COST ACCOUNTING STANDARDS BOARD

DISCLOSURE STATEMENT FOR EDUCATIONAL INSTITUTIONS

CASB DS-2

Revision Number 4
Effective Date July 1, 2006

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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.

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 to 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.

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COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	COVER SHEET AND CERTIFICATION

Educational Institution

(a) Name: **Virginia Polytechnic Institute and State University**

(b) Street Address: **201 Southgate Center**

(c) City, State and ZIP Code: **Blacksburg, VA 24061**

(d) Division or Campus of (if applicable)

Reporting Unit is: (Mark one.)

A. ____X____ 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) _____

Official to Contact Concerning this Statement:

(a) Name and Title: Kenneth Miller, University Controller

(b) Phone Number: (540) 231-7448

Statement Type and Effective Date:

A. (Mark type of submission. If a revision, enter number)

(a) _____ Original Statement
(b) __X__ Amended Statement; Revision No. _4_

B. Effective Date of this Statement: **July 1, 2006**

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

A. Cognizant Federal Agency: **Office of Naval Research**
800 North Quincy Street, BCT, Room 430
Arlington, VA 22217-5660
(703) 696-5641

B. Cognizant Federal Auditor: **Defense Contract Audit Agency**
North Carolina Branch Office - 01281
415 North Edgeworth Street, Suite A
Greensboro, NC 27401
(336) 574-7933

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Effective Date July 1, 2006

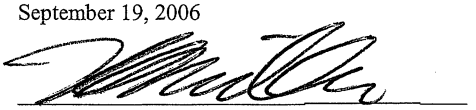
FORM CASB DS-2 (REV 10/94)

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	COVER SHEET AND CERTIFICATION

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: September 19, 2006



(Signature)

Kenneth Miller
(Print or Type Name)

University Controller
(Title)

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

Revision Number 4
Effective Date July 1, 2006

FORM CASB DS-2 (REV 10/94)

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART I - GENERAL INFORMATION VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
	Part I
1.1.0	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.) A. _____ Accrual B. ___X___ Modified Accrual Basis[1] C. ___X___ Cash Basis Y. _____ Other[1]
1.2.0	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.) A. _____ Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.) B. _____ Not integrated with financial accounting records (Cost data are accumulated on memorandum records.) C. ___X___ Combination of A and B
1.3.0	Unallowable Costs. Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one) A. _____ Specifically identified and recorded separately in the formal financial accounting records.[1] B. _____ Identified in separately maintained accounting records or workpapers.[1] C. _____ Identifiable through use of less formal accounting techniques that permit audit verification.[1] D. ___X___ Combination of A, B or C[1] E. _____ Determinable by other means.[1]
1.3.1	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: _____7/1 to 6/30_____ (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.
	Revision Number 1 **Effective Date April 30, 2003**

FORM CASB DS-2 (REV 10/94)

[1] Describe on a Continuation Sheet.

Item No.	Item Description
	Part I
1.1.0 Revised	**Description of Your Cost Accounting System.**
R	Direct costs are charged to Federally sponsored agreements on both the modified accrual basis and the cash basis. All expenditures are posted on the cash basis except accounts payable and academic-year faculty salaries. Accounts payable are accrued when invoices are processed by the Controller's office, and the academic-year faculty salaries are expensed over nine months, but are paid over twelve months.
R	Facilities and Administrative (F&A) cost rates are based on the University's annual financial statements, which include normal accruals for salaries, accounts payable, etc.
R	Fringe Benefit rates are based on cash basis expenditures for fringe benefits.
1.2.0 Revised	**Integration of Cost Accounting with Financial Accounting.**
	Direct costs charged to sponsored agreements are fully integrated with the University's financial accounting system.
R	Cost sharing committed to sponsored agreements is integrated into the University's financial accounting system through the creation of companion funds for each sponsored project except for those cases such as equipment purchases or sub-recipient committed cost sharing which will be documented in the project files.
R	Facilities, administrative, and fringe benefit costs are charged to federally sponsored programs based on rates negotiated with the cognizant Federal Agency. Facilities and Administrative (F&A) cost rates are based on cost information generated by the financial accounting system. However, adjustments and reclassifications are needed to recast the information from the University's financial statements into the cost pools required by OMB Circular A-21. Specific adjustments and reclassifications are listed and explained in schedules included in the University's F &A cost proposal. Also, as discussed in 3.1.0, interest and state central service's cost pools are not fully captured by the formal accounting system. The interest on state issued obligations is provided by the Department of Treasury. The state central service's costs are identified in the Statewide Indirect Cost Allocation Plan provided by the State Comptroller.
1.3.0	**Unallowable Costs.**
	Unallowable costs are charged to specific account codes in the accounting system. The costs recorded in these account codes are excluded from the direct and indirect costs charged to sponsored agreements. Additionally, costs incurred by organizational units whose overall activities are unallowable (e.g., University Development, Alumni Relations, etc.) are identified by the accounting system at the department or fund level and removed from the indirect cost pools allocated to sponsored agreements. Reviews to assure compliance with these policies are made by the University's Controller's Office, Office of Sponsored Programs, and external auditors.

