**Name of Company EXAMPLE OF NOTES TO REPORT**

**December 31, 20****S A M P L E**

**Notes to Schedules (See Chapter 11 of AASHTO 2016 Guide, pages 111 to 116)**

**Note A – Description of the Company**

Example Company, (the “Company”) is a Texas Corporation and was formed in      . The Company performs engineering services on land development, civil, transportation and other engineering projects. The company also provides services related to assessments of transportation and highway projects, and construction management services for public works/transportation projects. The Company is privately owned and has elected to be a Subchapter (C, S, LLC,) corporation for tax purposes.

**Note B – Basis of Accounting**

The Company’s overhead schedule was prepared on the basis of accounting practices prescribed in Part 31 of the Federal Acquisition Regulations (FAR). Accordingly, the overhead schedule is not intended to present the results of operations of the Company in conformity with accounting principles generally accepted in the United States of America. The Company uses the accounting system (Name or description of accounting system used).

**Note C – Description of Accounting Policies**

The Company uses the (cash, accrual, or hybrid) basis of accounting for recording revenues and expenses. The Company’s policy is to prepare its overhead schedule, which supports the schedule of direct labor, fringe benefits and general indirect costs, on the basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations (FAR). The Company maintains a job-order (Project) cost accounting system for recording and accumulating costs incurred under its contracts. Each project, overhead account, and other functions where cost is to be accumulated are assigned a job number so that costs may be segregated and accumulated in the Company’s job-order (Project) cost accounting system. Direct costs are charged to the projects based on actual costs incurred. Any contract labor is charged directly to the project based on actual cost.

The Company’s method of estimating costs for pricing purposes during the proposal process is consistent with the accumulation and reporting of costs under its job-order cost accounting system.

**Note D – Description of Overhead Rate Structure**

The Company’s overhead rate is a unitary rate for all offices and all disciplines of the Company. The allocation basis for indirect costs is direct labor. In-house costs such as computer, CADD, equipment, and computer software programs are included in the firm’s overhead rate.

**Note E – Description of Labor – Related Costs**

Labor and related costs are as follows:

**Project Labor**

The company charges project labor based on actual hourly rates of employees. Direct labor of salaried employees is calculated using their standard hourly rate (annual salary/2080 hours).

**Variances**

Describe how and when variances are recorded if using other than actual labor costs.

**Paid Time Off**

The Company’s paid time off policy allows for sick leave, vacation and comp time. The consultant’s employees code the time off on time sheets within the project accounting system and the costs are charged to the proper general ledger accounts for sick or vacation accounts.

**Paid Overtime or Uncompensated Overtime**

The Company has certain hourly employees that may be paid overtime. The overtime rate would be used to charge the cost to the projects or indirect cost pool depending on the item being charged. The Company salaried employees may work more than 40 hours a week and have uncompensated overtime. The Company monitors uncompensated overtime and reallocates based on the effective cost method the amounts of uncompensated overtime. No amounts were reallocated for number of hours worked in excess of 40 for salaried employees for the year ended December 31, 20     . **(See Chapter 11, page 113 of** **AASHTO’s Guide).**

**Highly Compensated Employees/Officers/Owners**

(Example) The Company paid compensation to senior executives in excess of the FAR 31.205-6(p) limit of $XXXXXXX per person. The total, which was adjusted to the overhead schedule, amounted to $XXXXXXX. **(See Chapter 11,** **page 113 of AASHTO’s Guide)**

**Pension Plans, Deferred Compensation Plans, and ESOPs**

(Example) The Company operates a 401 (k) pension plan, meeting the requirements of FAR 31.205-6(j), to which it makes cash contribution of 2 percent of participating employees’ salaries per year. **Review Chapter 11, page 114 for** **additional information for note.**

**Contract/Purchased Labor**

(Example) The Company uses contract labor for engineering related services, and bills this labor as if it were for regular employees. The Company provides office space, administrative support, and controls the contract laborers. Therefore, contract laborers are considered employees, and their labor costs ($52.000 for the period being reported) have been included in the direct labor base.

**Note F - Description of Depreciation and Leasing Policies**

Certain assets are purchased and depreciated, while others are leased and considered operating leases. The annual lease costs are included in the overhead pool. The Company uses straight line depreciation for financial reporting and FAR overhead purposes.

**Note G - DESCRIPTION OF RELATED PARTY TRANSACTIONS**

Identify any related parties, who are considered to have common control, to the extent that adjustments are required, and the amounts of required adjustments per FAR 31.205-26(e) and FAR 31.205-36(b) (3). See example of Chapter 11, page 114 of the Uniform Audit and Accounting Guide.

**Note H - Facilities Capital Cost of Money (FCCM)**

The cost-of-money rate has been calculated in accordance with FAR 31.205.10, using average net book values of equipment and facilities multiplied by the average treasury rate for the applicable period. Equipment and facilities include furniture and fixtures, computer equipment, vehicles, and leasehold improvements. The Company has not claimed Facilities Capital Cost of Money in the overhead calculation. The Facilities Capital Cost of Money needs specific approval from Regulators to be allowable. The calculation was made as follows:

**12/31/**

Net Book Value of Corporate Assets $

Average Treasury Rate

Computed Facilities Capital Cost of Money $

Direct Labor Base $

Cost-of-Money Rate

**(See Chapter 11, page 113 of AASHTO’s Guide)**

**I – LIST OF OTHER DIRECT COST ACCOUNTS AND CHARGE RATES**

Provide a listing of the types of costs that were charged directly to contracts, along with a description of the control procedures used to ensure that these costs were not also included in the indirect cost pool.

**J – COST ESTIMATION PROCESS**

Include a statement regarding the company’s method of estimating costs for pricing purposes. **(See Chapter 11,** **page 115 of AASHTO’s Guide)**

(Example) The company’s method of estimating costs for pricing purposes during the proposal process was consistent with the accumulation and reporting of costs under the company’s job order cost accounting system.

**K -MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through      20     , the date upon which the Statement of Direct Labor, Fringe Benefits, and General Overhead was available for issuance.