

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

**South Central Workforce Development
Council
Yakima County**

Audit Period
July 1, 2012 through June 30, 2013

Report No. 1011227

Issue Date
February 6, 2014



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

February 6, 2014

Board of Directors
South Central Workforce Development Council
Yakima, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the South Central Workforce Development Council's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Yakima County
July 1, 2012 through June 30, 2013**

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Federal Summary

South Central Workforce Development Council Yakima County July 1, 2012 through June 30, 2013

The results of our audit of the South Central Workforce Development Council 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 Council.

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 Council's compliance with requirements applicable to its major federal program.

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 was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
93.558	Temporary Assistance for Needy Families

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

The Council 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*

South Central Workforce Development Council Yakima County July 1, 2012 through June 30, 2013

Board of Directors
South Central Workforce Development Council
Yakima, 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 South Central Workforce Development Council, Yakima County, Washington, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 29, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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.

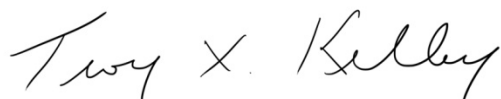
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of the Council'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 Council'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 Council'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

January 29, 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

South Central Workforce Development Council Yakima County July 1, 2012 through June 30, 2013

Board of Directors
South Central Workforce Development Council
Yakima, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the South Central Workforce Development Council, Yakima 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 June 30, 2013. The Council'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 Council'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 Council'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 Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council 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 June 30, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Council 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 Council'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 Council'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 "X" in the middle.

TROY KELLEY
STATE AUDITOR

January 29, 2014

Independent Auditor's Report on Financial Statements

South Central Workforce Development Council Yakima County July 1, 2012 through June 30, 2013

Board of Directors
South Central Workforce Development Council
Yakima, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Central Workforce Development Council, Yakima County, Washington, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Council'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 Council'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 Council'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 South Central Workforce Development Council, as of June 30, 2013, 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.

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 16 and budgetary comparison information on page 32 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 Council'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 January 29, 2014 on our consideration of the Council'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 Council's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

January 29, 2014

Financial Section

South Central Workforce Development Council Yakima County July 1, 2012 through June 30, 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

Statement of Revenues, Expenses and Changes in Fund Balances – Governmental
Funds – 2013

Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2013

As management of the South Central Workforce Development Council, we offer readers of the financial statements a narrative overview of the Council's financial activities for the year ended June 30, 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.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council'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 Council's finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Council's assets and liabilities, with the difference between the two reported as net position. This statement serves the purpose similar to that of a 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 Council is improving or deteriorating. However, this is just one indicator of financial health of the Council. Other indicators include the level of change in federal, state and local governmental support for the services that the Council provides to its constituents, as well as the general economic conditions within Kittitas, Klickitat, Skamania, and Yakima Counties.

The Statement of Activities presents information showing how the Council's net position changed for the year ended June 30, 2012. It separates program revenue generated by its functions and programs: grants, contracts, and miscellaneous sources. All changes in net position are reported as soon as the underlying event gives rise to the change to occur, regardless of the timing of related cash flows. Items such as unpaid invoices and earned but unused vacation are included in the statement as income and expenses, even though the cash associated with these items will not be received or 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 Council uses a single fund accounting system to ensure and demonstrate compliance with finance-related requirements and to provide management with information for controlling spending activities.

The Balance Sheet Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds present a single column of financial data for the General Fund. This

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2013

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 Financial Statements

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 Comparison Schedule and Related Note

The Council 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 the Council.

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 the fiscal year. The original budget also includes initial 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 the fiscal year.
3. Actual inflows, outflows, and balances.

A Note to the Budgetary Comparison Schedule is also provided.