Item No.	Item Description
1.3.1 Revised R	**Treatment of Unallowable Costs.** Unallowable costs are excluded from charges to Federally sponsored agreements. Unallowable directly associated costs as defined in CAS 505 are also excluded from charges to Federally sponsored agreements. Salary costs in excess of the NIH Salary Cap limit on NIH grants and contracts are treated as committed cost sharing and included in the appropriate base as described in university policy 3245, which was issued February 15, 2005 and effective on February 15, 2005.
R	As required by CAS 505, unallowable costs that would normally be part of a regular indirect cost allocation base, will remain in a base. This is accomplished by classifying unallowable costs as "Other Institutional Activities" and allocating indirect costs to these activities as part of the normal indirect cost allocation process. The classification of unallowable activities as Other Institutional Activities is required by Section B.1.d. of Circular A-21. In the interest of consistency, the University has elected to treat all identified unallowable costs in this manner if the unallowable costs are the types of costs that would be included in the Modified Total Direct Cost (MTDC) base specified in section G.2. of Circular A-21. An exception to this treatment is made for cost overruns on sponsored agreements. These costs, for facilities and administrative cost purposes, remain in the same direct cost bases as the sponsored projects and draw their appropriate allocation of indirect costs.
1.5.0 Revised R	**State Laws or Regulations.** Virginia Polytechnic Institute and State University is a state institution. State laws and/or regulations affect state central service costs allocated to the University, cost accounting period, annual salary increases to staff and base salary increases to faculty (the university, at the discretion of the Board of Visitors, can provide additional increases to faculty compensation), capitalization criteria, pension costs, post employment life insurance, post employment health insurance, and self-insurance. These areas are covered in Parts III, IV, and VI.

- End Part I -

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART II - DIRECT COSTS VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
	Instructions for Part II 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.
2.1.0	Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives. (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.)
2.2.0	Description of Direct Materials. 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.)
2.3.0	Method of Charging Direct Materials and Supplies. (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)
2.3.1	Direct Purchases for Projects are Charged to Projects at: A. _____ Actual Invoiced Costs B. ____X____ Actual Invoiced Costs Net of Discounts Taken Y. _____ Other(s)[1] Z. _____ Not Applicable
2.3.2	Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects): A. _____ First In, First Out B. _____ Last In, First Out C. _____ Average Costs[1] D. _____ Predetermined Costs[1] Y. _____ Other(s)[1] Z. ____X____ Not Applicable

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FORM CASB DS-2 (REV 10/94)

[1] Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART II - DIRECT COSTS VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description

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 costs 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.)

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

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.)

X Yes

____ No

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[1] Describe on a Continuation Sheet

Item No.	Item Description
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 the 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.)

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Item No.	Item Description
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 __X__ 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.)

		Materials (1)	Supplies (2)	Services (3)
A.	At full cost excluding indirect costs attributable to group or central office expenses.	_____	_____	_____
B.	At full cost including 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)[1]	_____	_____	_____
Z.	Interorganizational transfers are not applicable.	__X__	__X__	__X__

Revision Number 1
Effective Date April 30, 2003

FORM CASB DS-2 (REV 10/94)

[1] Describe on a Continuation Sheet

Item No.	Item Description
	Part II
2.1.0 Revised	**Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.**
	The University follows the general guidelines in sections D. and E. of Circular A-21 in determining the treatment of costs as direct or indirect. Accordingly, costs that can be identified specifically with a particular sponsored project, instructional activity, or other institutional activity, or can be directly assigned to such activities relatively easily with a high degree of accuracy, are treated as direct costs. Conversely, costs incurred for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other institutional activity, are treated as indirect costs. The University's indirect costs are consistent with the definitions of specific indirect cost categories in section F. of Circular A-21.
	The University also follows the guidelines in section F.6.b. of Circular A-21, which specify the normal treatment of certain costs commonly incurred by academic departments and organized research units.
R	Every effort is made to classify costs incurred for the same purpose, in like circumstances, consistently as direct or indirect costs. As cited later in this section, a specific policy has been established by the University to help accomplish this objective. The University's policies and procedures related to sponsored projects are in an on-line system available to all University employees.
R	Any expenditure on restricted gifts or grants, including endowment funds, are controlled like sponsored programs in accordance with the applicable program or donor restriction. For example, gift revenue for scholarships is restricted to be spent only on student financial assistance.
	Within academic departments and organized research units, major cost categories are treated as follows:
	* Salaries and wages and fringe benefits of faculty, professional staff (e.g., research associates), technicians, lab assistants, and graduate students associated with effort on research projects, instructional activities, and other direct cost objectives are treated as direct costs. Tuition remission provided to graduate students who work on research projects and teaching activities are also treated as a direct cost. Salaries and wages and fringe benefits of faculty and professional staff associated with normal administrative activities are treated as indirect costs.

