



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

**Tacoma-Pierce County Employment
and Training Consortium
(WorkForce Central)**

For the period January 1, 2013 through December 31, 2013

Published September 29, 2014

Report No. 1012740





Washington State Auditor Troy Kelley

September 29, 2014

Executive Board
WorkForce Central
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the WorkForce Central's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Consortium's financial condition.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

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Pierce County
January 1, 2013 through December 31, 2013**

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Federal Summary

WorkForce Central Pierce County January 1, 2013 through December 31, 2013

The results of our audit of the WorkForce Central are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities and each major fund.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Consortium.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Consortium's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
17.258	WIA Cluster - WIA Adult Program
17.259	WIA Cluster - WIA Youth Activities
17.278	WIA Cluster - WIA Dislocated Formula Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Consortium qualified as a low-risk auditee under OMB Circular A-133.

Schedule of Federal Audit Findings and Questioned Costs

WorkForce Central Pierce County January 1, 2013 through December 31, 2013

1. The Consortium did not comply with federal grant requirements for allowable costs.

CFDA Number and Title:	17.258 WIA Cluster – WIA Adult Program 17.259 WIA Cluster – WIA Youth Activities 17.278 WIA Cluster - WIA Dislocated Worker Formula Grants
Federal Grantor Name:	U.S. Department of Labor
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Employment Security Department
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$15,008

Background

The Workforce Investment Act of 1998 (WIA) programs help prepare workers for good jobs through formula grants to states. Using a variety of methods, states provide employment and training services through a network of American Job Centers. The WIA Adult and Dislocated Worker programs provide core, intensive and training services, and help jobseekers achieve gainful employment. The WIA Adult program focuses more on low-skilled, low-income workers, whereas the Dislocated Worker program supports the reemployment of laid-off workers. The Youth program provides employment and educational services to eligible low-income youth, ages 14 to 21 that face barriers to employment. The program serves in-school as well as out-of-school youth, youth with disabilities and low literacy rates, and others who may require additional assistance to complete an educational program and acquire an industry-recognized credential, or enter employment.

During 2013, the Consortium received a total of \$6,544,404 WIA funds from the Employment Security Department.

Federal regulations require us to report known questioned costs, which are greater than \$10,000 for a type of compliance requirement for a major program.

Description of Condition

The Consortium held two job fairs in 2013 where they received payments from sponsors that were used to offset the costs of each event. Payments from sponsors are considered program income, which is subject to the federal cost principles.

The Consortium paid \$28,847.50 to hold one of the two job fairs at a baseball stadium. \$13,839.50 of this amount paid for the stadium rental and other costs related to facility use. The remaining \$15,008 paid for 1,500 tickets to a baseball game at the stadium. Payments for tickets to sporting events are considered entertainment expenses under federal cost principles and are an unallowable use of WIA program income.

Cause of Condition

Consortium staff were unaware the revenue received for the two job fair events were considered federal WIA program income and the expenditures of these funds were considered federal expenditures subject to cost principles.

Effect of Condition and Questioned Costs

We report questioned costs of \$15,008 for unallowable costs under WIA program requirements and federal cost principles. Questioned costs may be subject to recovery by the grantor.

Recommendation

We recommend the Consortium:

- Provide training to Consortium staff to ensure they are aware of all applicable program requirements, specifically related to program income and cost principles.
- Resolve the questioned costs with the grantor.

Consortium's Response

Boots to Work and Pierce County Career Day were treated as self-sustaining events. Revenue and expenditures were tracked as if they were independent funds. WorkForce Central (WFC) now recognizes this was an incorrect method of accounting for the revenue and expenditures. All revenue and expenditures from the job fairs will be immediately reclassified to the appropriate WIA formula fund upon resolution of the appropriate dollar amount.

To assure that all revenue and expenditures are correctly tracked in the future; WFC has restructured its protocol for the accounting coding of all job fairs.

Auditor's Remarks

We appreciate the Consortium's commitment to resolve this finding. We thank the Consortium for bringing this issue to our attention and for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Appendix A, states in part:

C. Basic Guidelines

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

b. Be allocable to Federal awards under the provisions of this Circular.

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR Part 225), Appendix A, states in part:

D. Composition of Cost

1. Total Cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable indirect costs, less applicable credits

E. Direct Costs

1. General. Direct Costs are those that can be identified specifically with a particular final cost objective.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR Part 225), Appendix B, states in part:

14. *Entertainment.* Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such

costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, states in part:

Section .510

(a) Audit findings reported. The auditor shall report the following as audit findings in a schedule of findings and questioned costs:

(3) Known questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs) not just the questioned costs specifically identified (known questioned costs) The auditor shall also report known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program

Code of Federal Regulations, Title 20, Section 667.200 states in part:

(a) *Uniform fiscal and administrative requirements.*

(5) The addition method, described at 29 CFR 95.24 or 29 CFR 97.25(g)(2) (as appropriate), must be used for the all program income earned under WIA title I grants. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the WIA program. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the grants when these costs have not been charged to the WIA program.

(6) Any excess of revenue over costs incurred for services provided by a governmental or non-profit entity must be included in program income. (WIA sec.195(7)(A) and (B).)

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**WorkForce Central
Pierce County
January 1, 2013 through December 31, 2013**

Executive Board
WorkForce Central
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the WorkForce Central, Pierce County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated September 26, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Consortium's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

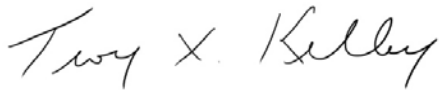
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from material misstatement, we performed tests of the Consortium's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Consortium's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

September 26, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**WorkForce Central
Pierce County
January 1, 2013 through December 31, 2013**

Executive Board
WorkForce Central
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the WorkForce Central, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Consortium's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Consortium's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Consortium's compliance.

Opinion on Each Major Federal Program

In our opinion, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. Our opinion on each major federal program is not modified with respect to these matters.

Consortium's Response to Findings

The Consortium's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Consortium's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Consortium's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over compliance.

