

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

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

Audit Period
January 1, 2012 through December 31, 2012

Report No. 1010439

Issue Date
September 23, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

September 23, 2013

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,

TROY KELLEY
STATE AUDITOR

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Pierce County
January 1, 2012 through December 31, 2012**

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Federal Summary

WorkForce Central Pierce County January 1, 2012 through December 31, 2012

The results of our audit of 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 no 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 – Workforce Investment Act Adult Program
17.259	WIA Cluster – Workforce Investment Act Youth Activities
17.277	Workforce Investment Act (WIA) National Emergency Grants
17.278	WIA Cluster – Workforce Investment Act Dislocated Formula Grants
17.283	Workforce Innovation Fund

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.

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, 2012 through December 31, 2012**

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 WorkForce Central, Pierce County, Washington, as of and for the year ended December 31, 2012, 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 9, 2013. During the year ended December 31, 2012, the Consortium implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

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 9, 2013

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, 2012 through December 31, 2012

Executive Board
WorkForce Central
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of 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, 2012. 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, 2012.

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 black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

September 9, 2013

Independent Auditor's Report on Financial Statements

WorkForce Central Pierce County January 1, 2012 through December 31, 2012

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 WorkForce Central, Pierce County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed on page 11.

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 WorkForce Central, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2012, the Consortium adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Our opinion is not modified with respect to this matter.

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 12 through 25 and budgetary comparison information on page 44 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 9, 2013 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.



TROY KELLEY
STATE AUDITOR

September 9, 2013

Financial Section

**WorkForce Central
Pierce County
January 1, 2012 through December 31, 2012**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2012

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2012

Statement of Activities – 2012

Balance Sheet – Governmental Funds – 2012

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2012

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2012

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – 2012

Notes to Financial Statements – 2012

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – General Fund - 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2012

TACOMA-PIERCE COUNTY EMPLOYMENT & TRAINING CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2012

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, 2012. 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, 2012 by \$1,042,544 (Net Position).
- For the year ending December 31, 2012 the Consortium's revenues were (\$214,513) less than its expenses, resulting in corresponding decrease in the Consortium's Net Position.
- For the year ending December 31, 2012, the Consortium received \$7.3 million in program revenues.
- General fund expenditures exceeded revenues by \$248,216 for the year ending December 31, 2012.
- The Consortium experienced a decrease in funding of nearly \$1.425 million in 2012. Decreases in revenues, expenditures, assets and liabilities are the result of this decreased funding, the Consortium was largely able to maintain 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, 2012. 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 some time 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 \$1,042,544 at December 31, 2012. The following table reflects the condensed Government-Wide Statement of Net Position of the Consortium.

Government Activities	December 31, 2012	December 31, 2011	Increase/ (Decrease)
Current assets	\$ 1,660,578	\$ 1,760,985	\$ (100,407)
Capital assets (net of depreciation)	26,537	35,382	(8,845)
Total Assets	<u>1,687,115</u>	<u>1,796,367</u>	<u>(109,252)</u>
Current liabilities	644,571	539,311	105,260
Non-Current liabilities			
Total Liabilities	<u>644,571</u>	<u>539,311</u>	<u>105,260</u>
Net Position			
Invested in capital assets	26,537	35,382	(8,845)
Restricted for compensated absences	153,830	196,377	(42,547)
Unrestricted	862,177	1,025,298	(163,121)
Total Net Position	<u>\$ 1,042,544</u>	<u>\$ 1,257,057</u>	<u>\$ (214,513)</u>

Accounts payable at December 31, 2012 are approximately \$250,000 as compared to approximately \$161,000 at December 31, 2011. Accrued salaries and wages increased slightly as well. Accrued salaries and wages at December 31, 2012 are approximately \$177,000 as compared to \$130,000 in 2011.

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, 2012, the general leave liability, vacation cash savings and net position restricted for compensated absences is approximately \$154,000. Another portion of net position is the investment in capital assets such as equipment and furniture of approximately \$27,000. 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, 2012 and 2011.