Item No.	Item Description
2.1.0 (cont.) Revised R	* Salaries and wages and fringe benefits of administrative and clerical staff are normally treated as indirect costs, as required by section F.6.b. (2) of Circular A-21. However, in accordance with the exception in section F.6.b and Exhibit C of Circular A-21 for major projects, these costs are treated as direct costs when the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support and the costs meet the general criteria for direct charging in Circular A-21 (i.e., can be identified specifically with the project). These situations are considered "unlike circumstances" under CAS 502. The University has established specific policies on this subject which parallel the OMB guidance. These policies are in policy statement number 3240, which was issued February 15, 2005 and effective on February 15, 2005. * The costs of laboratory supplies (e.g., chemicals, glassware, etc.), instructional supplies, skilled services, travel, sub-awards, consulting services, long distance telephone toll charges, and other items enumerated in 2.2.0 and 2.7.0 identifiable to research, instruction, or other direct cost objectives are treated as direct costs. * In accordance with Section F.4 of Circular A-21, normal alterations and renovations are charged indirectly. However, alterations and renovations needed to meet specific project requirements, are treated as direct costs based on a work order system or invoices from vendors; the direct charges are credited against the Operations and Maintenance indirect cost pool. Rent and other associated costs of facilities used to conduct off-campus sponsored projects are also treated as direct costs. • The costs of office supplies, postage, local communications costs (basic telephone, ethernet, and modem access), and memberships are treated as indirect costs, except under conditions which the University considers "unlike circumstances" under CAS 502 as specified in University policy statement number 3240. As indicated above, the University's policies permit direct charges for administrative and clerical salaries, office supplies, postage, local telephone expenses, and memberships only under exceptional circumstances consistent with section F.6.b and Exhibit C of Circular A-21. The Office of Sponsored Programs makes the final determination as to the inclusion of these cost in a proposal for federal programs, in accordance with university policy 3240. The university requires that proposed direct charges for these type costs be fully justified to sponsoring agencies in grant applications and contract proposals. Costs normally treated as indirect, such as administrative and clerical salaries, are charged directly to non-federal sponsored agreements if permitted by the sponsor. Since these costs would have otherwise been included in the facilities and administrative costs allocable to Federally sponsored agreements, this practice reduces the costs to Federal programs.

Item No.	Item Description
2.2.0 Revised R	**Description of Direct Materials** The principal types of materials and supplies charged directly to sponsored agreements and other direct cost objectives include lab supplies (e.g., chemicals, glassware, drugs, etc), books and periodicals (when explicitly required by the project), minor equipment items (i.e., those below the University's capitalization threshold defined in 4.4.0), uniforms, computer software and supplies, photographic supplies, and tools.
2.3.2	**Inventory Requisitions from Central or Common, Institution-owned Inventory.** Virginia Polytechnic Institute and State University does not operate a central inventory supplies store. The University has negotiated contracts with prime vendors who supply catalogues from which departments are free to order.
2.4.0	**Description of Direct Personal Services** The principal classes of direct personal service costs are faculty, research associates, technicians, lab assistants, and graduate students. The direct charges include salaries, fringe benefits, and, in the case of graduate students, tuition remission. Salaries and fringe benefits of administrative and clerical staff are charged directly under the conditions described in 2.1.0. Eminent Scholar's portion of faculty salaries are funded by the foundation and are not charged to sponsored agreements. Eminent Scholar payments are supplemental compensation provided to certain distinguished faculty members.
2.5.0 Revised R	**Method of Charging Direct Salaries and Wages.** Initial charges for salaries and wages are recorded in the university's payroll system by departments based on expected work plan for employee, as described in 2.5.2 below. This is confirmed through the university's effort reporting system (certification of the Personnel Activity Report). The effort-reporting system consists of after-the-fact activity reports for faculty, staff, and students paid on a salaried basis. This system is further described in university policy 3105-Effort Certification, which was issued February 15, 2005 and effective on February 15, 2005. Individual time cards are used for hourly staff, students, and faculty paid for special appointments (e.g., to teach a special course).

Item No.	Item Description
2.5.2 Revised	**Salary and Wage Cost Accumulation System.** The University's salary distribution system is summarized below. Responsible officials determine and record the initial (budgeted) distribution of each employee's salary on a payroll appointment form. A Responsible official is a person with first hand knowledge of the employee's planned activities or a person provided with information from the employee's direct supervisor and appropriate access to financial systems. The completed payroll appointment forms are used to determine the initial salary costs distributed to University funds, including sponsored agreements. After-the-fact activity reports, as described in section J.10 of Circular A-21, are used to determine the actual distribution of employee salaries. Where the actual distribution differs from the budgeted distribution, adjustments are made to sponsored agreements and other University funds in the accounting system. These adjustments are initiated by a responsible official with direct knowledge of work performed and in most cases, authorized by the principal investigator. Payroll forms are completed and forwarded to the University's Controller's Office for review and entry into the payroll system. As noted in 2.5.0., individual time cards are used to document charges for hourly staff, students, and faculty paid for special appointments. Policies and procedures for documenting salaries and other costs the University contributes to sponsored agreements as cost sharing are contained in the University's cost sharing policy statement number 3245, which was issued February 15, 2005 and effective on February 15, 2005.
2.6.0 Revised R	**Description of Direct Fringe Benefits Costs** Virginia Polytechnic Institute and State University's fringe benefits include: Health and Dental Insurance Group Life Insurance Short-Term Disability Long-Term Disability Insurance Pension and other post-retirement benefits Tax Sheltered Annuity – Employer Cash Match FICA and Medicare Faculty-Staff Tuition Waivers Unemployment Compensation Workers' Compensation Workforce Transition Benefits Alternate Severance Option – Retirement Contributions Educational Leave * Leave costs other than educational leave, (e.g., vacation, holiday, sick leave) are included in the normal direct charges for salaries. * Represents sabbatical leave for faculty and equivalent leave for non-faculty employees.