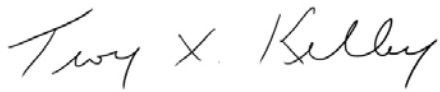
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 26, 2014

Independent Auditor's Report on Financial Statements

WorkForce Central Pierce County January 1, 2013 through December 31, 2013

Executive Board
WorkForce Central
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the WorkForce Central, Pierce County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed on page 18.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Consortium's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the WorkForce Central, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

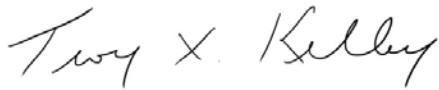
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 32 and budgetary comparison information on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014 on our consideration of the Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 26, 2014

Financial Section

**WorkForce Central
Pierce County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of Governmental Funds Balance Sheet – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2013

Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

TACOMA-PIERCE COUNTY EMPLOYMENT & TRAINING CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2013

As management of Tacoma – Pierce County Employment & Training Consortium, we offer readers of the financial statements a narrative overview of the Consortium's financial activities for the year ending December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements and notes to the financial statements which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

- The assets of the Consortium exceeded its liabilities at December 31, 2013 by \$890,455 (Net Position).
- For the year ending December 31, 2013 the Consortium's revenues were (\$152,089) less than its expenses, resulting in corresponding decrease in the Consortium's Net Position.
- For the year ending December 31, 2013, the Consortium received \$8.65 million in program revenues.
- General fund expenditures exceeded revenues by \$114,933 for the year ending December 31, 2013.
- The Consortium experienced an increase in funding of nearly \$1.35 million in 2013. Revenues, expenditures, and liabilities increased due to this increased funding; the Consortium was able to expand overall participant services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Consortium's basic financial statements. The basic financial statements are comprised of the following components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the Consortium's finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Consortium's assets and liabilities, with the difference between the two reported as net position. This statement serves the purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Consortium is improving or deteriorating. However, this is just one indicator of financial health of the Consortium. Other indicators include the level of change in federal, state and local governmental support for the services that the Consortium provided to its constituents, as well as the general economic conditions within Pierce County.

The statement of activities presents information showing how the Consortium's net position changed for the year ending December 31, 2013. It separates program revenue generated by its functions and programs: grants, contributions and miscellaneous sources. All changes in net position are reported as soon as the underlying event gives rise to the change, regardless of the timing of related cash flows. Items such as unpaid vendor invoices and earned but unused vacation leave are included in the statement of activities as expenses, even though the cash associated with these items will not be distributed until sometime in the future.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Consortium uses a single fund accounting system to ensure and demonstrate compliance with finance-related legal requirements and to provide management with information for controlling spending activities.

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances present a single column of financial data for the General Fund. This fund is considered to be a major fund based on criteria established by the Governmental Accounting Standards Board (GASB) Statement #34.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. This information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Budgetary Schedules and Related Notes

The Consortium maintains budgetary controls over its fund. The objective of budgetary controls is to ensure compliance with legal requirements embodied in state law, and the agreement providing for creation and operation of a county-city employment Consortium.

A budgetary comparison schedule is presented for the general fund.

The budgetary comparison schedule provides the following types of information:

1. The original budget – the first complete legally appropriated budget adjusted for changes occurring before the beginning of fiscal year. The original budget also includes actual appropriation amounts automatically carried over from prior years.
2. The final budget – including all legally authorized changes including those occurring during and after the end of fiscal year.
3. Actual inflows, outflows and balances.

Notes to the required supplementary information are also provided.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Consortium's financial position. The Consortium's assets exceeded liabilities by \$890,455 at December 31, 2013. The following table reflects the condensed Government-Wide Statement of Net Position of the Consortium.

Government Activities	December 31 2013	December 31 2012	Increase/ (Decrease)
Current assets	\$ 1,726,293	\$ 1,529,584	\$ 196,709
Prepaid Expenditures	106,511	130,994	(24,483)
Capital assets (net of depreciation)	17,691	26,537	(8,846)
Total Assets	1,850,495	1,687,115	163,380
Current liabilities	717,353	622,012	95,341
Unearned Revenues	242,687	22,559	220,128
Non-Current liabilities			
Total Liabilities	960,040	644,571	315,469
Net Position			
Invested in capital assets	17,691	26,537	(8,846)
Restricted for compensated absences	182,140	153,830	28,310
Unrestricted	690,624	862,177	(171,553)
Total Net Position	\$ 890,455	\$ 1,042,544	\$ (152,089)

Accounts payable at December 31, 2013 are approximately \$205,000 as compared to approximately \$250,000 at December 31, 2012. Accrued salaries and wages increased for the year ended 2013. Accrued salaries and wages at December 31, 2013 are approximately \$280,800 as compared to \$177,000 in 2012.

In 2009, the Washington State Employment Security Department, as pass-through funding agency of WIA grants, approved the Consortium's use of a funded compensated absences plan. As of December 31, 2013, the general leave liability, cash savings and net position restricted for compensated absences is approximately \$182,150. Another portion of net position is the investment in capital assets such as equipment and furniture of approximately \$17,700. These assets are not available for future spending. The balance of net position can be used to finance normal Consortium operations without constraints established by enabling legislation or other legal requirements.

Statement of Activities

The following table summarizes the Consortium's overall operating results for the years ending December 31, 2013 and 2012.

Governmental Activities

Revenues	December 31 2013	December 31 2012	Increase/ (Decrease)
Program Revenues			
Operating grants and contributions	\$ 8,619,921	\$ 7,267,909	\$ 1,352,012
Capital grants and contributions			
Charges for services	37,199	5,713	31,486
Interest income	302	293	9
Other miscellaneous revenue		(1)	1
Total Revenues	<u>8,657,422</u>	<u>7,273,914</u>	<u>1,383,508</u>
Program Expenses			
General administration	880,951	748,843	132,108
Job training programs	<u>7,928,559</u>	<u>6,739,584</u>	<u>1,188,975</u>
Total Expenses	<u>8,809,510</u>	<u>7,488,427</u>	<u>1,321,083</u>
Change in Net Position	(152,089)	(214,513)	62,424
Net Position at beginning of year	<u>1,042,544</u>	<u>1,257,057</u>	<u>(214,513)</u>
Net Position at end of year	\$ <u><u>890,455</u></u>	\$ <u><u>1,042,544</u></u>	\$ <u><u>(152,089)</u></u>

As a result of increases in funding, operating grants and revenues increase by \$1.35 million or 18.5%. Total expenses increased by \$1.3 million or 17.6%.

FUND BASIS FINANCIAL ANALYSIS

As noted earlier, the Consortium uses fund accounting to ensure and demonstrate compliance with finance-related legal documents. The Consortium has only one fund type, namely governmental and only one fund within that fund type, the general fund.

The following represents general fund revenues for the years ending December 31, 2013 and 2012.

	<u>December 31 2013</u>	<u>December 31 2012</u>	<u>Increase/ (Decrease)</u>
Intergovernmental revenues	\$ 8,469,956	\$ 7,202,695	\$ 1,267,261
Charges for services	37,199	5,713	31,486
Contributions and donations	149,965	65,214	84,751
Miscellaneous revenue	302	292	10
	<u>\$ 8,657,422</u>	<u>\$ 7,273,914</u>	<u>\$ 1,383,508</u>

The following is a summary of general fund expenditures for the years ending December 31, 2013 and 2012.

