space rental costs, participant support costs, and the portion of each subcontract in excess of \$25,000.00.

Departmental Administration Expenses

Departmental Administration expenses are allocated based on Modified Total Direct Costs (MTDC) which consist of the same cost elements as the Modified Total Direct Costs base used to allocate General Administration and General Expenses. The administrative expenses of the dean's office of each college and school are allocated to the academic departments and other organizational units within that college or school on the basis of MTDC. The administrative expenses of each department, plus the department's share of expenses of the dean's office, are allocated to the direct functions within that department based on MTDC.

Sponsored Projects Administration

Sponsored Projects Administration is allocated based on MTDC of the sponsored projects within each major function of the institution. MTDC for this purpose consists of the same cost elements as the allocation base for General Administration and General expenses and Departmental Administration.

Library

As noted in 3.1.0, Library costs are allocated based on the standard method in section F.8. of Circular A-21.

Student Administration and Services

As indicated in 3.1.0, the Student Administration and Services indirect cost pool is allocated entirely to the instruction function in accordance with the standard base in section F.9.b. of Circular A-21.

Final Distribution Base

The final distribution base (i.e., the base used to allocate the accumulated indirect costs of each major function to sponsored agreements within that function) is also MTDC and consists of the same cost elements as the base for allocating the administrative cost pools noted above.

End part 3

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PART IV -
DEPRECIATION AND USE
ALLOWANCES

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Montana State University

Item
No.

Item description

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4.1.0

Part IV
Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For each asset category listed below, enter a code from A through C in Column (1) describing the method of depreciation; a code from A through D in Column (2) describing the basis for determining useful life; a code from A through C in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Y in each column of an asset category where another or more than one method applies. Enter Code Z in Column (1) only, if an asset category is not applicable.)

<u>Asset Category</u>	<u>Depreciation Method</u> (1)	<u>Useful Life</u> (2)	<u>Property Unit</u> (3)	<u>Residual Value</u> (4)
(a) Land Improvements	A	C	A	B
(b) Buildings	A	C	A	B
(c) Building Improvements	A	C	A	B
(d) Leasehold Improvements	A	C	A	B
(e) Equipment	A	C	A	B
(f) Furniture and Fixtures	A	C	A	B
(g) Automobiles and Trucks	A	C	A	A
(h) Tools	B	N/A		
(i) Enter Code Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. (Otherwise enter Code Z.)	Z			

Column (1)--Depreciation Method Code

- A. Straight Line
- B. Expensed at Acquisition
- C. Use Allowance
- Y. Other or more than one method 1/

Column (3)--Property Unit Code

- A. Individual units are accounted for separately
- B. Applied to groups of assets with similar service lives
- C. Applied to groups of assets with varying service lives
- Y. Other or more than one method 1/
- 1/ Describe on a Continuation Sheet.

Column (2)--Useful Life Code

- A. Replacement Experience
- B. Term of Lease
- C. Estimated service life
- D. As prescribed for use allowance by Office of Management and Budget Circular No. A-21
- Y. Other or more than one method 1/

Column (4)--Residual Value Code

- A. Residual value is deducted
- B. Residual value is not deducted
- Y. Other or more than one method 1/

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4.1.1 **Asset Valuations and Useful Lives.** Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.)

- A. Yes
B. No ^{1/}

4.2.0 **Fully Depreciated Assets.** Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.)

- A. Yes
B. No

4.3.0 **Treatment of Gains and Losses on Disposition of Depreciable Property.** Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)

- A. Excluded from determination of sponsored agreement costs
B. Credited or charged currently to the same pools to which the depreciation of the assets was originally charged
C. Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved
D. Not accounted for separately, but reflected in the depreciation reserve account
Y. Other(s) ^{1/}
Z. Not applicable

4.4.0 **Criteria for Capitalization.** (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.)

- A. Minimum Dollar Amount \$5,000
B. Minimum Life Years 1

4.5.0 **Group or Mass Purchase.** Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.)

- A. Yes ^{1/}
B. No

^{1/} Describe on a Continuation Sheet.

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PART V -
OTHER COSTS AND CREDITS

NAME OF REPORTING UNIT
Montana State University

Item No.	Item description	Revision Number: 2 Effective Date: 10-22-04
Part V		
5.1.0	<p>Method of Charging Leave Costs. Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s))</p> <p>A. <input type="checkbox"/> Cash B. <input checked="" type="checkbox"/> Accrual</p>	
5.2.0	<p>Applicable Credits. This item is directed at the treatment of "applicable credits" as defined in Section C of OMB Circular A-21 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled).</p> <p>A. <input checked="" type="checkbox"/> The credits/receipts are offset against the specific direct or indirect costs to which they relate. B. <input type="checkbox"/> The credits/receipts are handled as a general adjustment to the indirect pool. C. <input type="checkbox"/> The credits/receipts are treated as income and are not offset against costs. D. <input type="checkbox"/> Combination of methods <u>1/</u> Y. <input type="checkbox"/> Other <u>1/</u></p>	
<p><u>1/</u> Describe on a Continuation Sheet.</p>		

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CONTINUATION SHEET

**NAME OF REPORTING UNIT
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**Item
No.**

Item description

**Revision Number: 2
Effective Date: 10-22-04**

5.1.0

Method of Charging Leave Costs

A 2 to 4 percent contribution rate is direct charged from employee benefits for leave costs earned for the time period salary and wages are paid and placed in a termination pool. When leave is taken the costs are paid from the termination pool. The percentage rate varies between 2 and 4 percent depending on the type of employee appointment.