Item No.	Item Description
2.6.1 Revised	**Method of charging direct fringe benefits.** Direct fringe benefit costs, including educational leave described in 2.6.0, are charged to sponsored agreements based on fringe benefit rates negotiated with the cognizant Federal Agency. Annual and Sick leave are directly charged as taken through the payroll system. Charges to non-sponsored activities are based on actual fringe benefits paid. Fringe benefit costs are projected annually based on actual prior year costs (cash basis), adjusted as necessary to reflect anticipated cost changes. Carry-forward adjustments are made in the rate computation to compensate for prior year over-or-under-recoveries. The base for each rate consists of the salaries and wages of each group of employees. The University develops and negotiates six (6) fringe benefits rates as follows: 1) Regular faculty — All benefits 2) Special research faculty — All benefits 3) Classified — All benefits R 4) Wage* — FICA, Unemployment and Workers Compensation, 5) Graduate Students — Partial Health Insurance and FICA when not exempt 6) Part-time Faculty — FICA, Short-term Disability, Pension and other post-retirement benefits * Includes faculty summer appointments.
2.7.0	**Description of Other Direct Costs.** Principal categories of other direct costs include: travel; consulting services; skilled services; publication costs; sub-awards; equipment; alterations and renovations needed to meet specific project requirements; long distance telephone expenses; rent and other facility costs of off-campus facilities.
2.8.0	**Cost Transfers.** The amount credited for direct costs and applicable indirect costs is normally the same as the amount originally charged for these costs. However, if a transfer crosses fiscal years, the Facilities and Administrative cost and fringe benefit rates of the new year are used in determining the amount credited to the project. When such transfers occur, they often involve follow-on years of the same project. The University does not believe that this practice has a material effect on charges to sponsored agreements. A modification of the University's practices to use the original rates would require costly systems and labor-intensive monitoring procedures that would not be cost effective. The program used to apply overhead to specific projects is limited to the overhead amount budgeted, which insures the correct amount for Facilities and Administrative costs is included in the financial status report (FSR). **- End Part II -** **Revision Number 4** **Effective Date July 1, 2006**

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART III - INDIRECT COSTS VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
	Instructions for Part III Institution should disclose how the segment's total direct costs are identified and accumulated in specific facilities and administrative cost categories and allocated to applicable facilities and administrative cost pools and service centers within each major function or activity, how service center costs are accumulated and "billed" to users, and the specific facilities and administrative cost pools and allocation bases used to calculate the facilities and administrative 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. The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0. 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)[1] Y. Others[1] Z Category or Pool not applicable **Revision Number 1** **Effective Date April 30, 2003**

FORM CASB DS-2 (REV 10/94)

[1] List on a continuation sheet, the category and subgrouping(s) of expense involved and the allocation base(s) used.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART III - INDIRECT COSTS VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
3.1.0 Revised	Facilities and Administrative Cost Categories - Accumulation and Allocation. This item is directed at the identification, accumulation and allocation of all facilities and administrative costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each facilities and administrative 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 facilities and administrative 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 facilities and administrative cost category to applicable facilities and administrative cost categories, facilities and administrative 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 facilities and administrative 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.")

	Facilities and Administrative Cost Category	Accumulation Method	Allocation Base Code	Allocation Sequence
(a)	Deprecation/Interest			1
	Building	YES	L	
	Equipment	YES	L	
	Capital Improvements to Land/Infrastructure	YES	P	
	Interest[1]	NO	L	
(b)	Operation and Maintenance	YES	P	2
(c)	General Administration and General Expense	YES	C	3
(d)	Academic Administration and General Expense	YES	C	
R (e)	Departmental Administration	YES	C	
(f)	Sponsored Projects Administration	YES	C	
(g)	Library	YES	P	
(h)	Student Administration and Services	YES	Y	
(i)	Other[1] **(State Central Service Costs)**	NO	C	

Revision Number 3
Effective Date July 1, 2004

Item No.	Item Description

3.2.0 Revised

Service Centers. Service centers are departments or functional units performing 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.)

			(1)	(2)	(3)	(4)	(5)	(6)
R	(a)	Scientific Computer Operations	B	C	Y	B	A	Y
R	(b)	Business Data Processing	B	C	Y	B	A	Y
	(c)	Animal Care Facilities	A	A	C	A	A	B
	(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)						
		Motor Pool	C	A	C	A	A	B
		Print Shop	C	A	C	A	A	B
		Copy Center	C	A	C	A	A	B

(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 variance between billed and actual cost 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).

Revision Number 4
Effective Date July 1, 2006

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART III - INDIRECT COSTS VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
3.3.0 Revised	Facilities and Administrative Cost Pools and Allocation Bases (Identify all of the facilities and administrative 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 facilities and administrative 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.)