	<u>December 31 2013</u>	<u>December 31 2012</u>	<u>Increase/ (Decrease)</u>
Personal services	\$ 4,130,812	\$ 3,128,282	\$ 1,002,530
Contractual services	3,546,068	3,283,103	262,965
Supplies and other expenditures	1,095,475	1,110,745	(15,270)
Totals	<u>\$ 8,772,355</u>	<u>\$ 7,522,130</u>	<u>\$ 1,250,225</u>

Due to increased funding, both revenues and expenditures experienced increases in 2013.

The General Fund expenditures exceeded revenues by \$114,933 thus decreasing fund balances by the same amount.

BUDGETARY HIGHLIGHTS

The Consortium's originally adopted 2013 budget did not differ from its final budget. A summary of budget to actual amounts is shown below. The Consortium received \$357K in unanticipated revenues in the form of grants, fees for service and donations. As a result of the unanticipated revenue, expenditures increased by roughly \$472K as programs were expanded.

	December 31 2013	Actual Amounts	Increase/ (Decrease)
Revenues			
Intergovernmental revenues	\$ 8,300,000	\$ 8,469,956	\$ 169,956
Charges for services		37,199	37,199
Contributions and donations		149,965	149,965
Miscellaneous revenues		302	302
Total revenues	<u>8,300,000</u>	<u>8,657,422</u>	<u>357,422</u>
Expenditures			
Current			
Personal services	\$ 4,150,000	\$ 4,130,812	\$ (19,188)
Contractual services	2,905,000	3,546,068	641,068
Supplies and other expenditures	<u>1,245,000</u>	<u>1,095,475</u>	<u>(149,525)</u>
Total expenditures	<u>8,300,000</u>	<u>8,772,355</u>	<u>472,355</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(114,933)</u>	<u>(114,933)</u>
Net change in fund balances		(114,933)	(114,933)
Fund balances, beginning of year	<u>1,169,837</u>	<u>1,169,837</u>	
Fund balances, end of year	\$ <u><u>1,169,837</u></u>	\$ <u><u>1,054,904</u></u>	\$ <u><u>(114,933)</u></u>

CAPITAL ASSETS

The Consortium's investment in capital assets for its governmental type activities as of December 31, 2013 amounted to \$17,691. This investment in capital assets includes computer equipment, other types of equipment and furniture. No capital asset additions were made in 2013; there no capital additions in 2012. The following table shows capital asset values of the Consortium at December 31, 2013 and 2012.

	December 31 2013	December 31 2012
Equipment and furniture	\$ 198,526	\$ 198,526
Accumulated depreciation	(180,835)	(171,989)
Totals	<u>\$ 17,691</u>	<u>\$ 26,537</u>

For additional information, see the notes to the financial statements.

ECONOMIC FACTORS

Economic Factor based on the Pierce County Economic Index 2013/2014 Report:

Employment and Jobs

Between 2008 and 2010, Pierce County lost about 15,000 jobs in nonfarm employment (about 5.5%). Even a relatively steady recovery setting in after 2010 has not yet translated into a strong recovery of the labor market, the causes of which are multi-faceted.

2012 and 2013 saw business returning to several areas of the County, such as downtown Tacoma, Gig Harbor and University Place. The two most prominent examples are the arrival of the Grand Alliance shipping consortium at the Port and of State Farm in Downtown Tacoma. At the same time, healthcare, education and service sectors are recovering throughout Pierce County. Finally, the proximity to King County's stronger labor market continues to help the working population stay afloat.

However, losses in government employment due to state budget cuts and the federal sequester and going forward, the risk of potential cuts at JBLM amid growing concerns over the federal government budget pose challenges for the local economy. Similarly, manufacturing appears unlikely to return to the area, while the construction sector is recovering slowly at best.

Average nonfarm employment in Pierce County rose by a relatively meager 1,200 jobs – an annual increase of 0.4% – in 2011. The net increase in nonfarm employment more than doubled in 2012, with an additional 2,600 jobs created, about a 1.0% gain.

The first three quarters of 2013 continued this trend with an average increase in nonfarm employment of approximately 2,700 additional jobs – or 1.0%. A strong holiday season is likely to add to this figure by the end of the year. As of October 2013, average employment for the year has been approximately 271,500, which is slightly below the 2006 level.

The strongest drop in employment occurred in the government sector. The reduction in government employment in Pierce County from the first quarter of 2011 through the third quarter of 2013 was an annualized 2.8%, resulting in a loss of 4,100 jobs. At the same time, a relative standard number of soldiers transitioned out of JBLM in 2012. The coming deactivation of the 4th Stryker Brigade will trim 4,500 active duty soldiers from the base. This has the potential to substantially hurt both the civilian labor force employed at JBLM, as well as retail and service industries in Lakewood and DuPont through local multiplier effects.

Construction and manufacturing employment have been stagnant across the area despite some projects such as the Pacific Avenue Streetscape project, the completion of the 11th Street Bridge, the Point Ruston mixed-use project and the Garfield Avenue renewal, to cite a few. Construction jobs came in at a level of about 16,200, 16,500 and 16,200 jobs in 2011, 2012 and the first three quarters of 2013, respectively, down from 25,500 in 2007. For the construction sector this marks a return to the level of 2001/2002 at best, which is somewhat disappointing. It appears that at this stage employers are still hesitant to hire more construction workers, despite the fact that development has picked up somewhat during this period.

Manufacturing exhibited an average level of employment of about 16,400, 16,700 and 16,900 jobs in 2011, 2012 and the first three quarters of 2013, respectively, down from 20,500 at the height of the boom in 2007. Throughout the county, layoffs due to productivity increases prior and during the recession may in part account for this pattern, allowing firms to increase production without increasing hiring.

While these developments will continue to have adverse effects on economic recovery especially in South Tacoma, the employment figures also point towards stronger job creation in other parts of the private sector. Trade from the Port has increased by about 26% from 2011 to 2013, generating more employment opportunities for small local services and manufacturers. The move of State Farm is likely to create at least an additional 1,000 jobs by late 2013 or early 2014.

Health care and education have seen steady growth throughout the entire recession. Average employment in these two sectors has increased by about 3,600 jobs at an average annual growth rate of 1.5% since the end of 2007 – for an overall increase of approximately 8.8%. These developments are driven by the expansion of local hospitals and the general trend of increased demand for health care services.

At the same time, an increased demand for skilled labor in the growth sectors of healthcare, engineering, technology or financial services feeds into employment in higher and technical education. Average annual employment in the service sector, including finance, fell between 2007 and 2010, but has since grown by about 1,600 jobs, or 4.4%, with service providers, local banks and financial firms rehiring qualified workers across the South Sound. This trend is likely to continue forward into 2014 and beyond.

