

## Unallowable Costs

EDGAR 200, Subpart E classifies certain items of cost as unallowable. Unallowable costs cannot be charged to federal awards. For rate computation purposes, unallowable costs should be included in the allocation base if such costs benefit from allowable indirect activities. Examples of unallowable costs are bad debts; contingencies; entertainment; fines/penalties; general governance; and contributions/donations to outside organizations.

For Arkansas LEA indirect cost rate calculation purposes, the following expenditure function/object codes are classified as unallowable costs:

All function ranges, object range 66400-66499	Books
All function ranges, object range 68100-68199	Dues and Fees
All function ranges, object range 68600-68699	Penalties
All function ranges, object range 68800-68899	Taxes/Assessments

## Excluded 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 LEA, certain transfers, and internal service fund expenditures. Indirect cost recoveries are also categorized as excluded costs.

For Arkansas LEA indirect cost rate calculation purposes, the following function/object codes are classified as excluded costs:

Function range 4000 - 4999, all object ranges	Facilities Acquisition/Construction
Function range 5100 – 5199, all object ranges	LEA Indebtedness
Function range 5200 – 5299, all object ranges	Fund Transfers
Function range 5900 – 5999, all object ranges	Other Non-Program Costs
All function ranges, object range 66300-66399	Food
All function ranges, object range 67000-67999	Capital Outlay
All function ranges, object range 68200-68299	Judgments
All function ranges, object range 68300-68399	Interest
All function ranges, object range 68400-68499	Indirect Costs
All function ranges, object range 68700-68799	Out of Court Settlements
All function ranges, object range 68900-68998	Miscellaneous
All function ranges, object range 69100-69199	Principal
All function ranges, object range 69300-69399	Transfers
All function ranges, object range 69400-69499	Program Funding Return
All function ranges, object range 69900-69999	Loan Payments

Summary of Direct/Indirect classifications

\*Any expenditures assigned object codes 61819, 61829, 61839, 61849, 61859, or 61869 will also be considered as indirect expenses, regardless of the function code associated with the line item.

Function Group Codes	Function Group Description	Unrestricted Direct/Indirect	Restricted Direct/Indirect
1000 - 1099	Instruction	Direct	Direct
2100 - 2199	Support Services-Students	Direct	Direct
2200 - 2299	Support Services-Instr. Staff	Direct	Direct
All 2300 - 2399 except 2311, 2312, 2313, 2321, 2323, 2324, 2325	General Administration	Indirect	Indirect
2311	General Administration	Indirect	Direct
2312	General Administration	Indirect	Direct
2313	General Administration	Indirect	Direct
2321	General Administration	Indirect	Direct
2323	General Administration	Indirect	Direct
2324	General Administration	Indirect	Direct
2325	General Administration	Indirect	Direct
2400	School Administration	Direct	Direct
All 2500 - 2599 except 2540-2549	Business	Indirect	Indirect
2540-2549	Business - Planning, Research, Development & Evaluation Svcs	Indirect	Direct
2600 - 2699	Operation/Maintenance	Indirect	Direct
2700 - 2799	Transportation	Direct	Direct
2900 - 2999	Other Support Services	Indirect	Indirect
3100 - 3199	Food Services	Direct	Direct
3200 - 3299	Enterprise Operations	Direct	Direct
3300 - 3399	Comm. Services Operations	Direct	Direct
3400 - 3499	Other Non-Instr. Services	Direct	Direct