Facilities and Administrative Cost Pools		Allocation Base Code
A.	Instruction	
X	On-Campus	D
X	Off-Campus	D
_____	Other	Z
B.	Organized Research	
X	On-Campus	D
X	Off-Campus	D
_____	Other	Z
C.	Other Sponsored Activities	
X	On-Campus	D
X	Off-Campus	D
_____	Other	Z
D.	Other Institutional Activities	Z
E.	Agriculture Experiment Station	
X	On-Campus	D
X	Off-Campus	D
_____	Other	Z

3.4.0	Composition of Facilities and Administrative Cost Pools. (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.)
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 Facilities and Administrative Costs to Programs That Pay Less Than Full Facilities and Administrative Costs. Are appropriate direct costs of all programs and activities included in the facilities and administrative cost allocation bases, regardless of whether allocable facilities and administrative costs are fully reimbursed by the sponsoring organizations? A. X Yes B. _____ No[1]

Revision Number 3
Effective Date July 1, 2004

Item No.	Item Description
	Part III
3.1.0	**Facilities and Administrative Cost Categories – Accumulation and Allocation.**
	Accumulation Method
	Interest Expense – The costs associated with external debt on buildings, equipment, and capital improvements as defined in paragraph J.26 of OMB Circular A-21 are accumulated in the university's accounting system with the exception of General Obligation Bonds and other instruments issued by the Commonwealth of Virginia on behalf of the University. The cost data associated with these exceptions are provided to the university by the Department of Treasury of the Commonwealth of Virginia.
	State Central Service Costs – State Central Service Costs are Virginia Polytechnic Institute and State University's allocated share of the costs of central support services provided by the Commonwealth of Virginia. The allocations are made in a state wide cost allocation plan developed by the Commonwealth and approved by the Department of Health and Human Services.
	Allocation Base Code
	Student Administration and Services is allocated entirely to the instruction function in accordance with the standard allocation base in Section F.9.b of Circular A-21.
3.2.0 Revised	**Service Centers.**
	Scientific Computer Operations and Business Data Processing – The University's computer operations utilize client-server technology eliminating the ability to track individual departmental usage of computer services. Therefore, computer operations costs are no longer charged at the department level. These charges are allocated to functional classifications, (i.e., instruction, research, public service etc.) for financial statement purposes only.
R	For the Facilities and Administrative cost proposal, the computing operations cost described above is included in the General Administrative and General Expense cost pool. No direct charges are made to sponsored agreements for costs associated with Scientific Computer Operations or Business Data Processing operations.
3.3.0	**Facilities and Administrative Cost Pools and Allocation Bases**
	The University defines off-campus activities as research performed in buildings not owned and to which rent is directly charged to the project(s). Per the University's Facilities and Administrative cost rate agreement, Virginia Polytechnic Institute and State University has two off-campus Organized Research rates.
	(A) Off-Campus Adjacent: Activities performed within the commuting area of Blacksburg, VA.
	(B) Off-Campus Remote: Activities performed outside the commuting area of Blacksburg, VA.

Item No.	Item Description
3.4.0 Revised	**Composition of Facilities and Administrative Cost Pools.**
	Depreciation on Buildings, Equipment, and Land Improvements/Infrastructure - These cost pools consist of depreciation on the university's buildings, equipment, and land improvements/infrastructure computed in accordance with OMB Circular A-21 section J.14. Buildings are componentized in the fixed asset system by asset category (shell, interior, service systems, and fixed equipment). Building componentization studies have been performed since approximately 1989. Research buildings are those occupied by academic units performing organized research at a level that justifies the costs associated with building componentization. Research buildings are componentized to the individual item level (e.g., foundation, roof, etc) by special studies performed by consultants and are maintained in separate data files or incorporated into the fixed asset system. These componentization studies are conducted as part of the Facilities and Administrative cost proposal process. Each F&A cost proposal contains the descriptive information of the componentization studies as required by Circular A-21 section E.2.d. The building components are grouped into the three general component groups specified in section J.14.d.(4) of Circular A-21.
R	**Interest -** The expenses under this heading are interest on external debt associated with buildings, equipment, and capital improvements as defined in Sections J.26 of Circular A-21. In addition this pool includes interest on General Obligation Bonds and other instruments issued by the Commonwealth of Virginia on behalf of the University.
	State Central Service - The expenses under this heading are those Commonwealth of Virginia central services costs apportioned to the University through the Statewide Indirect Cost Allocation Plan such as, State Departments of General Services, Personnel, Retirement System, Auditor of Public Accounts, etc.
R	**Operations and Maintenance (O&M)** - The expenses under this heading are those that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. It includes expenses such as janitorial and utility services (e.g., electricity, steam, basic data and telephone service, etc); repairs and ordinary or normal alterations of buildings, furniture, and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; radiation and safety; environmental health and safety; property, liability and all other insurance relating to property; space and capital leasing; and facility planning and management. It also includes salaries, fringe benefit costs and its allocable share of interest and depreciation.
R	**General Administration and General Expenses (GA)** - The expenses under this heading are those that have been incurred for the general executive and administrative offices and other expenses of a general character that do not relate solely to any major function of the institution: i.e., solely to (1) instruction, (2) organized research, (3) other sponsored activities, (4) other institutional activities, or (5) agriculture experiment station. The GA category also includes salaries, fringe benefit costs and its allocable share of operation and maintenance, interest, and depreciation. Examples of GA include central offices of the

