
State of Washington
Notes to the Schedule of Expenditures of Federal Awards

*For the Fiscal Year Ended
June 30, 2012*

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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 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 electronic benefit cards, 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.

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- Cluster of Programs - Closely related programs with different CFDA numbers that share common compliance requirements are to be considered a cluster of programs. 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. The only program clusters presented on the Schedule are those mandated by OMB in the most recent Circular A-133 *Compliance Supplement* (June 2012). No expenditures of federal awards were recorded in the following mandated clusters in the report year:

Section 8 Project-Based
Foster Grandparent/Senior Companion
Foreign Food Aid Donation
CDBG – Entitlement Grants
Indian CDBG Program
Indian Housing Block Grants
CFP
Native Hawaiian Housing
Impact Aid
Housing Voucher
Emergency Food and Shelter Program
Centers for Independent Living
Teacher Incentive Fund
CDFI
Water and Waste Program
Community Facilities Loans and Grants

Note B2: Reporting Entity - The State reporting entity is fully described in Note 1A to the State's financial statements. The Schedule includes all federal assistance programs administered by the State during fiscal year ending June 30, 2012.

Note B3: Basis of Accounting - Federal assistance programs included in the Schedule are reported in the State's 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 to the State's 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. A total of \$1,535,686 was recovered for state central service costs during fiscal year ending June 30, 2012.

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- Matching Costs - The Schedule does not include matching expenditures with the exception specified in Note C to the Schedule.
- Non-monetary Assistance - Non-monetary assistance programs included on the Schedule are identified with a non-cash expenditure (NC) including:
 1. The **Supplemental Nutrition Assistance Program (SNAP)** is administered through Electronic Benefit (EBT) cards that provide each eligible client with an authorized limit of service (purchase of specific food products). The dollar expenditure reported for the SNAP consists of actual disbursements for client purchases of authorized food products via the EBT card program.
 2. The **Commodity Supplemental Food** program is 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% of the property's original acquisition value.
 4. The **Immunization Vaccine** programs are presented at the federally assigned value of product disbursed by the State.
- Pass-Through Federal Assistance (State as Subrecipient included on the Schedule) - 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. Additional detail related to this type of pass through assistance is provided in Note F to the Schedule.
- Pass-Through Federal Assistance (State as Subrecipient not included on the Schedule) – The State is a direct recipient of U.S. Department of Labor Workforce Investment Act (WIA) funds. These funds are reported on the Schedule. A large portion of these funds are passed through to non-state entities that, in certain instances, subaward the same funds back to the State. The dollar amount of these subawards, while included in the scope of the Single Audit, are not reported by the State on the Schedule since they are already part of the amount reported as direct assistance. Additional detail related to this type of pass through assistance is provided in Note G to the Schedule.
- Endowment, Loan and Loan Guarantee Programs - Additional information on federal endowment, federal loan, and federal loan guarantee programs is included in Note H to the Schedule. Amounts in Note H included in the Schedule of Expenditures of Federal Awards are indicated with an (s).

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- 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 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 not included on the Schedule. Due to the significance of the resources provided by this rebate activity, the following amounts are disclosed for fiscal year ending June 30, 2011:

10.557 - Special Supplemental Nutrition Program for WIC..... \$27,935,911
(Infant formula rebates provided by private companies)

93.917 - HIV Care..... \$1,074,738
(Immunization rebates provided by private pharmaceutical companies)

- Expenditures for the federal share of bond repayment are not included on the Schedule. Due to the significance of the federal participation, the following amount is disclosed for the fiscal year ending June 30, 2010:

20.205 Debt service costs for Referendum 49 bonds..... \$4,000,456

- GARVEE - On May 22, 2012, the State of Washington issued \$600,000,000 Grant Anticipation Revenue Vehicles (GARVEE) bonds. The proceeds were deposited on June 6, 2012 in the State Route 520 Corridor Account which is reported on the State's financial statements in the Multimodal Transportation Fund, a nonmajor governmental fund. Debt service will be paid from federal-aid highway program funds semi-annually with the first debt service payment occurring September 1, 2012. Federal participation rate is 100 percent with the use of toll credits. Final maturity for the bonds is in 2024, a 12 year term.

- 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.

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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, for fiscal year ending June 30, 2012 include:

State of Washington/Employer Funded.....	\$1,397,995,795
Federal Funds	
ARRA.....	123,378
Non-ARRA.....	1,574,689,083
Total	<u>\$2,972,808,256</u>

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

As described previously in Note B3, non-monetary assistance is reported in the Schedule. As of June 30, 2012, the state held the following inventories of non-monetary assistance:

Food Commodities (10.565).....	\$7,110,262
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Note E: **Other Footnote Designations**

The following footnote codes are utilized in the Schedule (far right column):

NC - Non-cash expenditures.

PT - Pass Through (expenditures of federal assistance received from a nonfederal entity external to the State).

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.