Governmental Activities

Revenues	<u>December 31 2012</u>	<u>December 31 2011</u>	<u>Increase/ (Decrease)</u>
Program Revenues			
Operating grants and contributions	\$ 7,267,909	\$ 8,690,069	\$ (1,422,160)
Capital grants and contributions		10,188	(10,188)
Charges for services	5,713	75,826	(70,113)
Interest income	293	146	147
Other miscellaneous revenue	(1)	23,400	(23,401)
Total Revenues	<u>7,273,914</u>	<u>8,799,629</u>	<u>(1,525,715)</u>
Program Expenses			
General administration	748,843	860,442	(111,599)
Job training programs	<u>6,739,584</u>	<u>7,743,980</u>	<u>(1,004,396)</u>
Total Expenses	<u>7,488,427</u>	<u>8,604,422</u>	<u>(1,115,995)</u>
Change in Net Position	(214,513)	195,207	(409,720)
Net Position at beginning of year	<u>1,257,057</u>	<u>1,061,850</u>	<u>195,207</u>
Net Position at end of year	<u>\$ 1,042,544</u>	<u>\$ 1,257,057</u>	<u>\$ (214,513)</u>

As a result of decrease in funding, operating grants and revenues decreased by \$1.4 million or 16.4%. Total expenses decreased by \$1.1 million or 13.0%.

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, 2012 and 2011.

	December 31, 2012	December 31, 2011	Increase/ (Decrease)
Intergovernmental revenues	\$ 7,202,695	\$ 8,549,358	\$ (1,346,663)
Charges for services	5,713	75,826	(70,113)
Contributions and donations	65,214	150,899	(85,685)
Miscellaneous revenue	292	23,545	(23,253)
	<u>\$ 7,273,914</u>	<u>\$ 8,799,628</u>	<u>\$ (1,525,714)</u>

The following is a summary of general fund expenditures for the years ending December 31, 2012 and 2011.

	December 31 2012	December 31 2011	Increase/ (Decrease)
Personal services	\$ 3,128,282	\$ 4,488,070	\$ (1,359,788)
Contractual services	3,283,103	3,453,783	(170,680)
Supplies and other expenditures	1,110,745	731,328	379,417
Totals	<u>\$ 7,522,130</u>	<u>\$ 8,673,181</u>	<u>\$ (1,151,051)</u>

Due to decreased funding, both revenues and expenditures experienced decreases in 2012.

The General Fund expenditures exceeded revenues by \$248,216 thus decreasing fund balances by the same amount.

BUDGETARY HIGHLIGHTS

The Consortium's originally adopted 2012 budget did not differ from its final budget. A summary of budget to actual amounts is shown below.

	December 31 2012	Actual Amounts	Increase/ (Decrease)
Revenues			
Intergovernmental revenues	\$ 8,027,000	\$ 7,202,695	\$ 824,305
Charges for services		5,713	(5,713)
Contributions and donations		65,214	(65,214)
Miscellaneous revenues		292	(292)
Total revenues	<u>8,027,000</u>	<u>7,273,914</u>	<u>753,086</u>
Expenditures			
Current			
Personal services	\$ 3,210,800	\$ 3,128,282	\$ 82,518
Contractual services	4,816,200	3,283,103	1,533,097
Supplies and other expenditures		1,110,745	(1,110,745)
Total expenditures	<u>8,027,000</u>	<u>7,522,130</u>	<u>504,870</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(248,216)</u>	<u>248,216</u>
Net change in fund balances		(248,216)	248,216
Fund balances, beginning of year	<u>1,418,053</u>	<u>1,418,053</u>	
Fund balances, end of year	<u>\$ 1,418,053</u>	<u>\$ 1,169,837</u>	<u>\$ 248,216</u>

CAPITAL ASSETS

The Consortium's investment in capital assets for its governmental type activities as of December 31, 2012 amounted to \$26,537. This investment in capital assets includes computer equipment, other types of equipment and furniture. No capital asset additions were made in 2012; there were approximately \$10,000 in capital additions in 2011. The following table shows capital asset values of the Consortium at December 31, 2012 and 2011.