Item No.	Item Description
3.4.0 R (Cont.) Revised	institution such as the President's Office, VP for Finance and Treasurer, Budget and Planning, Internal Audit, General Counsel, Personnel Services, Purchasing, and payroll, accounts payable, and general accounting in the Controller's Office, etc.
R	**Department Administration (DA)** - The DA category consists of those expenses incurred for administrative and supporting services that benefit common or joint departmental activities or objectives, such as academic administration (Provost, Dean of Graduate School), dean's offices, academic departments, and organized research units. This pool also includes salaries, fringe benefit costs and its allocable share of GA, O&M, state central service, interest, and depreciation.
R	**Sponsored Projects Administration** - The expenses under this heading are the university's Office of Sponsored Programs and the directly related costs of the Vice President for Research, who supervises the Office of Sponsored Programs. These expenses include salaries, fringe benefit costs and its allocable share of GA, O&M, state central service, interest, and depreciation.
R	**Library** - The expenses under this heading are those that have been incurred for the operation of the institutions library facilities, including the cost of books and library materials purchased for the library, less any items of library income that qualify as applicable credits under Section C.5. of Circular A-21. The library expense category consists of salaries, fringe benefits costs, other expenses and its allocable share of GA, O&M, state central service, interest, and depreciation.
R	**Student Administration and Services –** The expenses under this heading are those that have been incurred by Departments with the sole function of supporting the student population. Examples of Student Administration and Services include Financial Aid, University Academic Advising Center, University Honors program, Registrar and Undergraduate Admissions. In addition the university's accounting system identifies specific projects that solely benefit student services, these costs are also included in the Student Administration and Services pool. The Student Administration and Services expense category consists of salaries, fringe benefit costs, other expenses and its allocable share of GA, O&M, state central service, interest, and depreciation.
3.5.0	**Composition of Allocation Bases**
	Depreciation on Buildings – In accordance with OMB Circular A-21, Section F.2.b.(2), building depreciation is allocated on a building-by-building basis to the individual functions performed in each building based on usable square feet of space occupied by each function, excluding common areas such as hallways, stairwells, and restrooms. Functional usage of space is determined on a room-by-room basis through a space inventory and functional usage study, which assigns a specific percentage of use to each function performed in each room.

Item No.	Item Description
3.5.0 Revised (Cont.)	**Depreciation on Capital Improvements to Land/Infrastructure** – Land improvement/infrastructure depreciation is allocated to user categories of students and employees on a full-time equivalent basis. The amount allocated to the student category is assigned to the Instruction function. The amount allocated to the employee category is further allocated to the benefiting functional activities of the university in proportion to the salaries and wages of all employees applicable to those functions. **Depreciation on Equipment** – Equipment depreciation is allocated based on the functional use of the room in which the equipment is located. Functional use is determined by the space inventory and functional usage study described in the Depreciation on Buildings section above. **Interest** - Interest costs are allocated on the same basis as depreciation on the buildings to which the interest relates.
R	**Operations and Maintenance** - Operation and maintenance expenses are allocated based on square footage. Electricity costs are collected in distinct cost pools and distributed to buildings based on building meters then allocated to functional activities based on square footage allocations from space survey. Steam costs are collected in a distinct O&M cost subpool and distributed to benefiting buildings based on building square footage, then allocated to the functional activities within the building based on the square footage allocations from the space inventory and functional usage survey.
R	**General Administration and General Expenses** - General Administration and General Expenses are allocated based on Modified Total Costs (MTC). MTC consists of salaries and wages, fringe benefits, materials and supplies, services, travel, and sub-grants and subcontracts up to $25,000 of each sub-grant or subcontract (regardless of the period covered by the sub-grant or subcontract). The following cost elements are excluded from the MTC base: equipment that meets or exceeds the University's capitalization threshold, other capital expenditures, tuition remission, rental costs of off-site facilities, scholarships and fellowships, and the portion of each sub-grant and subcontract in excess of $25,000. The General Administration and General Expense pool is allocated to the following functions and activities; Department Administration, Sponsored Programs Administration, Student Services Administration, Library, Instruction, Organized Research, Agriculture Experiment Station, Other Sponsored Activities and Other Institutional Activities.
R	**Department Administration -** Department Administration is allocated based on Modified Total Costs (MTC), which consist of the same cost elements as the MTC base used to allocate General Administration and General Expenses. The administrative expenses of the academic administration cost pool (Provost and Dean of Graduate School) are allocated to the dean's office of each college and school. Expenses in the dean's cost pool are then allocated to the academic departments and other organizational units within that college or school. The administrative expenses for each department plus the department's share of the dean's office cost pool, are then allocated to the direct functions within that department. The department administration expense pool is allocated to the following functions; Instruction, Organized Research, Agriculture Experiment Station, Other Sponsored Activities and Other Institutional Activities. **Revision Number 4** **Effective Date July 1, 2006**

