M E M O R A N D U M

**TO: Dr. Randy Poe, Superintendent**

 **Bonnie Rickert, Chairperson**

 **Board Members**

**FROM: Linda Schild SFO, Director Finance**

**DATE: June 21, 2018**

**RE: Indirect Cost Rates for the 2018-19 Fiscal Year**

Kentucky Department of Education has approved the Restricted and Non-Restricted Indirect Cost rates for the 2018-19 fiscal year. The rates calculated for Boone County Schools are:

Non-restricted 11.25% (utilized for Food Service Operation)

Restricted 2.31% (utilized for other Federal Grants)

The method used to calculate indirect costs is called the “predetermined” method, which requires a 10% reduction in the rate to allow for changes and fluctuations from year to year. The calculation is performed using numbers reflected in the district’s Annual Financial Report from two years prior.

There are certain limitations on recovery of indirect costs:

1. Federal law may limit the amount of indirect costs which may be recovered. For example, the maximum indirect cost allowable by law for a particular program may be less than the amount allowable under 2 CFR 200. Some grants may prohibit any recovery of indirect costs.
2. Recovery of indirect costs is subject to availability of funds. If a combination of direct and indirect costs exceeds funds available, then the LEA will not be able to recover the total cost of the project or programs.
3. Indirect costs may be recovered only to the extent that direct costs were incurred.

I recommend the Board approve the recovery of indirect cost in accordance with established guidelines, as presented.