	December 31 2012	December 31 2011
Equipment and furniture	\$ 198,526	\$ 198,526
Accumulated depreciation	<u>(171,989)</u>	<u>(163,144)</u>
Totals	<u>\$ 26,537</u>	<u>\$ 35,382</u>

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

ECONOMIC FACTORS

Economic conditions impacting the state of Washington and Pierce County should continue to display moderate improvement. The state and local labor markets have also improved, as higher levels of job growth appears to have occurred in 2012 relative to 2011. On balance, the Pierce County economy is likely to gradually move forward in 2013. The housing market situation has begun to trend upward as the area has seen the decline in housing prices abate and even begin to rise. The outlook for residential construction has brightened a bit even though there still appears to be an ample number of foreclosures left in the pipeline. Homebuilders should be better positioned for a more normal recovery.

The Port of Tacoma should continue to see a trade volume increase in 2013. China and South Korea, two of the Port's principal trade partners, are experiencing strong economic growth and could provide better markets for U.S. and local, regional exports. The Port also has recently moved to diversify its operations, and has moved more aggressively into transporting, storing, and distributing oil produced near the Great Plains.

A European recession has likely dampened the prospects for growth in orders for aircraft, but there is still a backlog of orders Boeing must fill. This will likely keep aerospace manufacturing businesses busy, but will not likely result in much of a workforce expansion beyond what we already experienced in 2012.

The military component of the local economy should remain fairly strong for the next year but will likely weaken due to changes in military policy and expected cuts in federal military spending related to national budget issues.

Local spending on the part of consumers and businesses is likely to remain subdued. Businesses still appear to be on the cautious side when it comes to investment and expansion decisions. There appears to be some pent-up demand for motor vehicles, which should boost sales, and help local car dealers and state tax revenues. The adjustment to the higher payroll tax will exact some toll from consumers as it dampens their disposable income gains.

Consumer spending should get a boost from the improving job market. However, the state and local area both appear to have added more jobs in 2012 than in 2011 despite a weaker fourth quarter in both labor markets and in national economic growth. State and local claims data still point to an improving job market, and if no significantly negative effects from national fiscal policy tightening occur, this should have the effect of reducing the area's unemployment rate to the same degree that occurred over 2012.

State government spending and employment will continue to be a drag at the local and state levels, as federal revenues have been tightened considerably, and tax revenue streams to the state have slowed with the reduced spending levels throughout the state economy. The worst appears to be over and a number of adjustments have already been made by state agencies to accommodate the slower revenue streams.

In addition to Pierce County's traditional industries tied to its military base and the Port of Tacoma, its economic development pattern mirrors the development pattern of the United States in general, based upon changing socioeconomic and political factors. The U.S. economy over time has transitioned out of a manufacturing and resource-based economy and more toward a services oriented economy. Pierce County employers provided 265,300 nonfarm jobs on average in 2011, making Pierce County's nonfarm jobs the state's second largest labor market behind King County. Since 1990, average annual employment for the nonfarm jobs has grown an average of 1.5 percent annually, exceeding both the state and national averages during this time. Average annual employment peaked in 2007 at 281,300 before the "Great Recession" settled into the area. The local area continued to shed jobs each year thereafter on average until 2011, when average employment rose gradually.

Pierce County's key industry sectors are a mix of the traditional and the contemporary and are listed as:

1. **Government Services:** Joint Base Lewis McChord (JBLM) was created to serve a military and national defense purpose, but its presence brings spillover benefits to Pierce County, such as the staff of civilian workers counted on employment payrolls that support base operations. Together, the number of military personnel and civilian support workers is in excess of 56,000, according to the 2012 estimate provided by the Tacoma-Pierce Economic Board. The civilian workers make up a very large proportion of the county's Federal Government employment, which accounted for 5 percent of all nonfarm employment in Pierce County during 2011.

Pierce County employment in the government sector is more concentrated than in other areas in the state due to large federal government employment on the military base, and to the relatively large casino presence whose workers are classified as local government employees. The largest local casino is the Emerald Queen Casino, with approximately 2,200 employees making it the ninth largest local employer.

In addition to being a local employer, JBLM functions as a purchasing agent of locally produced goods and services. Many enlisted servicemen/women retire and continue living within the county and region and military personnel also serve to bolster local housing demand, both at the base and throughout the local area. Further, the continual need to upgrade and modernize facilities at the base helps support residential construction activity and military contract work for the construction industry.