Nonfarm employment in the final quarter of 2013 is estimated to grow by an approximate 1.4% compared to 2012, resulting in an estimated 276,400 jobs in the area by the end of the year, factoring in the typical seasonal pattern. This amounts to an average annual rate of employment growth of about 1.4% in 2013. Four-quarter growth in 2014 is predicted to be

1.3%, 1.5%, 1.6% and 1.7% sequentially across all four quarters, or 1.5% for the year. Accounting for the typical seasonal pattern, these figures predict a slight drop in employment in early 2014, but an ongoing recovery through the remainder of the year, with an estimated 281,000 jobs in the fourth quarter of 2014, corresponding roughly to the 2006 level of employment.

Labor Force

Following the national trend, Pierce County's labor force has dropped substantially since the Great Recession. Between the beginning of 2009 and the first quarter of 2012, the labor force dropped from 401,700 to 390,500 workers. This trend continued throughout the year and by the first quarter of 2013 the labor force stood at only 386,900. The latest figures for the third quarter of 2013 have the labor force at 374,300 workers. Removing seasonal patterns in labor force participation, this makes for an astonishing drop of approximately 14,000 workers since the onset of the recession.

It is a common phenomenon that workers are leaving the labor force during a recession, as an increasing amount of job-seekers become discouraged about finding employment. Typically, this trend is reversed by the onset of economic recovery. The Great Recession is atypical in this regard - almost five years after its end we still have not seen workers returning to the labor force.

This pattern has raised concerns over a "jobless" recovery nation-wide – the number of jobs available to the working-age population has been stagnant coming out of 2009 and may in part explain the decline in labor force participation. Possible root causes include employers choosing to reduce the number of workers hired due to productivity gains realized earlier or a mismatch of available job skills in the workforce, given the increasingly high-skill demands of a labor market growing primarily in sectors such as health care and technology. Other contributing factors are the retirement of the baby boomers and increased social, health and unemployment benefits, which may decrease labor force participation at the margin, especially for relatively unskilled labor.

While Pierce County's employment situation has started to improve in 2012 and 2013, the labor force is still predicted to drop by 0.5% in the fourth quarter of 2013 compared to the fourth quarter of 2012. After a minimal four-quarter-span drop of about 0.1% in the first quarter of 2014, the labor force is anticipated to grow by four-quarter-span growth rates of 0.5%, 1.2% and 1.3% through the remaining quarters of 2014. The average labor force in 2013 is, therefore, predicted to be 383,500 (down from 386,300 in 2012), while we predict an increase to 386,300 in 2014.

The prediction of this turn-around is based on the experiences of past recessions as well as the somewhat improving employment figures. The good news is that a return of workers to the local labor force appears more likely in the wake of the moves of the Grand Alliance shipping consortium and State Farm.

At the same time, several factors are likely to act as a drag on labor force growth. With the shrinking of the local manufacturing industry and stagnating construction, the availability of

relatively low-skilled jobs in Pierce County is limited. Current and prospective *future job growth instead stems increasingly from skilled sectors such as healthcare or finance.*

The labor force in Pierce County remains comparatively unskilled relative to the neighboring King and Snohomish counties and Washington State in general, with a vast majority of workers finishing with only a high school degree or some college. Completed bachelors or professional degrees are still noticeably lagging behind the rest of the County's neighbors. The extension of unemployment insurance and other welfare programs may further slow down labor force growth for some time.

Finally, out-migration into King and Snohomish will be an ongoing phenomenon. While such migration has been the trend in certain high-skill sectors such as information technology for some time, it now appears increasingly likely that the more favorable job opportunities in the booming construction market of King, paired with strong retail and manufacturing development in areas such as Federal Way, Renton or Auburn will draw workers to commute or relocate.

Unemployment

The unemployment rate in Pierce County has steadily declined from 10.6% in the first quarter of 2011 to 9.8% in the first quarter of 2012 and 9.2% in the first quarter of 2013. This places Pierce not only at a higher level of unemployment than neighboring King County, which is unsurprising, but also above the national trend.

During the first three quarters of 2013, the local unemployment rate was equal to 9.2%, 8.2% and 8.3%, down by 0.57, 0.77 and 0.43 percentage points from the respective numbers in 2012. While the trend is positive, this reduction is not very different from the overall national trend. The decline in the unemployment rate is driven by an overall improvement in employment in Pierce County, but also by the ongoing decline in the labor force through 2012 and 2013.

While the unemployment rate is predicted to decrease to 7.4% in the final quarter of 2013 due to seasonal hiring, we predict an increase in unemployment to 8.5% in the first quarter of 2014 following the typical seasonal pattern in the region. The unemployment rate in the remaining quarters of the year is predicted to equal 7.6%, 7.7% and 7.0%. On average, we predict the unemployment rate to drop by 0.74 percentage points from 2012 to 2013 and 0.57 percentage points from 2013 to 2014.

The decline in the unemployment rate will slow down in 2014 due to a variety of factors. One is the expected return of workers to the labor force in 2014. Another factor is the uncertainty of employment growth in certain sectors, namely construction, manufacturing and government employment.

While the recovery from the Great Recession appears somewhat stable in Pierce County at this point, policy uncertainty regarding fiscal and monetary policy remains. The national debt situation suggests government spending cuts and tax increases in a foreseeable future acting as a drag on hiring. While the Federal Reserve has signaled that it will not immediately change its low interest rate policy, interest rates are predicted to increase by the Federal Open Market Committee by the end of 2014 or early 2015, marking the beginning of the end of cheap credit.

Pierce County residents commuting to King County currently keep the unemployment rate in Pierce County lower than it otherwise would be. Possible uncertainty, however, looms as it remains to be seen whether Boeing will shift future production to other parts of the country. Finally, woes in the Euro area and in the emerging markets – specifically in the Pacific – have the potential to act as substantial downside risks.

These factors aside, it is possible that Pierce County has seen a structural shift in its labor market since the early 2000s with a higher natural level of unemployment going forward. Part of this phenomenon may be driven by the expansion of welfare programs during the Great Recession. While such benefits should decrease labor supply and increase the level of “full” employment, they are likely to be temporary in nature. A larger danger lurks in the fact that the growth sectors of Pierce County increasingly have shifted towards skilled labor. As long as the labor force remains relatively unskilled, it is likely that we may have to expect higher unemployment rates going forward for some time.

Job increases will be larger than the growth in the labor force for the balance of the year. In the second quarter of 2013, therefore, the local unemployment rate will drop to 8.1% and then remain at about that level for the balance of the year – 8.0% in the third quarter and 7.9% in the fourth.

