

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

*For the Fiscal Year Ended
June 30, 2017*

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Schedule of Expenditures of Federal Awards
Notes A – E

For the Fiscal Year Ended
June 30, 2017
(Expressed in Whole Dollars)

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) Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards .

Note B: **Significant Accounting Policies**

Note B1: **Basis of Presentation** - The information in the Schedule is presented in accordance with the OMB Uniform Guidance.

- 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 Uniform Guidance 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 or solicited contracts between the state and federal agencies for which the state provides tangible goods or services, acting as a vendor.
- Catalog of Federal Domestic Assistance (CFDA) - OMB Uniform Guidance requires the Schedule to show total expenditures expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

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.

For federal assistance programs and awards that have no assigned CFDA numbers, federal awards to non-Federal entities from the same agency made for the same purpose are combined and considered as one program. If the CFDA three-digit extension is unknown, it shall be assigned a "U" followed by a two-digit number (e.g., U01, U02, etc.). If the Federal program is part of the Research and Development (R&D) cluster and the CFDA extension is unknown, "RD" shall be used as the CFDA extension.

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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 *Compliance Supplement* (April 2017). 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
Housing Voucher
CDFI
Community Facilities Loans and Grants
HOPE VI
Hurricane Sandy Relief
CDBG – Disaster Recovery Grants – Pub L. No. 113-2
Maternal, Infant, and Early Childhood Home Visiting

Note B2: Reporting Entity - The state reporting entity is fully described in Note 1A to the state's financial statements. The Schedule includes the activity of all federal assistance programs administered by the state during fiscal year ending June 30, 2017. All component units are excluded from the schedule and are subject to separate audits in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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. The Schedule also includes the indirect costs of agencies that have elected to use the 10% de minimis rate in accordance with the Uniform Guidance. 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 \$1,310,241.33 was recovered for state central service costs during fiscal year ending June 30, 2017.
- 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 **Temporary Emergency Food Assistance and National School Lunch** 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 22.47% 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, state agencies 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.
 - Federal transactions between state agencies - Some state agencies subaward federal assistance to other state agencies (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.

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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, 2017:

10.557 - Special Supplemental Nutrition Program for WIC..... \$22,409,479
(Infant formula rebates provided by private companies)

93.917 - HIV Care..... \$1,353,349
(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, 2017:

20.205 Debt service costs for Referendum 49 bonds..... \$3,649,036

- 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, 2017 include:

State of Washington/Employer Funded.....	\$990,310,610
Federal Funds.....	154,880,166
Total	\$1,145,190,776

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

As described previously in Note B3, non-monetary assistance is reported in the Schedule. As of June 30, 2017, the state held the following inventories of non-monetary assistance:

Food Commodities (10.565 and 10.569)	\$ 4,469,216
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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).

OL – The balance of loans from previous years, for which the federal government imposes continuing compliance requirements.