

**STATE OF SOUTH DAKOTA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2009**

**NOTE 1: Purpose of the Schedule**

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA). Significant federal financial assistance programs which have not been assigned a CFDA number have also been identified.

**NOTE 2: Significant Accounting Policies**

- A. Reporting Entity** - The accompanying schedule includes all federal financial assistance programs administered by the State of South Dakota for the fiscal year ended June 30, 2009.
- B. Basis of Presentation** - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost-reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance. Accordingly, non-monetary federal assistance, including electronic benefits, vaccines, and food commodities, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards. Federal financial assistance does not include direct federal cash assistance to individuals.
  - 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures or expenses to be used in defining Type A and Type B federal financial assistance programs. Type A programs for the State of South Dakota are those which equal or exceeded \$4,500,000 in expenditures / disbursements / issuances for the fiscal year ended June 30, 2009. Type B programs for the State of South Dakota are those which are less than \$4,500,000 in expenditures / disbursements / issuances for the fiscal year ended June 30, 2009.
- C. Basis of Accounting** - The information presented in the Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting, which is consistent with the other federal grant reports. South Dakota's basic financial statements are reported on the accrual basis of accounting and, therefore, the schedule's data may not be directly traceable to the basic financial statements.
- D. Expenditures and Expenses** - When monies are received by one state grantee agency and redistributed (expended) to another state grantee agency (i.e. a pass-through of funds by the primary recipient state grantee agency to a sub-recipient state grantee agency), the federal financial assistance is reflected in the primary receiving/expending state grantee agency's accounts. This is to avoid duplication and the overstatement of the aggregate level of federal financial assistance expended by the State of South Dakota.

**NOTE 3: Other**

- A.** Commodities administered through distributing agencies totaling \$4,542,906 are included in the definition of expenditures of federal awards for the purpose of the accompanying schedule. Commodities are valued at the last purchase price.

- B. All federal expenditures/disbursements/issuances included in the accompanying schedule are assistance received directly from federal government or indirectly through entities from outside the State of South Dakota.
- C. As of June 30, 2009, donated federal surplus property (CFDA # 39.003) reported on the accompanying schedule totaled \$1,606,486, which represents 23.3% of the original acquisition cost of the federal surplus property received by the State. This percentage approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.
- D. The amounts reported as federal expenditures represent cash received. Federal reimbursements are based on approved rates for services provided, rather than reimbursement for specific expenditures.
- E. Perkins/National Defense/Direct Student Loan and Loan Cancellation amounts include federal, state, and program revenues. The exact portion associated with federal dollars cannot be readily determined.
- F. Electronic benefits under the Supplemental Nutrition Assistance Program (SNAP) totaled \$97,671,381 and were included in the definition of federal financial assistance for the purpose of the accompanying schedule. The reported expenditures for benefits under SNAP (CFDA #10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The mechanism used by USDA to make these funds available to states does not enable a State to validly disaggregate the regular and Recovery Act components of this figure. At the national aggregate level, however, Recovery Act funds account for approximately 15 percent of USDA's total expenditures for SNAP benefits.
- G. Federally funded loan programs had the following current fiscal year disbursement and outstanding loan balances at year end:

CFDA Number	Grant Program	Current Year		Outstanding Loan Balance June 30, 2009
		Administrative Expense	Loan Disbursement	
66.458	Clean Water State Revolving Fund*	\$109,140	\$24,271,291	\$169,862,738
66.458	Clean Water State Revolving Fund - ARRA	34,016		
66.468	Drinking Water State Revolving Fund*	600,040	12,492,023	114,941,688
14.239	Home Investment Partnerships Program	363,143	3,743,345	43,633,248
84.038	Perkins Loans Funds	163,838	2,816,539	28,644,490
93.264	Nurse Faculty Loan Program		20,500	88,625
93.342	Health Professions Student Loans/ Loans For Disadvantaged Students		871,030	5,905,559
93.364	Nursing Student Loans		337,400	1,853,330

\* 83.333% of the loans receivable balance is federal funds.

- H. Loans guaranteed under federal guarantee loan programs (CFDA # 84.032) and issued to parents of eligible students or eligible students attending state universities had the following values:

Stafford Loans	\$63,643,360
Unsubsidized Stafford Loans	77,225,094
PLUS Program Loans	10,079,277

A private non-profit corporation acts as the guarantee agency in the State of South Dakota.