For the year, the unemployment rate in Pierce County will average 8.2%, down more than 0.5% from the annual average in 2012 of 8.9%. One reason for the relatively modest decline in the unemployment rate is primarily due to the weakness in job growth. Employers will remain cautious about creating new, full-time jobs.

They will still be uncertain about the future of the national economy and will be worried about the path of fiscal policy. Potential tax increases and spending reductions could produce a second national recession.

Until these policy issues are resolved employers will remain reluctant to add payroll. In addition, productivity improvements in many industries have reduced the need for additional workers as output expands.

A second reason for the relatively modest decline in the unemployment rate during this recovery and expansion is the growth in the labor force. During the recession many workers withdrew from, or delayed entry into, the labor force. As the expansion continues, these workers will return to the labor force and will search for work. It will take time for them to find employment. In addition, an expanding and growing Pierce County economy will again become attractive for in-migration, adding to the growth of the local labor force.

When Pierce County workers commute to jobs outside of the local economy this helps reduce the county’s unemployment rate. The strength of the aerospace industry has provided employment opportunities for Pierce County residents.

Many of these jobs are located outside of the county, particularly in Boeing’s facilities to the north. However, the growth in aerospace hiring will decelerate by the middle of 2014. New job opportunities at defense installations in the region will also grow slowly during 2014 due to restrained Department of Defense spending.

Funding Factors

Sequestration, federal deficit reduction debates, unemployment rates and numbers of persons living below poverty affect the Consortium's Workforce Investment Act (WIA) funding. Accordingly, there are fluctuations in allocations from year to year making it hard to manage program operations on a predictable basis. Since 2002, WIA funding has been on a downward trajectory. When comparing funding from 2002 to those received in 2013, WIA youth, adult and dislocated worker funding has been reduced by 39% as Congress continues to grapple with our national deficit and reduced revenue. In addition, Pierce County's economy remained stronger than many in the nation and stronger than many workforce development areas in WA State, which result in less appropriations given the reduced federal and statewide total to be distributed. To exacerbate the continued formula funding reductions, carry over funds from previous years, which have been used to support operations and services, continue to decline as service operators expend more of their allocations because of fewer available dollars.

Since the recession, the WorkSource Career Development Center has seen an increase of 40% in visits from residents seeking workforce development services. As the economic recovery remains sluggish, this high level of demand is not projected to decrease any time soon as the unemployment rate for Pierce County remains higher than the state and surrounding counties. The local service delivery system is undergoing a redesign and restructure to respond to the continued demand for services with reduced funding. Increased use of technology to deliver core services, prescreen for program eligibility, refer to services/resources will be the norm in the coming years along with more group training/sessions/workshops. In addition strategic partnerships with systems like the library system allows both systems to leverage resources to stabilize services throughout Pierce County communities.

As Congress grapples with our nation's debt level and reduced revenue collected, WIA funding along with other domestic investments are at risk of significant reduction or complete elimination. The partisan environment continues to be a threat as exemplified by the government shut down in 2013. The impact of sequestration will be devastating for WIA funded activities in the short and long term as reductions will be cumulative.

To respond to the continued budget threat, the Consortium continues to educate members of Congress, collaborate with its Washington association members and national workforce associations to demonstrate the value and impact of WIA investments in local communities throughout the U.S. In addition, the Consortium will continue to aggressively pursue additional funding on a competitive basis by partnering with and convening partners from economic development, community development, K-12, higher education and other workforce development stakeholders. The Consortium will pursue national funding sources, philanthropic support and resources from state and local government.

Locally we have been successful in bringing millions of non WIA formula funds to Pierce County to support workforce strategies. However, the availability of these funding streams have declined over the past and have been open up to more stakeholders besides workforce investment boards, making competition more fierce. The long-term solution is to secure a permanent funding base for the one-stop system and identify entrepreneurial opportunities that will generate revenue to be reinvested into the workforce system.

Service Delivery System

The one-stop delivery system, WorkSource, is comprised of WIA funded service providers, Employment Security Department, Division of Vocational Rehabilitation, community and technical colleges, Job Corps and other required partners. There is one Career Development Center and eight affiliate sites in Pierce County. The participation of the partners is largely voluntary and the substance of each partner's participation can vary from year to year depending upon their own financial resources. There is a non-financial Memorandum of Understanding (MOU) that spells out their respective roles within the WorkSource network. As a response to high demand for workforce development services and reduced WIA funding, the Consortium formed a partnership with the Pierce County Library Foundation to increase access to residents in rural communities. This partnership resulted in an increased number of computers made available to residents living in rural communities where transportation is an issue and resources are sparse so that they can readily connect to services that will enable them to gain employment and or access training. In addition, employment preparation and computer workshops are made available. In order to respond to the high demand of veterans, transitioning service members and families, Rally Point 6, a one-stop center that targets the military community and supported by philanthropic, private and public resources was added to the local service delivery system in 2013.

Increased efforts have been implemented to increase veterans' employment rate. These efforts include continued services on base in partnership with the Pacific Mountain Workforce Development Council, cohort training in high demand training for veterans, locating a veterans and conducting an annual military career day at Cheney Stadium.

The Workforce Development Council (WDC) determines the allocation of funds through a public hearings process. The annual budget is approved by the WDC and the Consortium's Executive Board in open public meetings. The WDC also reviews proposals submitted through a competitive process for Youth program services. They make the selection of services providers and set spending limits and priorities for all WIA activities.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Consortium's finances for all those with an interest in the Consortium finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tacoma – Pierce County Employment & Training Consortium, 3650 South Cedar Street, Tacoma, Washington 98409

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM

Statement of Net Position
December 31, 2013

	Governmental Activities
<hr/>	
Assets	
Cash and cash equivalents	\$ 1,110,585
Accounts receivable	615,708
Prepaid items and deposits	\$ 106,511
Capital assets (net of accumulated depreciation)	17,691
Total assets	<u>\$ 1,850,495</u>
Liabilities	
Accounts payable	\$ 204,447
Accrued wages/benefits payable	280,766
Unearned revenues	242,687
Due to other governments	50,000
Noncurrent liabilities due within one year	182,140
Total liabilities	<u>\$ 960,040</u>
Net Position	
Invested in capital assets	\$ 17,691
Restricted for compensated absences	182,140
Unrestricted	690,624
Total Net Position	<u>\$ 890,455</u>