CONDENSED COMPARATIVE FINANCIAL DATA

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. The Council's assets exceeded liabilities by \$1,661,791 at June 30, 2013.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2013

The balance of net position can be used to finance normal Council operations without constraints established by enabling legislation or other legal requirements. The following table reflects the condensed Government-Wide Statement of Net Position of the Council:

Governmental Activities	June 30, 2013	June 30, 2012 <u>Audited</u>
Current and Total Assets	<u>2,766,470</u>	<u>2,641,655</u>
Current and Total Liabilities	<u>1,104,679</u>	<u>1,075,764</u>
Net Position - Unrestricted	<u>1,661,791</u>	<u>1,565,891</u>

Statement of Activities

The following table summarizes the Council's overall operating results for the year ending June 30, 2013:

	Year Ended June 30, 2013	June 30, 2012 <u>Audited</u>
Governmental Activities		
Program Revenues	6,429,936	6,203,387
Program Expenses	6,342,484	6,208,311
Changes in Governmental Activities	87,452	(4,924)
Unrestricted Investment Earnings	8,448	13,011
Miscellaneous Revenue	0	0
Transfers	<u>0</u>	<u>0</u>
Change in Net Position	95,899	8,087
Net Position – Beginning	<u>1,565,891</u>	<u>1,557,804</u>
Net Position – Ending	<u>1,661,790</u>	<u>1,565,891</u>

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As the preceding analysis indicates, Program Revenues increased between the years ended June 30, 2013 and 2012, by \$226,549. An explanation of changes in the amounts received from different funding sources is described in the "Funding Factors" section below.

FUND ANALYSIS

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

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2013

The following represents general fund revenues for the years ended June 30, 2013 and June 30, 2012:

	Year Ended	
	June 30, 2013	June 30, 2012
		<u>Audited</u>
Grant and Contract Revenue	6,429,936	6,203,993
Investment and Other Income	<u>8,448</u>	<u>13,011</u>
Totals	<u>6,438,384</u>	<u>6,217,004</u>

The following represents general fund expenditures for the years ended June 30, 2013 and June 30, 2012:

	Year Ended	
	June 30, 2013	June 30, 2012
		<u>Audited</u>
Manpower Training	5,805,337	5,554,385
Training	3,283	4,414
Facilities	129,940	133,181
Participant Payments	<u>409,613</u>	<u>519,709</u>
Totals	<u>6,348,173</u>	<u>6,211,689</u>

BUDGET VARIANCES IN THE GENERAL FUND

The final budget increased the amount available for appropriation by \$1,404,359, due mainly to additional grants/contracts that included WIF (Homeless-Navigator), State & Local Community Partnerships, State Energy Sector Program, Unmanned Aero Vehicle, and CubCrafters, and to a revised estimated for program carry-in funds. Charges to appropriations were also increased by \$1,306,012, based primarily on subcontractor modifications resulting from this additional funding.

At the end of the year, the actual appropriations received were \$685,589 less than budgeted and charges to appropriations were \$535,278 less than budgeted. These decreases were chiefly due to reduced expenditures by subcontractors.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital assets with a unit cost of \$5,000.00 or greater and an estimated useful life in excess of one (1) year are capitalized and reported in the accompanying financial statements. All capital assets are generally valued and recorded at historical cost. Depreciation is calculated using the straight-line method.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2013

At the end of the year, capital assets increased by the amount of \$6,484 as the result of the purchase of a copier, with a useful life of six (6) years. Net of depreciation, the value of this capital asset was \$6,034 as of June 30, 2013. The Council has no other capital assets and no long-term debt.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Workforce Investment Act Reauthorization

The SCWDC operates primarily under the authorization of Title 1B of the Workforce Investment Act of 1998 (Public Law 105-220, 112 Stat. 936, 29 U.S.C. § 2801). This law has not been significantly amended or reauthorized since passage. Subsequent legislation could significantly change this legislation.

Funding Factors

The total amount of funds allocated for WIA Formula programs in PY11 as compared to PY12 increased approximately six percent (6%) from \$3,074,133 for the year ended June 30, 2012 (PY11), to \$3,262,478 for the year ending June 30, 2013 (PY12). The total amount of funds allocated for WorkFirst programs increased approximately three percent (3%) from \$2,414,350 to \$2,497,752, in these same periods. Allocations for WIA Formula and WorkFirst programs are the two largest sources of funds for SCWDC.