- I. The Governor's Office of Economic Development, through the Economic Development Finance Authority (EDFA), participates in the Agricultural Processing and Export (APEX) Loan Program with funds obtained from the Rural Development Intermediary Relending Program (RDIRP). The EDFA has entered into loan agreements with the RDIRP in the amount of \$5,750,000. The EDFA makes loans to small businesses and draws down federal funds from the loan with the RDIRP to cover 70% of the loans made to small businesses. As of June 30, 2009 EDFA had \$3,216,446 in outstanding loans.
- J. During the fiscal year ended June 30, 2009 the South Dakota Department of Health received \$4,928,312 in cash rebates from infant formula manufacturers on sales of formula to participants in the WIC Program (CFDA #10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The rebate contract allowed the Department to serve 7,545 more persons during fiscal year 2009.
- K. The South Dakota Department of Transportation acts as an agent for the various Airport Improvement Program grants (CFDA #20.106) funded through the Federal Aviation Administration. The grants are between the Federal Aviation Administration and cities, counties and airport authorities, with the South Dakota Department of Transportation's duties primarily being the processing of requests for reimbursement and the payment of contractor estimates on the smaller projects. Total reimbursements processed in fiscal year 2009 were \$23,728,123. These monies are reflected as expenditures of federal awards of the State of South Dakota.
- L. The amount included as of June 30, 2009, on the unemployment section of the schedule of expenditures of federal awards (CFDA #17.225) includes the amount of federal unemployment insurance; the amount of the State's expenditure for unemployment insurance benefits; and the amount of administrative expense as required by the US Department of Labor and the Inspector General. The amounts are \$1,950,082, \$42,771,108 and \$5,314,528 respectively; In addition amounts are \$7,855,979, \$5,882,545 and \$140,265 respectively for ARRA funds.
- M. On March 20, 1998, The National Railroad Passenger Corporation (Amtrak) received the first installment of funds under the Taxpayer Relief Act of 1997, Public Law No. 105-34, (Act). According to Section 977(c) of the Act, Amtrak had to provide one percent, or \$11,615,000 to each non-Amtrak state which included the State of South Dakota. A second payment of \$11,615,000 was also received by the State of South Dakota. Section 977(c)(2) of the Act required the funds and interest earned thereon to be used solely to finance qualified expenses. Section 977(e)(1)(B) defined the qualified expenses. During FY2009, \$199,632.77 was expended from these funds. Since no CFDA Number has been assigned to this money, these expenditures were reported under CFDA Number 20.UNKNOWN.
- N. The South Dakota Department of Agriculture, through the South Dakota Value Added Finance Authority, (VAFA) participates in the United States Department of Agriculture Rural Business Cooperative Service (RBCS) Intermediary Relending Program (IRP). In FY2002, the VAFA entered into a loan agreement with the RBCS in the amount of \$750,000. The VAFA makes loans to new or existing businesses involved in processing or marketing an agricultural commodity up to 50% of the total project costs and draws down federal funds from the loan with RBCS covering 75% of the loan made to the business. Upon drawing down the entire \$750,000, the VAFA applied and was awarded another \$750,000 loan in FY2005 with RBCS covering 90% of the loan made to the business. As of June 30, 2009, VAFA had drawn down \$1,315,830.00 of RBCS loan funds and had disbursed \$1,304,529.50 of these RBCS funds. Total value of loans issued to date as of June 30, 2009 was \$1,598,900 with total remaining loans outstanding as of June 30, 2009 equaling \$775,379.
- O. Department of Energy (DOE) programs were funded in part by Petroleum Violation Escrow (PVE) funds. These expenditures are not included in the Schedule of Expenditures of Federal Awards. PVE funds represent the State of South Dakota's share of settlement proceeds in various lawsuits

between the Federal Government and oil producers. During FY09, the South Dakota Department of Tourism and State Development expended \$392,242.99 from the trust fund in support of DOE programs and received \$536,271 in loan payments.

- P. The amount of expenditures reported for the Child Support Enforcement program (CFDA #93.563) was not reduced by the \$2,125,033 federal share of prior quarters' Title IV-A collections retained to fund the Child Support Enforcement program during the fiscal year.