The notes to the financial statements are an integral part of this statement

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM

Statement of Activities
For the Year Ended December 31, 2013

		Program Revenues			Changes in
			Operating	Capital	Net Position
	Expenses	Charges for	Grants and	Grants and	Governmental
		Services	Contributions	Contributions	Activities
Functions/Programs					
Primary government					
Governmental activities					
General administration	\$ 880,951	\$	\$ 861,992	\$	\$ (18,959)
Job training programs	<u>7,928,560</u>	<u>37,199</u>	<u>7,757,929</u>	<u>-</u>	<u>(133,432)</u>
Total governmental activities	<u>\$ 8,809,511</u>	<u>\$ 37,199</u>	<u>\$ 8,619,921</u>	<u>\$ -</u>	<u>(152,391)</u>
General revenues					
Interest earnings					302
Other misc revenue					-
Total general revenues					<u>302</u>
Change in net position					(152,089)
Net Position - beginning of year					<u>1,042,544</u>
Net Position - end of year					<u>\$ 890,455</u>

The notes to the financial statements are an integral part of this statement

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM

Balance Sheet
Governmental Funds
December 31, 2013

	General Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 1,110,585
Accounts receivable	615,708
Prepaid expenditures	\$ <u>106,511</u>
 Total assets	 \$ <u><u>1,832,804</u></u>
 Total Assets	 \$ <u><u>1,832,804</u></u>
 LIABILITIES	
Vouchers and accounts payable	\$ 204,447
Accrued wages/benefits payable	280,766
Unearned revenue	\$ 242,687
Due to other governments	<u>50,000</u>
Total Liabilities	\$ <u><u>777,900</u></u>
 FUND BALANCES	
Nonspendable	\$ 106,511
Restricted Balance	182,140
Unassigned	<u>766,253</u>
 Total Fund Balance	 \$ <u><u>1,054,904</u></u>
 Total Liabilities and Fund Balances	 \$ <u><u>1,832,804</u></u>

The notes to the financial statements are an integral part of this statement

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM
Reconciliation of Governmental Funds Balance Sheet
December 31, 2013

Total Governmental Fund Balance	\$ 1,054,904
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	17,691
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Long-term liabilities applicable to the Consortium's activities are not due and payable in the current period and are not reported as fund liabilities:

Compensated absences	<u>(182,140)</u>
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Net Position of Governmental Activities	<u><u>\$ 890,455</u></u>
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The notes to the financial statements are an integral part of this statement

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending December 31, 2013

	General Fund
Revenues	
Intergovernmental revenues	\$ 8,469,956
Charges for services	37,199
Contributions and donations	149,965
Miscellaneous revenues	<u>302</u>
Total revenues	<u>8,657,422</u>
Expenditures	
Current	
Personal services	4,130,812
Contractual services	3,546,068
Supplies and other expenditures	1,095,475
Capital outlay	
Capital expenditures	<u>-</u>
Total expenditures	<u>8,772,355</u>
Excess of revenues over expenditures	(114,933)
Net change in fund balances	(114,933)
Fund balance, beginning of year	<u>1,169,837</u>
Fund balance, end of year	\$ <u><u>1,054,904</u></u>

The notes to the financial statements are an integral part of this statement.

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ending December 31, 2013

Net change in fund balance - total governmental funds	\$ (114,933)
Amounts reported for governmental activities in the statement of net activities are different because:	
Governmental funds report capital outlays as expenditures	
Additions to capital assets	-
In the statement of activities, the cost of capital assets are allocated over their estimated useful lives as depreciation expense	(8,846)
Expenses for compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(28,310)</u>
Change in net position of governmental activities	<u>\$ (152,089)</u>

The notes to the financial statements are an integral part of this statement.

TACOMA-PIERCE COUNTY EMPLOYMENT & TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
For the Year Ending December 31, 2013

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Tacoma-Pierce County Employment & Training Consortium (the Consortium) have been prepared in the conformance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the fiscal year ended December 31, 2013 GASB 65 became effective and was implemented by the Consortium where necessary or applicable. This statement has not had a material impact on the Consortium's financial statement.

A. Reporting Entity

The Consortium was established as a separate legal governmental entity on October 1, 1982 by an interlocal agreement between Pierce County (County) and the City of Tacoma (City), pursuant to the provisions of Chapter 39.34, Revised Code of Washington. The Consortium is operated by a five member board, which is composed of one member of the County Council, the County Executive, the City Mayor, one member of the City Council and the Chairman of the Workforce Development Council. Although the City serves as treasurer for the Consortium, the City and County do not exercise any oversight responsibility over the Consortium. The Consortium is responsible for providing regional employment and training services funded primarily by the Workforce Investment Act (WIA).

B. Government-wide and Fund Financial Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the Consortium's activities.

The Statement of Net Position reports the composition and balances of net economic resources that can be used by the government to provide future services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of a particular program.

Fund financial statements are used to report additional and more detailed information about the Consortium's operations. Separate financial statements are provided for governmental funds. The Consortium is a single purpose organization with a single fund, and therefore, there is no interfund activity.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide Financial Statements are reported using the economic resources measurement focus and accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the time of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Most of the Consortium's revenues are grant based revenues. Other revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the Consortium considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues susceptible to accrual are intergovernmental revenues, such as grants, where program expenditures are the prime factor for determining reimbursement.

The Consortium reports the General Fund as its major governmental fund. The general fund is the Consortium's operating fund. It accounts for all financial resources other than capital assets, which are accounted for in the Government-wide Statement of Net Position.

D. Budget Information

Scope of Budget

Program managers determine the funding available to them through grants and contributions and plan for expenditures necessary to meet the grant outcome requirements. Annual budgets are adopted for each grant program and for non grant related programs within the general fund on the modified accrual basis of accounting. Budgets may not exceed the reimbursable amount of each grant. The budgets constitute the authority for expenditures within each program.

Amending the Budget

The grant program manager is authorized to amend grant program budgets within the limitations provided by the grantor.

Excess of Expenditures

Any excess/non reimbursable expenditures will be expensed to nongrant related general funds.

Budgetary Comparison Schedule

A budgetary comparison schedule is included in the Required Supplementary section of the financial statements. The schedule contains the original and final budget information. The original budget is the first complete budget. The final budget is the original budget adjusted by all changes applicable for the fiscal year.

E. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

The City of Tacoma acts as treasurer for the Consortium. In this role, the City maintains oversight of bank accounts on the Consortium's behalf. The Consortium may place certificates of deposit only with State of Washington banks and savings and loan institutions approved as qualified depositories by the Washington State Public Deposit Protection Commission (WSPDPC). Qualified public depositories are limited to banks operating within Washington State, which have executed a Deposit Pledge Agreement with the WSPDPC. Certificates of deposit are insured by FDIC up to \$250,000 and by the WSPDPC for amounts over \$100,000. Under Washington State statute, members of the WSPDPC, a multiple financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be recovered. The Consortium has no custodial credit risk because all bank deposits are covered by federal depository insurance and the WSPDPC.