2. **Construction:** Due to the nature of the recession and the associated housing and financial services near-collapse, employment in construction was hit quite hard. Construction employment was still down by 9,200 jobs in 2011 on average from its peak. Local area construction activity, as noted above, gets a large boost from the neighboring military base on an annual basis. Additionally, King County with its higher land values and housing costs

has given its workers a financial incentive to live in Pierce County increasing the Pierce County demand for housing and residential construction. Pierce County also has a well-established apprenticeship program in construction occupations. The combination of these factors, plus the continued development of both King and Pierce Counties has created a strong construction industry locally. Employment in this industry accounted for over 6 percent of all nonfarm employment in Pierce for 2011, compared to 4.9 percent across the state and 4.2 percent in King County.

3. **Transportation and Logistics:** Much of this industry category flows from the Port of Tacoma and the expanding role it has assumed in the global economy. The Port's primary identity relates to its marine cargo support role but the trade activity of the Port also necessitates the use of rail and truck transportation to move cargo to and from the Port, as well as the need for warehousing and storage facilities. In 2011, the Port contributed to nearly \$35 billion in international trade and an estimated \$3 billion in trade to Alaska, and a new report from the port shows container traffic up nearly 16 percent in 2012. The growing impact of the Port of Tacoma is felt in labor market employment in transportation and warehousing industries. Employment in this category in 2011 in Pierce made up roughly 5.4 percent of total private employment. In King County, which contains the Port of Seattle, employment in transportation and warehousing was 4.2 percent of private employment, and was 3.8 percent of private employment at the state level. Since 1990, employment in this industry class in Pierce County grew on average by 2.6 percent annually, exceeding the 1.5 percent annual growth rate for total employment.
4. **Manufacturing involving aerospace, precision tools and building materials:** Pierce County has undergone a transition in manufacturing activity and employment over time from wood products manufacturing to aerospace and specialty manufacturing. Since 1990, manufacturing employment has declined by an average of 0.6 percent annually. Aerospace manufacturing plays a vital role in Pierce County with the presence of a Boeing plant adjacent to Fredericksburg and Toray Composites, which produces materials for Boeing aircraft. China is the major trading partner for the Port of Tacoma, and has a significant demand for precision tools. Manufacturing jobs were affected by the downturn in the economy, with the average number of jobs dropping by 4,200 since 2007. At 7.9 percent of all private sector employment, jobs in manufacturing industries make up a smaller percent of the Pierce County labor market relative to King County (10.2 percent) and the state (11.8 percent). This is largely due to the high concentration of Boeing jobs in King and Snohomish Counties.
5. **Health Care and Social Assistance:** Pierce County serves as a regional provider of health care for the South Puget Sound. The two biggest healthcare providers in Pierce County, Multicare Health System and Franciscan Health System have been consolidating recently and thus reducing their payrolls, but still rank within the top five in terms of the number of people each employ. Davita, another significant area employer, is the nation's second-largest kidney care company. Its business headquarters are located in downtown Tacoma, but has recently announced intentions to move a portion of their workers to Federal Way in

King County. Health care service employment, generally considered less affected by downturns in business cycles, continued to add jobs since 2007, and provided most of the 3,600 jobs added to the Educational and Health Services industry category. In 2011, employment at local area hospitals and other medical practitioners represented 12.2 percent of total private employment, compared with 7.7 percent in King County and 9.2 percent at the state level. Employment in this category grew by an average of roughly 3 percent annually since 1990, making it Pierce County's most rapidly growing employment industry over that time.