Item No.	Item Description
3.5.0 R Revised (Cont.)	**Sponsored Projects Administration** - Sponsored Projects Administration is allocated based on the MTC of the sponsored projects within Organized Research, Instruction, and Public Service/Other Sponsored Activities. MTC for this purpose consists of the same cost elements as the MTC allocation base used to allocate General Administration and General Expenses, Academic Administration, and Department Administration. The sponsored projects administration expense pool is allocated to the following functions; Instruction, Organized Research, Agriculture Experiment Station, Other Sponsored Activities and Other Institutional Activities.
R	**Library -** In accordance with section F.8.b of Circular A-21, the library expenses are first allocated to categories on the basis of primary users; students, professional employees, and other users. Using Full Time Equivalents (FTE), the student portion is only allocated to Instruction, the other users portion to Other Institutional Activities, and the professional portion to benefiting functions based on salaries and wages. The benefiting functions include; Instruction, Organized Research, Agriculture Experiment Station, Other Sponsored Activities and Other Institutional Activities.
	Student Administration and Services - As noted in 3.1.0, the Student Administration and Services facilities and administrative cost pool is allocated entirely to the instruction function in accordance with the standard base in section F.9.b of Circular A-21.
R	**State Central Services –** State Central Services are allocated using the same MTC allocation base used to allocate General Administration and General Expenses. State Central Service costs are allocated to the following functions and activities; Department Administration, Sponsored Programs Administration, Student Services Administration, Library, Instruction, Organized Research, Agriculture Experiment Station, Other Sponsored Activities and Other Institutional Activities.
	Final Distribution Bases - The Final Distribution Base (i.e., the base used to allocate the accumulated facilities and administrative 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.
	Cost Sharing - Cost sharing of direct costs on sponsored agreements is included in the same facilities and administrative cost allocation base (e.g., organized research, instruction, public service) as the direct costs charged to the agreements. The University's policies on cost sharing are cited in section 2.5.2.

- End Part III -

Revision Number 4
Effective Date July 1, 2006

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART IV - DEPRECIATION AND USE ALLOWANCES VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description

Part IV

4.1.0 Revised

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)

Asset Category	Depreciation Method (1)	Useful Life (2)	Property Unit (3)	Residual Value (4)
(a) Land Improvements/Infrastructure	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) 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	Z	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 (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 (3) - Property Unit Code

A. Individual units are accounted for separately
B. Applied to groups of assets with similar service lines
C. Applied to groups of assets with varying service lives
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]

Revision Number 1
Effective Date April 30, 2003

[1] Describe on a Continuation Sheet.

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART IV – DEPRECIATION AND USE ALLOWANCES VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
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. __X__ 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. __X__ No
4.3.0 Revised	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 agreements costs B. _____ Credited or charged currently to the same pools to which the depreciation of the assets was originally charged R C. __X__ 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. _____ Others[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 __$2,000__ B. Minimum Life Years Over One Year
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. __X__ No

Revision Number 3
Effective Date July 1, 2004

[1] Describe on a Continuation Sheet.

Item No.	Item Description
	Part IV
4.1.0	**Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives.** (d)(2) Leasehold improvements are depreciated over the remaining term of the lease or the estimated service life, whichever is less.
4.1.1	**Asset Valuations and Useful Lives.** The asset valuations used in the facilities and administrative cost proposal are consistent with those used in the university's audited financial statements. Virginia Polytechnic Institute and State University is a state institution and subject to the GASB regulations, therefore, depreciation is reflected in the audited financial statements using the same useful lives as the Facilities and Administrative cost proposal.
4.4.0 Revised R	**Criteria for Capitalization.** The University recognizes $2,000 and a life greater than one year as the criteria for capitalizing equipment with one exception: the university recognizes a capitalization threshold of $500 for equipment purchased by the state's Equipment Trust program. The State's Equipment Trust program is funded by bonds issued by the Virginia College Building Authority. The depreciation on equipment purchased under the Equipment Trust Program with an acquisition value less than $2,000 is excluded from the F&A cost proposal depreciation pool. The capitalization threshold for capital improvement projects is $500,000, which is the Commonwealth of Virginia's definition of a capital outlay project. The capitalization threshold for repairs and renovation projects is $100,000.

End Part IV -

Revision Number 3
Effective Date July 1, 2004

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART V - OTHER COSTS AND CREDITS VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
	Part V
5.1.0	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)) A. __X__ Cash B. _____ Accrual[1]
5.2.0	Applicable Credits. This item is directed at the treatment of "applicable credits" as defined in Section C of 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.) A. _____ The credits/receipts are offset against the specific direct or indirect costs to which they relate. B. _____ The credits/receipts are handled as a general adjustment to the indirect pool. C. _____ The credits/receipts are treated as income and are not offset against costs. D. __X__ Combination of methods[1] Y. _____ Other[1]

Revision Number 1
Effective Date April 30, 2003

[1] Describe on a Continuation Sheet.

Item No.	Item Description
	Part V
5.1.0 Revised R	**Method of Charging Leave Costs** Vacation, sick and holiday leave are charged directly to sponsored projects as incurred. Educational leave (Sabbatical) for faculty and classified is charged to sponsored projects through the fringe benefit rate negotiated with the cognizant federal agency.
5.2.0	**Applicable Credits.** Discounts, rebates, allowances, recoveries or compensation on losses, and adjustments for erroneous charges are offset against the specific direct or indirect costs to which they relate. Fees, fines, etc., are recorded as income and are not offset against costs on the general ledger. They are, however, analyzed and incorporated as an offset to costs in the facilities and administrative cost proposal, where appropriate (e.g., library fines, cost of electricity recovered from non-university customers).