2. Capital Assets and Depreciation

The Consortium's capital assets consist of equipment and furniture purchased with grant funds in support of grant programs. Capital assets are defined by the Consortium as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Maintenance and repairs are not capitalized.

All capital assets are valued at historical cost. Capital assets are recorded as expenditures of the current period in the government fund financial statements.

The Consortium's capital assets are depreciated using the straight line method over the following useful lives:

Asset	Years
Computer equipment	5 - 7
Other office equipment/furniture	5 - 7

3. Compensated Absences

The liability for compensated absences consists of absences for which employees will be paid. The Consortium has adopted a general leave policy (a policy that does not distinguish between vacation and sick leave). The liability for compensated absences is accrued when incurred in the government-wide financial statements.

Employees accrue general leave by reason of tenure based on a prescribed formula which allows an employee to accumulate at the end of the calendar year a maximum accrual equal to the amount accrued in a three-year period. Payments are payable upon termination dependent on availability of funds.

In 2009, the Washington State Employment Security Department, as pass-through funding agency of WIA grants, approved the Consortium's use of a funded compensated absences plan.

4. Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance: amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance: amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed fund balance: amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance: amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official to whom the governing body delegates the authority.
- Unassigned fund balance: amounts that are available for any purpose; positive amounts are reported only in the general fund.

Note 2 – Reconciliation of Government-wide and Fund Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus and full accrual accounting; fund financial statements are prepared using

the flow of resources measurement focus and modified accrual method of accounting. The different measurement focuses and methods of accounting result in certain differences between government-wide and fund financial statements. The differences are summarized and included as part of the governmental fund financial statements.

A. Governmental Fund Balance Sheet

The governmental fund balance sheet includes a reconciliation of differences between total governmental fund balances and Net Position of governmental activities reported in the government-wide Statement of Net Position. The schedule presents detailed explanations for the major elements of the reconciliation including certain entity-wide assets, liabilities and Net Position not included in the governmental fund balance sheet.

B. Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities.

Note 3 – Detailed Notes on Financial Statement Amounts

A. Cash and cash equivalents

Cash and cash equivalents balances at December 31, 2013 are \$1,110,586; \$182,137 of this amount is restricted for future payment of compensated absences.

B. Prepaid items and deposits

Amounts recorded as prepaid items and deposits are as follows:

Prepaid rent	\$ 2,544
Prepaid insurance	\$ 24,873
Lease deposit	\$ 11,655
Prepaid other	<u>\$ 67,439</u>
	<u>\$106,511</u>

C. Capital Assets

Capital assets activity for the year ending December 31, 2013 was as follows:

	Balance Jan 1, 2013	Increases	Decreases	Balance Dec 1, 2013
Capital assets being depreciated	\$ 198,526	\$	\$	\$ 198,526
Accumulated depreciation	(171,989)	(8,846)		(180,835)
Net capital assets	\$ 26,537	\$ (8,846)	\$	\$ 17,691

The total amount of depreciation is \$8,846, all of which allocated to the unencumbered fund.

Capital assets purchased with WIA grant funds with a price of \$5,000 or greater are considered property of the State with the federal government retaining an interest. The Consortium's agreement with the City and County requires that items purchased under the respective CETA grants revert back to them in the event that the Consortium is dissolved.

D. Compensated Absences

As of December 31, 2013, the Consortium's liability for compensated absences is \$182,140. Per the Consortium's Personnel Rules and Regulations manual the Consortium's liability to pay these compensated balances is contingent on the availability of funds to pay them. In 2009, the Washington State Employment Security Department, as pass-through funding agency of WIA grants, approved the Consortium's use of a funded compensated absences plan. Funds received from the Consortium's grantors are maintained in a designated savings bank account and are restricted for payment of compensated absences.

In the Statement of Net Position, compensated absence liability is reported as a non-current liability. The amounts due in one year and in more than one year are reflected in the below table.

	Balance January 1, 2013	Net Change	Balance December 31, 2013	Due in 1 year	Due after 1 year
Compensated absences	\$153,830	\$ 28,310	\$182,140	\$182,140	\$ -

E. Due to Other Governments

The Consortium has an agreement with the City of Tacoma and Pierce County to provide working capital advances of up to \$100,000, split 50-50 between the City and the County. Each has advanced the Consortium \$25,000 of working capital as of the December 31, 2013. Both the City of Tacoma and Pierce County have allowed the Consortium to draw the working capital with no mandatory repayment schedule and without interest or penalty.

F. Unearned Revenue

The Consortium received funding for a non-federal local grant before the related expenditures were incurred. Those advance fundings have been recorded as unearned revenues in the amount of \$242,687.

G. Fund Balances

The Consortium implemented GASB Statement no. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. Under GASB 54, the following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance: amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance: amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed fund balance: amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance: amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official to whom the governing body delegates the authority.
- Unassigned fund balance: amounts that are available for any purpose; positive amounts are reported only in the general fund.

At December 31, 2013, the Consortium's Non-spendable fund balance was calculated as follows:

Prepays	\$ 94,856
Deposits	<u>11,655</u>
Total Non-spendable	\$ <u>106,511</u>

The remainder of the Consortium's fund balance is categorized as Unassigned, in the amount of approximately \$950 thousand.

Note 4 - Operating Leases and Future Commitments

The Consortium incurred expenditures of \$ 173,006 for rents and leases in the year ending December 31, 2013. The Consortium has a facilities lease commitments as follows:

2014	\$ 156,200
2015	158,050
Thereafter	<u>-</u>
	\$ <u>314,250</u>

Note 5 - Employee Pension Plan

The consortium does not withhold social security payments for substantially all employees of the consortium. Only Work Experience participants and a few employees that have previously retired from the PERS system and are exempt from participation have social security payment withheld on their behalf.

A. Public Employees Retirement System (PERS)

Substantially all Consortium full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans, in lieu of Social Security benefits as allowed by Federal law. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3 Plan Descriptions

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a

combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are PERS 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to PERS 3. PERS participants joining the system on or after March 1, 2005 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes 5 years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least 10 years of service; or five years including twelve

months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013 were as follows:

	Employee	Employer*
PERS 1	6.00%	9.19%
PERS 2	4.92%	9.19%
PERS3	***	9.19%

* The employer rates include the employer administrative expense fee. At December 31, 2013 the administrative expense fee was 0.16%.