6. **Retail Trade:** The number of retail establishments tends to track closely with population growth and movement. As the local population has expanded over time, the number of retail establishments and retail employment has grown to meet their growing needs. The county population grew at an average of 1.4 percent annually over the past twenty years, and retail employment expanded by 1.2 percent annually during the same period. The greatest growth occurred in general merchandise stores, which increased employment on average 3.2 percent annually. In 2011, retail employment made up 15.3 percent of all private employment in Pierce County compared with 11 percent in King County and 13.7 percent at the state level making it another important labor industry in Pierce County.
7. **Professional and Business Services Industries:** Employment in this category is interesting to examine since it tends to be highly influenced by downtown business cores and office buildings. As the Tacoma area has been transitioning away from wood products manufacturing, it has promoted itself to businesses as a location center with a downtown core, similar in some respects to the Seattle area. Financial services in Pierce County employed 2,600 fewer people in 2011, although 900 or so of these jobs left with Russell Investments when they departed for King County. Employment in the professional and business services industries represented 11.5 percent of all total private employment in Pierce County during 2011, and despite lagging behind King County's 18.7 percent and 14.9 percent at the state level, growth at an average annual rate of 2.4 percent since 1990 is not insignificant.

WORKFORCE

The December 2012 preliminary estimate of the size of the civilian labor force in Pierce County is 393,300. The December 2012 unemployment rate, defined as the proportion of unemployed residents to the total civilian labor force, is 8.5 percent in Pierce County.

The rate of employment and unemployment will be affected by how many residents enter the labor pool at any time to compete for jobs and how many jobs the economy is helping create to employ those residents in the labor pool. Focusing on the labor force and its employment situation affords us insight about the performance of an economy.

The employment situation for Pierce County residents over the years 2010 through 2012 saw the county attempting to recover from the Great Recession and while the degree of job loss had been subsiding, the county still lost jobs in 2010. With fewer jobs available, residents began to give up their search for employment, drop from the labor force due to discouragement, and pursue other alternatives. Others who continued searching for jobs found them to be fewer and entered the unemployment ranks. This served to bump up the Pierce County unemployment rate and reduce the size of the civilian labor force. The unemployment rate peaked at 11.7 percent during this time, and the average rate of unemployment for Pierce residents in 2010 was 10.2 percent.

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 2012, 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.

As the economy continued to contract, a federal stimulus package in the amount of \$787 billion was issued in February 2009 to be invested nationally to stimulate economic growth. An increase of nearly \$6 million was received locally, doubling funds available to ensure access to employment and training services to residents affected by the massive layoffs and youth requiring work readiness skills. However, these funds were mostly expended by year-end 2009 and service capacity was reduced accordingly, though demand for services continues to be at an all time high. It is not expected that such a stimulus will be issued in the near future.

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 over the next two years. 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. This threat is very real as the House's 2011 budget Continuing Resolution (CR) zeroed out all WIA investments. Fortunately, the final CR approved by Congress reduced WIA investments nationally by 10%. As we plan for PY13, we anticipate Continuing Resolutions being issued during the FY14 budget deliberation in Congress. This opens up a threat of rescissions, reductions, or total elimination of WIA funding. In addition, the reality of sequestration will continue to cut funding over the next decade unless Congress opens up this law to repeal/change it. It is our hope that a "grand deal" can be agreed to by Congress and the President. The impact of sequestration will be devastating for WIA funded activities in the short and long term.

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. These grants and contracts may be awarded within any period and generally do not follow the WIA program year. The availability of these funding streams have declined over the past. The long-term solution is to secure a permanent funding base for the one-stop 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.

A recent initiative working with military spouses began in 2011. WorkForce Central in partnership with Pacific Mountain WDC jointly operate workforce services on Joint Base Lewis

McChord. Partners are exploring possibilities of making the Education Stone Center a WorkSource Affiliate site to continue to provide access to the local service delivery system at the conclusion of this initiative.

Increased efforts have been implemented to increase veterans' employment rate. These efforts include cohort training in high demand training for veterans, locating a veterans and military families one stop center in Lakewood, and conducting a 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, 2012

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 583,179
Accounts receivable	946,405
Prepaid items and deposits	130,994
Capital assets (net of accumulated depreciation)	26,537
Total assets	1,687,115
 Liabilities	
Accounts payable	\$ 249,037
Accrued wages/benefits payable	176,714
Due to other governments	50,000
Deferred revenue	14,990
Noncurrent liabilities due within one year	153,830
Total liabilities	644,571
 Net Position	
Invested in capital assets	\$ 26,537
Restricted for compensated absences	153,830
Unrestricted	862,177
Total Net Position	\$ 1,042,544