End of Part 5

**COST ACCOUNTING STANDARDS BOARD
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**PART VI – DEFERRED COMPENSATION AND
INSURANCE COSTS**

**NAME OF REPORTING UNIT
Montana State University**

**Item
No.**

Item description

**Revision Number: 2
Effective Date: 10-22-04**

Instructions for Part VI

This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the governmental unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to Federally sponsored agreements are material, and the reporting unit does not have access to the information needed to complete an item, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0 Pension Plans.

6.1.1 Defined-Contribution Pension Plans. Identify the types and numbers of pension plans whose costs are charges to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

Type of Plan

Number of Plans

A. X Institution employees participate in State/Local Government Retirement Plan(s) 2

B. X Institution uses TIAA/CREF plan or other define contribution plan that is managed by an organization not affiliated with the institution 1

C. Institution has its own Defined-Contribution Plan (s)

6.1.2 Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)

n/a

1/ Describe on a Continuation Sheet.

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**PART VI -
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**NAME OF REPORTING UNIT
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Item No.	Item description	Revision Number: 2 Effective Date: 10-22-04
Part VI		
6.2.0	<p><u>Post Retirement Benefits Other Than Pensions (including post retirement health care benefits (PRBs).</u> (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)</p> <p>Z. <input checked="" type="checkbox"/> Not Applicable</p>	
6.2.1	<p>Determination of Annual PRB Costs. (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)</p>	
6.3.0	<p><u>Self-Insurance Programs (Employee Group Insurance).</u> Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input checked="" type="checkbox"/> When accrued (book accrual only) B. <input type="checkbox"/> When contributions are made to a nonforfeitable fund C. <input type="checkbox"/> When contributions are made to a forfeitable fund D. <input type="checkbox"/> When contributions are paid to an employee E. <input type="checkbox"/> When amounts are paid to an employee welfare plan Y. <input type="checkbox"/> Other or more than one method <u>1/</u> Z. <input type="checkbox"/> Not Applicable</p>	
6.4.0	<p><u>Self-Insurance Programs</u> (Worker's Compensation, Liability and Casualty Insurance.)</p>	
6.4.1	<p>Worker's Compensation and Liability. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input type="checkbox"/> When claims are paid or losses are incurred (no provision for reserves) B. <input type="checkbox"/> When provisions for reserves are recorded based on the present value of the liability C. <input type="checkbox"/> When provisions for reserves are recorded based on the full or undisclosed value, as contrasted with present value, of the liability D. <input checked="" type="checkbox"/> When funds are set aside or contributions are made to a fund Y. <input type="checkbox"/> Other or more than one method <u>1/</u> Z. <input type="checkbox"/> Not Applicable</p> <p><u>1/</u> Describe on a Continuation Sheet.</p>	

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**PART VI – DEFERRED COMPENSATION AND
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6.4.2	<p>Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. _____ When losses are incurred (no provision for reserves)</p> <p>B. _____ When provisions for reserves are recorded based on replacement costs</p> <p>C. _____ When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.</p> <p>D. _____ Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)</p> <p>Y. <u> X </u> Other or more than one method <u>1/</u></p> <p>Z. _____ Not Applicable</p>	
	<p><u>1/</u> Describe on a Continuation Sheet.</p>	

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**NAME OF REPORTING UNIT
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**Item
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6.4.2 Self-Insurance Programs – Casualty Insurance

In accordance with State Law, Montana State University is insured for property & liability coverage by both self insurance and commercial insurance. The threshold as to which is used is \$249,000. Any amount below that amount is self insured, any above is with a commercial carrier. Costs for this expense are not charged to sponsored research activities including federally sponsored agreements. The University's Safety and Risk Management unit is charged with this expense.

End of Part 6

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VII – CENTRAL SYSTEM OR GROUP EXPENSES
	NAME OF REPORTING UNIT Montana State University

Item No.	Item description	Revision Number: 2 Effective Date: 10-22-04
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**DISCLOSURE BY CENTRAL SYSTEM OFFICE, OR GROUP (INTERMEDIATE
ADMINISTRATION) OFFICE, AS APPLICABLE.**

Instructions for Part VII

This part should be completed only by the central system office or group office of an educational system when that office is responsible for administering two or more segments, where it allocates its costs to such segments and where at least one of the segments is required to file Parts I through VI of the Disclosure Statement.

The reporting unit (central system or group office) should disclose how costs of services provided by the reporting unit are, or will be, accumulated and allocated to applicable segments of the institution. For a central system office, disclosure should cover the entire institution. For a group office, disclosure should cover all the subordinate organizations administered by that group office.

7.1.0 Organizational Structure.

On a continuation sheet, list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDC's), Government-owned Contractor-operated (GOCO) facilities, and lower-tier group offices serviced by the reporting unit.

7.2.0 Cost Accumulation and Allocation.

On a continuation sheet, provide a description of:

- A. The services provided to segments of the university or university system (including hospitals, FFRDC's, GOCO facilities, etc.), in brief.
- B. How the costs of the services are identified and accumulated.
- C. The basis used to allocate the accumulated costs to the benefiting segments.
- D. Any costs that are transferred from a segment to the central system office or the intermediate administrative office, and which are reallocated to another segment(s). In none, so state.

Any fixed management feeds that are charged to a segment(s) in lieu of a prorate or allocation basis and the basis of such charges. If none, so state.

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Item No.	Item description	Revision Number: 2 Effective Date: 10-22-04
7.1.0	<p>Central System Office or Group Office—Organization Structure</p> <p>Not Applicable</p>	
7.2.0	<p>Central System Office of Group Office—Cost Accumulation and Allocation</p> <p>Not Applicable</p>	
<p>End of Part 7</p>		