** PERS 3 defined benefit portion only.

*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the Consortium and the employees made the required contributions. The Consortium's required contributions were as follows:

	<u>PERS 1</u>	<u>PERS 2</u>	<u>PERS 3</u>
2013	\$ 9,001	\$195,468	\$16,813
2012	\$24,480	\$124,780	\$ 9,803
2011	\$10,326	\$124,218	\$ 6,234
2010	\$ 9,237	\$138,108	\$ 7,434
2009	\$10,036	\$146,390	\$ 3,993

B. 401(a) Plan

All full time permanent employees are also provided a defined contribution 401(a) plan. Funds are administered by ICMA Retirement Corporation. Contributions by the employer are 2% of the gross salary. For the year ending December 31, 2013 contributions made to the plan totaled \$56,714. The program is fully funded.

C. 401(k) Plan

A 401k Savings Plan was established effective January 1, 1985. All full time permanent employees have the option of deferring up to \$16,500 of their income into the plan. The Consortium matches 50% of the first 2.5% of the employees' deferral. Funds are administered ICMA Retirement Corporation. For the year ending December 31, 2013, total contributions to the plan were \$145,459; employee contributions totaled \$107,610; employer contributions totaled \$37,849. The program is fully funded.

D. 457 Savings Plan

A 457 Savings Plan was established effective January 1, 1985 with the City of Tacoma. All full time permanent employees have the option of deferring up to \$16,500 of their income into the plan. The Consortium does not match contributions into this fund; the plan is fully funded by employee contributions. Funds are administered by ICMA Retirement Corporation. For the year ending December 31, 2013, employee contributions totaled \$43,592

Note 6 - Other Information

A. Risk Management

The Consortium has obtained insurance through PLC Insurance. The insurance policies cover the Consortium for equipment (at replacement cost), employee dishonesty,

travel/accident liability, D&O Liability, and Fiduciary liability. The coverage also contains a \$3 million umbrella policy.

The Consortium enforces several human resource policies designed to limit exposure to litigation in employment practices.

The amount of settlements did not exceed insurance coverage in each of the past three years.

B. Contingencies and Litigations

The Consortium participates in a number of federal, state and other programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The Consortium's management believes that such disallowances, if any, will be immaterial.

C. Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions.

**TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM**

**Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ending December 31, 2013**

The Consortium received \$357K in unanticipated revenues in the form of grants, fees for service and donations. As a result of the unanticipated revenue, expenditures increased by roughly \$472K as programs were expanded.

	<u>December 31 2013</u>	<u>Actual Amounts</u>	<u>Increase/ (Decrease)</u>
Revenues			
Intergovernmental revenues	\$ 8,300,000	\$ 8,469,956	\$ 169,956
Charges for services		37,199	37,199
Contributions and donations		149,965	149,965
Miscellaneous revenues		302	302
	<u>8,300,000</u>	<u>8,657,422</u>	<u>357,422</u>
Total revenues			
Expenditures			
Current			
Personal services	\$ 4,150,000	\$ 4,130,812	\$ (19,188)
Contractual services	2,905,000	3,546,068	641,068
Supplies and other expenditures	<u>1,245,000</u>	<u>1,095,475</u>	<u>(149,525)</u>
	<u>8,300,000</u>	<u>8,772,355</u>	<u>472,355</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		<u>(114,933)</u>	<u>(114,933)</u>
Net change in fund balances		(114,933)	(114,933)
Fund balances, beginning of year	<u>1,169,837</u>	<u>1,169,837</u>	
Fund balances, end of year	\$ <u><u>1,169,837</u></u>	\$ <u><u>1,054,904</u></u>	\$ <u><u>(114,933)</u></u>

Note to Required Supplementary Information

Note 1 Basis of Accounting:

The budgetary comparison schedule is prepared using the modified accrual basis of accounting.

**TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM**
Schedule of Expenditures of Federal Awards
Year Ending December 31, 2013

Grantor/Pass-Through Grantor				
Federal Program Name	CFDA Number	Other Identification Number	From Pass Through Awards	Total
U.S. Department of Labor/pass through from WA State Employment Security Dept.				
<u>WIA Adult Program</u>	17.258		\$ 2,424,375	
TOTAL CFDA	17.258			2,424,375
<u>WIA Youth Activities</u>	17.259	N/A	1,599,892	
	17.259	Program Income	47,698	
TOTAL CFDA	17.259			1,647,590
<u>Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors</u>	17.275		16,057	
TOTAL CFDA	17.275			16,057
<u>Workforce Investment Act (WIA) National Emergency Grants</u>	17.277		443,083	
TOTAL CFDA	17.277			443,083
<u>WIA Dislocated Worker Formula Grants</u>	17.278	N/A	2,520,137	
	17.278	Program Income	35,985	
TOTAL CFDA	17.278			2,556,122
<u>Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants</u>	17.282		66,612	
TOTAL CFDA	17.282			66,612
U.S. Department of Labor Employment Training Administration				
<u>Workforce Innovation Fund</u>	17.283			
TOTAL CFDA	17.283			1,019,307
Environmental Protection Agency, Office of Solid Waste and Emergency Response/pass through from City of Tacoma				
<u>Environmental Workforce Development and Job Training Cooperative Agreements</u>	66.815		\$ 34,101	
TOTAL CFDA	66.815			34,101
GRAND TOTAL			\$ 7,187,940	\$ 8,207,247

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM**

**Notes to the Schedule of Expenditures of Federal Awards
Year Ending December 31, 2013**

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Consortium's government-wide financial statements, which are prepared using Generally Accepted Accounting Principles (GAAP).

NOTE 2 - PROGRAM INCOME

The consortium uses the additive method to report program income. This method requires the grantee to use the gross amount of income earned as an offset against the expenditures before requesting additional grant funding. The gross amount of income applied toward WIA grant costs was \$83,683.

Corrective Action Plan for Findings Reported Under OMB Circular A-133

**WorkForce Central
Pierce County
January 1, 2013 through December 31, 2013**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the WorkForce Central.

Finding ref number: 1	Finding caption: The Consortium did not comply with federal grant requirements for allowable costs.
Name, address, and telephone of auditee contact person: G. Kirk Smith, Chief Financial Officer 3650 South Cedar Street Tacoma, WA 98409 (253) 254-7928	
Corrective action the auditee plans to take in response to the finding: <i>Boots to Work and Pierce County Career Day were treated as self-sustaining events. Revenue and expenditures were tracked as if they were independent funds. WorkForce Central (WFC) now recognizes this was an incorrect method of accounting for the revenue and expenditures. All revenue and expenditures from the job fairs will be immediately reclassified to the appropriate WIA formula fund upon resolution of the appropriate dollar amount.</i> <i>To assure that all revenue and expenditures are correctly tracked in the future; WFC has restructured its protocol for the accounting coding of all job fairs.</i>	
Anticipated date to complete the corrective action: September 30, 2014	

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

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In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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