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, 2012

		Program Revenues			Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Primary government					
Governmental activities					
General administration	\$ 748,843	\$ 2,017	\$ 726,791	\$ -	\$ (20,035)
Job training programs	<u>6,739,584</u>	<u>3,696</u>	<u>6,541,119</u>	<u>-</u>	<u>(194,770)</u>
Total governmental activities	\$ <u>7,488,427</u>	\$ <u>5,713</u>	\$ <u>7,267,909</u>	\$ <u>-</u>	<u>(214,805)</u>
General revenues					
Interest earnings					293
Other misc revenue					<u>(1)</u>
Total general revenues					292
Change in Net Position					(214,513)
Net Position - beginning of year					<u>1,257,057</u>
Net Position- end of year					\$ <u>1,042,544</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, 2012

	General Fund
ASSETS	
Cash and cash equivalents	\$ 583,179
Accounts receivable	946,405
Prepaid expenditures	130,994
Total assets	\$ 1,660,578
 LIABILITIES AND FUND BALANCES	
Liabilities	
Vouchers and accounts payable	249,037
Accrued wages/benefits payable	176,714
Due to other governments	50,000
Deferred revenue	14,990
Total Liabilities	490,741
Fund Balances	
Nonspendable	130,994
Unassigned	1,038,843
Total Fund Balance	1,169,837
Total Liabilities and Fund Balances	\$ 1,660,578

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, 2012

Total Governmental Fund Balance	\$ 1,169,837
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	26,537
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>(153,830)</u>
Net Position of Governmental Activities	\$ <u><u>1,042,544</u></u>

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, 2012

	<u>General Fund</u>
Revenues	
Intergovernmental revenues	\$ 7,202,695
Charges for services	5,713
Contributions and donations	65,214
Miscellaneous revenues	<u>292</u>
 Total revenues	 <u>7,273,914</u>
 Expenditures	
Current	
Personal services	3,128,282
Contractual services	3,283,103
Supplies and other expenditures	1,110,745
Capital outlay	
Capital expenditures	<u>-</u>
 Total expenditures	 <u>7,522,130</u>
 Excess of revenues over expenditures	 (248,216)
 Net change in fund balances	 (248,216)
 Fund balance, beginning of year	 <u>1,418,053</u>
Fund balance, end of year	<u>\$ 1,169,837</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, 2012

Net change in fund balance - total governmental funds	\$ (248,216)
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	(8,845)
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>42,548</u>
Change in Net Position of governmental activities	<u>\$ (214,513)</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, 2012

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, 2012 GASB 63 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 non grant 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 which 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, 2012 are \$583,179; \$153,830 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	\$ 3,816
Prepaid insurance	\$ 23,736
Lease deposit	\$ 11,655
Gift cards	\$ 700
Prepaid other	<u>\$ 91,087</u>
	<u>\$ 130,994</u>

C. Capital Assets

Capital assets activity for the year ending December 31, 2012 was as follows:

	Balance Jan 1, 2012	Increases	Decreases	Balance Dec 1, 2012
Capital assets being depreciated	\$ 198,526	\$	\$	\$ 198,526
Accumulated depreciation	\$ (163,144)	\$ (8,845)	\$	\$ (171,989)
Net capital assets	\$ 35,382	\$ (8,845)	\$	\$ 26,537

The total amount of depreciation is \$8,845, 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, 2012, the Consortium's liability for compensated absences is \$153,830. 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 2012, 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, 2012	Net Change	Balance December 31, 2012	Due in 1 year	Due after 1 year
Compensated absences	\$196,378	\$ (42,548)	\$153,830	\$153,830	\$ -

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, 2012. 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. Deferred Revenue

The Consortium received funding for a non-federal local grant before the related expenditures were incurred. Those advance fundings have been recorded as deferred revenue in the amount of \$14,990.

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 which 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, 2012, the Consortium's Non-spendable fund balance was calculated as follows:

Prepays	\$ 119,339
Deposits	\$ 11,655
Total Non-spendable	\$ 130,994

The remainder of the Consortiums' fund balance is categorized as Unassigned, in the amount of \$1.04 million.