With regard to smaller revenue streams, though some grants ended in PY12, such as the Policy Implementation and Local Demand Training, there was generally an overall increase in allocations from these other funding sources. The most significant increase resulted from the new WIF Homeless-Navigator program which, in the first year of a 40-month contract, provided an allocation of \$350,714.

It should be noted that allocations relating to the grants and contracts received by SCWDC serve only as an indication of potential funding. Whether revenue is actually received is dependent on the degree to which services are or can be provided, either directly by SCWDC or indirectly by its subrecipients.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the SCWDC's finances for all those with an interest in the SCWDC finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Patrick Baldoz, Director, Attention Chuck Padorr, Finance Manager, South Central Workforce Development Council, 120 South 3rd Street, Suite 200A, Yakima WA 98901.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Statement of Net Position

June 30, 2013

	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	364,454
Receivables	1,152,512
Prepays	21,480
Investments	1,221,991
Capital Assets (net of depreciation)	6,034
TOTAL ASSETS	2,766,470
LIABILITIES	
Accounts Payable	984,176
Other Current Liabilities	120,503
TOTAL LIABILITIES	1,104,679
NET POSITION	
Investment in Capital Assets	6,034
Unrestricted	1,655,757
TOTAL NET POSITION	1,661,791

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

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

**Statement of Activities
Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contracts</u>	<u>Changes in Net Position Governmental Activities</u>
GOVERNMENTAL ACTIVITIES			
Employment Opportunity and Development	<u>6,342,484</u>	<u>6,429,936</u>	<u>87,452</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,342,484</u>	<u>6,429,936</u>	<u>87,452</u>
General Revenues			
Unrestricted Investment Earnings			<u>8,448</u>
Total General Revenues			<u>8,448</u>
Change in Net Position			<u>95,899</u>
Net Position - Beginning			<u>1,565,891</u>
Net Position - Ending			<u>1,661,790</u>

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

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Balance Sheet
Governmental Funds
June 30, 2013

General Fund

ASSETS

Cash and Cash Equivalents	364,454
Receivables	1,152,512
Investments	1,221,991

TOTAL ASSETS	<u>2,738,956</u>
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LIABILITIES & FUND BALANCES

Accounts Payable	984,176
Other Current Liabilities	78,342
Deferred Revenue	<u>0</u>
TOTAL LIABILITIES	1,062,518

FUND BALANCE (Unassigned)	<u>1,676,438</u>
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TOTAL LIABILITIES AND FUND BALANCES	<u>2,738,956</u>
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Amounts reported for governmental activities in the Government-Wide Statement of Net Position are different because:

Balance in Governmental Funds	1,676,438
Earned deferred revenues provided by governmental activities are not financial resources and therefore are not reported in the Governmental Funds.	0
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	21,480
Compensated absences used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	-42,161
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds.	<u>6,034</u>
Net Position of governmental activities	<u>1,661,791</u>

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

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

General Fund

REVENUES

Grant and Contract Revenue	6,429,936
Investment and Other Income	<u>8,448</u>
TOTAL REVENUES	<u>6,438,384</u>

EXPENDITURES

Manpower Training	5,801,300
Training	3,283
Facilities	129,940
Participant Payments	409,613
Capital Outlay	<u>6,484</u>
TOTAL EXPENDITURES	<u>6,350,620</u>

Excess (Deficiency) of Revenues over Expenditures	87,764
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Net Change in Fund Balance	87,764
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FUND BALANCES - BEGINNING	<u>1,588,674</u>
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FUND BALANCES - ENDING	<u>1,676,437</u>
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Amounts reported for governmental activities in the Government-Wide Statement of Activities are

Net change in fund balances	87,764
Earned deferred revenues provided by governmental activities are not financial resources and therefore are not reported in the Governmental Funds	0
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	-74
Compensated absences used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	2,175

Governmental Funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is allocated over their estimated useful life and reported as depreciation expense. Therefore, capitalized expenditures incurred of \$6,484 should be added and depreciation of \$450 should be subtracted.

