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Note A: **Purpose of the Schedule**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the State's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Note B: **Significant Accounting Policies**

Note B1: Basis of Presentation - The information in the Schedule is presented in accordance with OMB Circular A-133.

- Federal Financial Assistance - Pursuant to the Single Audit Act of 1984 (Public Law 98-502); the Single Audit Act Amendments of 1996 (Public Law 104-156); and OMB Circular A-133, federal financial assistance, hereafter referred to as federal assistance, is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Accordingly, non-monetary or non-cash federal assistance, including food stamps, food commodities, immunization supplies and surplus property, is federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the State and federal agencies for which the State provides tangible goods or services, acting as a vendor, are not considered to be federal assistance.

- Catalog of Federal Domestic Assistance (CFDA) - OMB Circular A-133 requires the Schedule to show total expenditures for each of the State's federal assistance programs as identified in the CFDA. The Federal Single Audit Clearinghouse has modified several of the CFDA programs for reporting purposes. The Schedule includes those modifications.

- Each program included in the CFDA is assigned a five-digit program identification number (CFDA number), the first two digits designating federal agency and the last three digits designating federal assistance program within the federal agency. The CFDA number is reflected in the Schedule. Federal assistance programs and awards which have not been assigned a CFDA number, but have a grant award or agreement number, are assigned a five digit code consisting of the first two digits indicating federal agency and the last three digits all zeros. Where no CFDA number has been identified and no award or agreement number was identifiable, a five-digit code consisting of two digits indicating federal agency followed by three nines, is displayed on the Schedule.

- Cluster of Programs - Closely related programs with different CFDA numbers that share common compliance requirements are to be considered a cluster of programs. The only program clusters presented on the Schedule are those mandated by OMB in the most recent Circular A-133 *Compliance Supplement* (March 2006). No expenditures of federal awards were recorded in seven of the mandated clusters in the report year:

  1. Rural Rental Housing
  2. Section 8 Project-Based
  3. National Farmworker Jobs Program
  4. Bilingual Education
  5. Foster Grandparent/Senior Companion
  6. Foreign Food Donation
  7. Native American Employment and Training

  The Schedule is structured to present the federal assistance information by cluster with the title of the cluster appearing in the heading. Programs not included within a designated cluster are presented under the title "Programs Not Clustered."

Note B2: Reporting Entity - The State reporting entity is fully described in Note 1A of the State's basic financial statements. The Schedule includes all federal assistance programs administered by the State for the fiscal year ended June 30, 2006.

Note B3: Basis of Accounting - Federal assistance programs included in the Schedule are reported in the State's basic financial statements as federal grants-in-aid in the General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds and as other revenue in proprietary and fiduciary funds. The Schedule is presented using the same basis of accounting as that used in reporting the expenditures of the related funds in the State's fund financial statements. The basis of accounting used for each fund type is described in Note 1C of the State's basic financial statements.

- Indirect Costs - The Schedule includes a portion of costs associated with general activities which is allocated to federal assistance programs under negotiated formulas commonly referred to as indirect cost rates and federally approved cost allocation plans. Reimbursement of state central service costs, achieved via the federally approved Statewide Central Services Cost Allocation Plan, is not reflected on the Schedule. No expenditures are recorded in the state operating agencies and institutions. A total of $ 1,663,996 was recovered for state central service costs for the year ended June 30, 2006.

- Matching Costs - The Schedule does not include matching expenditures with the exception specified in Note C.

- Non-monetary Assistance - The Schedule contains values for several non-monetary assistance programs (identified with an NC).

  1. The **Food Stamp** program is administered through Electronic Benefit cards that provide each eligible client with an authorized limit of service (purchase of specific food products). The dollar expenditure reported for the Food Stamp program consists of actual disbursements for client purchases of authorized food products via the EBT card program.

  2. The **Commodities and Immunization Vaccine** programs are presented at the federally assigned value of product disbursed by the State.

  3. The **Surplus Property** program is presented at the fair market value of the property distributed. The fair market value was estimated to be 23.3% of the property's original acquisition value.

- Endowment, Loan and Loan Guarantee Programs – Additional information on federal endowment, federal loan, and federal loan guarantee programs is included in Footnote G. Amounts in Footnote G included in the Schedule of Expenditures of Federal Awards are indicated with an (**s**).

- Indirect (Pass-Through) Federal Assistance - The majority of the State's federal assistance is received directly from federal awarding agencies (i.e., the State is the primary recipient). However, agencies and institutions of the State receive some federal assistance that is passed through a separate entity prior to receipt by the State (i.e., the State is a subrecipient). Although this type of assistance is included on the Schedule as "Pass-Through" (PT), it is not reported as federal revenue on the State's basic financial statements because it was not awarded directly from the Federal Government to the State.

- Federal Transactions Between State Agencies and Institutions - Some state agencies and institutions subaward federal assistance to other state agencies or institutions (i.e., a pass-through of funds by the primary recipient organization to a subrecipient state organization). In these situations, the federal revenue and expenditures are only reported once within the same fund in the State's basic financial statements in accordance with generally accepted accounting principles (GAAP) and reported once on the Schedule. This method avoids duplication and the overstatement of the aggregate level of federal assistance expended by the State. However, purchases of services between state organizations using federal monies are reported in the financial statements as expenditures or expenses by the purchasing organization and as revenues for services rendered by the providing organization.

Note B4: Presentation Comments

- Private company rebate activity is no longer included on the Schedule of Expenditures of Federal Awards. Due to the significance of the resources provided by this rebate activity, the following amounts are disclosed for the fiscal year ending June 30, 2006:

  10.557 - Special Supplemental Nutrition Program for WIC……$25,237,419
  (Infant Formula rebates provided by private companies)

  93.917 – HIV Care……..……. $3,326,246
  (Immunization rebates provided by private pharmaceutical companies)

- State agency numbers used in the Schedule can be referenced, either by number (listed numerically) or name of the agency (listed alphabetically), in the Appendix.

Note C: **Unemployment Insurance (U.I.) Program, Employer (State) Financial Participation**

As required by U.S. Department of Labor letter dated December 24, 1997, the expenditures reported on the Schedule for Unemployment Insurance, CFDA Program No. 17.225, include:

State or Washington/Employer Funded……..	$ 686,453,851
Federal Funds……..	115,853,079
Total	$ 802,306,930

Note D: **Non-monetary Assistance Inventory**

As described previously in Note B3, non-monetary assistance is reported in the Schedule based on the amount disbursed. As of June 30, 2006, the following inventories of non-monetary assistance existed:

Assistance	Inventory Balance June 30, 2006
Food Commodities (10.550)……..……..	$ 2,042,523
Temp. Emergency Food Assistance (10.569)……..	157,237
Immunization Supplies (93.268)……..……	2,617,070
Total	$ 4,816,830

Note E: **Other Footnote Designations**

The following footnote codes are utilized in the Schedule of Expenditures of Federal Awards (far right column):

NC - Non-cash expenditures.

PT - Pass Through (expenditures of resources received from a nonfederal entity outside of the State entity which the nonfederal entity recognized as federal assistance).

AL - Value of loans made during the year.

OL - Value of new loans made during the year plus balance of loans from previous years, net of payments to date, for which the federal government imposes continuing compliance requirements.