Note 4 - Operating Leases and Future Commitments

The Consortium incurred expenditures of \$ 116,547.86 for rents and leases in the year ending December 31, 2012. The Consortium has a facilities lease commitments as follows:

2013	\$143,500
2014	\$152,700
2015	\$145,200 + CPI
Thereafter	-
	\$441,400

Note 5 - Employee Pension Plan

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, 2012 were as follows:

	Employee	Employer*
PERS 1	6.00%	7.08%
PERS 2	4.64%	7.08%
PERS3	***	7.08%

- * The employer rates include the employer administrative expense fee. At December 31, 2012 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>
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. Supplemental Pension Plan

All full time permanent employees are also provided a defined contribution supplemental pension plan. Funds are administered by ICMA Retirement Corporation. Contributions by the employer are 2% of the gross salary. For the year ending December 31, 2012 contributions made to the plan totaled \$54,056. 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, 2012, total contributions to the plan were \$110,560; employee contributions totaled \$81,167; employer contributions totaled \$29,393. 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, 2012, employee contributions totaled \$27,590.

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, 2012**

	<u>December 31 2012</u>	<u>Actual Amounts</u>	<u>Increase/ (Decrease)</u>
Revenues			
Intergovernmental revenues	\$ 8,027,000	\$ 7,202,695	\$ 824,305
Charges for services		5,713	(5,713)
Contributions and donations		65,214	(65,214)
Miscellaneous revenues		<u>292</u>	<u>(292)</u>
Total revenues	<u>8,027,000</u>	<u>7,273,914</u>	<u>753,086</u>
Expenditures			
Current			
Personal services	\$ 3,210,800	\$ 3,128,282	\$ 82,518
Contractual services	4,816,200	3,283,103	1,533,097
Supplies and other expenditures		<u>1,110,745</u>	<u>(1,110,745)</u>
Total expenditures	<u>8,027,000</u>	<u>7,522,130</u>	<u>504,870</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(248,216)</u>	<u>248,216</u>
Net change in fund balances		(248,216)	248,216
Fund balances, beginning of year	<u>1,418,053</u>	<u>1,418,053</u>	
Fund balances, end of year	<u>\$ 1,418,053</u>	<u>\$ 1,169,837</u>	<u>\$ 248,216</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, 2012

Grantor/Pass-Through Grantor	CFDA Number	Other Identification Number	From Pass Through Awards	Total
Federal Program Name				
<u>U.S. Department of Labor/pass through from WA State Employment Security Dept.</u>				
<u>WIA Adult Program</u>	17.258		\$ 1,396,282	
TOTAL CFDA	17.258			1,396,282
<u>WIA Youth Activities</u>	17.259		1,664,468	
TOTAL CFDA	17.259			1,664,468
<u>ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors</u>				
TOTAL CFDA	17.275		93,005	93,005
<u>Workforce Investment Act (WIA) National Emergency Grants</u>				
TOTAL CFDA	17.277		1,260,323	1,260,323
<u>WIA Dislocated Worker Formula Grants</u>				
TOTAL CFDA	17.278		1,983,081	1,983,081
<u>U.S. Department of Labor Employment Training Administration</u>				
<u>Workforce Innovation Fund</u>	17.283			
TOTAL CFDA	17.283			324,821
<u>U.S. Department of Health and Human Services/pass through from WA State Community Trade and Economic Development.</u>				
<u>Temporary Assistance For Needy Families</u>	93.558		\$ 52,781	
TOTAL CFDA	93.558			52,781
<u>Environmental Protection Agency, Office of Solid Waste and Emergency Response/pass through from City of Tacoma</u>				
<u>Environmental Workforce Development and Job Training Cooperative Agreements</u>	66.815		\$ 31,847	
TOTAL CFDA	66.815			31,847
GRAND TOTAL			\$ 6,481,787	\$ 6,806,608

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 the full accrual basis of accounting.

NOTE 2 - PROGRAM INCOME

The Consortium uses the deductive method to report program income. This method requires the grantee to use the income as an offset against expenditures before requesting additional grant funding. The method reports the net of revenues less expenditures as program income. The amount of income applied toward grant costs was \$7,465.



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor
Chief of Staff
Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of Quality Assurance
Deputy Director of Communications
Local Government Liaison
Public Records Officer
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