- End Part V -

Revision Number 3
Effective Date July 1, 2004

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VI - DEFERRED COMPENSATION AND INSURANCE COSTS VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
	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, 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 number of pension plans whose costs are charged to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

	Type of Plan		Number of Plans
A.	_____	Institution employees participate in State/Local Government Retirement Plan(s)	_____
B.	__X__	Institution uses TIAA/CREF plan or other defined contribution plan that is managed by an organization not affiliated with the institution	____1____
C.	_____	Institution has its own Defined-Contribution Plan(s) 1/	_____

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 a 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.)
6.2.0	Post Retirement Benefits Other Than Pensions (including post retirement health care benefits)(PRBs). (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.) Z. [ ] Not Applicable

1/ Describe on a Continuation Sheet.

Revision Number 1
Effective Date April 30, 2003

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS	PART VI – DEFERRED COMPENSATION AND INSURANCE COSTS VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Item No.	Item Description
6.2.1	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 uses, 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.)
6.3.0	Self-Insurance Programs (Employee Group Insurance). Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. _____ When accrued (book accrual only) B. _____ When contributions are made to a nonforfeitable fund C. _____ When contributions are made to a forfeitable fund D. _____ When the benefits are paid to employee E. _____ When amounts are paid to an employee welfare plan Y. __X__ Other or more than one method[1] Z. _____ Not Applicable
6.4.0	Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)
6.4.1	Worker's Compensation and Liability. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. _____ When claims are paid or losses are incurred (no provision for reserves) B. _____ When provisions for reserves are recorded based on the present value of the liability C. _____ When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability D. _____ When funds are set aside or contributions are made to a fund Y. __X__ Other or more than one method[1] Z. _____ Not Applicable
6.4.2	Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.) A. _____ When losses are incurred (no provision for reserves) B. _____ When provisions for reserves are recorded based on replacement costs 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. D. __X__ Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves) Y. _____ Other or more than one method[1] Z. _____ Not Applicable

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[1] Describe on a Continuation Sheet.

Item No.	Item Description
	Part VI
6.2.0 Revised R	**Post Retirement Benefits Other than Pensions (including post retirement health care benefits)(PRBs).** University classified employees and some faculty members participate in post-retirement benefit plans for health and life insurance of the Commonwealth of Virginia. These plans are administered by the Virginia Retirement System (VRS) an agency of the Commonwealth of Virginia. Those eligible for VRS participate in both plans. There are approximately 4,200 classified employees and faculty members participating in the Commonwealth's post retirement benefit plans administered by VRS. The University's costs associated with these plans are included in the University's payments to the Commonwealth of Virginia for its share of the Commonwealth's defined benefit pension plan.
6.2.1	**Determination of Annual PRB Costs** The post-retirement benefit plans are charged to sponsored projects on a cash basis as part of the negotiated fringe benefit rate.
6.3.0	**Self-Insurance Programs (Employee Group Insurance).** The University does not have its own self-insurance program but participates in the self-insurance programs of the Commonwealth of Virginia. The Commonwealth of Virginia assesses the University for its share of these costs. As mentioned in 2.6.1, sponsored projects are charged fringe benefits based on the rates negotiated with the Office of Naval Research.
6.4.1	**Worker's Compensation and Liability.** The University participates in a self-insured plan for worker's compensation administered by the Commonwealth of Virginia. Annually, the University pays a calculated sum to the Commonwealth that is placed in this fund. Benefits paid to employees are as follows: **Salaried Employees:** The worker's compensation benefit is 100% of the employee's salary for the first 92 days. Beginning with day 93, the benefit amount is reduced to 2/3 of the employee's salary.

Revision Number 3
Effective Date July 1, 2004

Item No.	Item Description
6.4.1 (Cont.)	During the first 92 days of the award, the employee continues to receive his full paycheck and the salary expense is charged to the university department's salary account. After 7 days, the University applies to the Commonwealth for reimbursement of 2/3 of the salary amount paid to the employee. After the employee is absent for 21 days, the Commonwealth reimburses the University for the first 7 days at the rate of 2/3 of the salary amount paid to the employee. All reimbursements to the University are credited to the account that was originally charged for the employee's salary. Beginning on day 93, the employee must contribute earned leave at the rate of 1/3 of his salary amount. The University will continue to receive reimbursement for 2/3 of the employee's salary until the award expires or the employee depletes his leave balances. Once the leave balances are depleted, reimbursement from the Commonwealth's self-insurance fund is paid directly to the employee by the Commonwealth and reimbursements to the University are terminated. Reimbursements the University receives are credited back to the salary account that was originally charged for the expense. **Part-time Wage Employees**: The benefit paid to the employee is based upon the employee's average income over the previous 12 months. Benefits are paid at the rate of 2/3 of the average wage amount. No benefit is paid for the first 7 days until the employee is absent for 21 days. Beginning on day 8, the employee receives 2/3 of the average wage amount. After the employee is absent for 21 days, the Commonwealth pays him for the first 7 days under the award. All benefits for part-time wage employees are paid directly to the employee. The University does not incur an expense, and thus, it does not receive reimbursements for awards made to part-time wage employees. The University also participates in a liability self-insurance fund of the Commonwealth of Virginia. The amount the University places in the fund is determined by the Commonwealth and is expensed by Virginia Polytechnic Institute at the time the amount is put into the fund. **- End Part VI -** **Revision Number 1** **Effective Date April 30, 2003**