

Palm Beach County Florida

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

1. General

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal award programs and state financial assistance projects of Palm Beach County, Florida (the County) for the year ended September 30, 2006. The County's structure is described in Note 1 to the basic financial statements. Federal awards and state financial assistance received directly from federal and state agencies, as well as those passed through other government agencies are included in the accompanying Schedule.

2. Basis of Accounting

The accompany Schedule is presented using the modified accrual basis of accounting for expenditures accounted for in the governmental fund types and on the accrual basis of accounting for expenditures in the proprietary fund types. Under the modified accrual basis, revenue is recognized if it is both measurable and available for use during the fiscal year and expenditures are recognized in the period liabilities are incurred, if measurable. Under the accrual basis, expenditures are recognized in the period liabilities are incurred.

3. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested as one program.