

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Indirect Cost Recoveries

The Commission recovers indirect cost from federal funding sources based on negotiated indirect cost agreement approved by the U.S. Department of Labor, Office of Cost Determination. The indirect cost recovered via this agreement is used to offset the administrative costs of the Commission and services provided by other state agencies. During the period July 1, 1997 through June 30, 1998, the Commission recovered \$6,805,826 of indirect cost from the above agreement, from the various federal agencies. Of this amount, \$393,492 was remitted to the State and \$6,412,334 was retained by the Commission to offset administrative costs. Indirect cost recoveries are reported as federal revenues. The \$393,492 is reported as expenditures of the various programs.

Interfund Transactions

Expenditures are initially recorded in the fund making the disbursement. However, if they are properly applicable to another fund, a reimbursement must be recorded. Reimbursements from one fund to another are treated as expenditures of the reimbursing fund and a reduction of the expenditures or expenses of the reimbursed fund. The primary transaction that falls into this category is indirect costs, which are allocated to the various funds through the Commission's cost allocation system.

Transfers from funds receiving revenues to funds through which the resources are to be expended are classified as operating transfers. The primary transaction which falls into this category is that portion of unemployment insurance taxes, penalties and interest and the contingency assessment which is initially received in the General Fund and subsequently transferred to the Capital Projects Fund for construction. There have been no elimination of interfund transactions in the financial statements.

Inventories

Inventory items consisting primarily of supplies and blank forms benefiting more than one accounting period are accounted for under the consumption method and recognized as expenditures when used. Inventories are stated at a moving weighted average cost.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items. Prepaid items benefiting more than one accounting period are accounted for under the consumption method, and recognized as expenditures when used. These services include maintenance contracts on data processing and office equipment, equipment rentals and professional services, software cost paid in advance and insurance coverage.

Intergovernmental Payables

Amounts reflected as intergovernmental payables – federal in the General Fund represent unexpended funds received for special projects in which the Commission participates.