Change in Net Position	<u>6,034</u>
	<u>95,899</u>

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

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Notes to Financial Statements
Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South Central Workforce Development Council (SCWDC) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant policies are described below.

A. Reporting Entity

The South Central Consortium is comprised of the Board of County Commissioners of Kittitas, Klickitat, Skamania and Yakima Counties, Washington in Workforce Development Area 9, pursuant to the Governor's approval dated July 1, 2006, to provide workforce investment activities. The Consortium is organized under the Interlocal Cooperation Act of 1967, Chapter 39.34, RCW, which permits local governmental units to cooperate and to provide services and facilities in a manner which will best deal with the geographic, economic, demographic, and other factors influencing the development of local communities. The SCWDC was organized as a nonprofit corporation by the Consortium; as provided for in Section 117 of Public Law 105-220--Aug. 7, 1998 Workforce Investment Act (WIA), to implement the WIA in the Workforce Development Area. In accordance with Section 117(d) (3) (B) of the Workforce Investment Act (WIA), and in accordance with the Interlocal Cooperation Act of 1967 (Chapter 39.34, Revised Code of Washington), the Consortium has designated the SCWDC as the local grant sub-recipient and local fiscal agent. The four counties acting through the South Central Consortium appoint the 27 members of the board of directors of the SCWDC pursuant to the nomination and appointment process established under WIA and in accordance with the nomination process prescribed by the Bylaws, approve the Strategic and Operation plans for Workforce Development Area 9; and make recommendations on and approve the selection of workforce service providers.

The SCWDC is organized exclusively for educational, charitable, religious, scientific, and/or literary purposes, within the meaning of Section 501(c) (3) of the Internal Revenue Code of 1986, as amended from time to time. The SCWDC was incorporated on October 17, 2006 and assumed all administrative and fiscal functions beginning July 1, 2007. The SCWDC financial statements include the financial position and results of operations for all programs that are controlled by or dependent on the SCWDC.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the SCWDC.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.

The SCWDC is a single purpose organization with a single fund, and therefore, there is no interfund activity, nor separate statements.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 SCWDC considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The SCWDC reports the general fund as its major governmental fund. The general fund is the SCWDC's operating fund. It accounts for all the financial resources, except for those required to be accounted for in another fund.

When both restricted and unrestricted revenues are available for use, it is the SCWDC's policy to use restricted resources first, then unrestricted resources as needed.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for the general fund on the modified accrual basis of accounting.

Appropriations for the general fund lapse at year-end. Grant and contract revenues are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

2. Amending the Budget

Any revisions that substantially alter the total expenditures of the general fund or that substantially affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Board of Directors.

When the Board of Directors determines that is in the best interest of the SCWDC to increase or decrease the appropriation for the general fund, it may do so by a motion approved by the majority during a regularly scheduled meeting.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

3. Excess of Expenditures Over Appropriations

Any excess or non-reimbursable expenditures are expensed to non grant-related general funds.

E. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and investments with a maturity of less than three months when purchased. At June 30, 2013, the SCWDC was holding \$364,454 in cash and cash equivalents.

2. Investments

Acting as fiscal agent for the Consortium, SCWDC may place certificates of deposit only with institutions that are guaranteed by The Federal Deposit Insurance Corporation (FDIC) or The Federal Savings and Loan Deposit Insurance Corporation (FSLIC). These certificates are valued at purchase price plus accrued interest through year-end, based on the interest rate of the certificate.

3. Receivables

Receivables consist of amounts owed from government agencies or private organizations or organizations for goods and services, including amounts owed for which billings have not been prepared.

4. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave. All vacation pay is accrued when incurred in the government-wide financial statements.

Vacation pay, which may be accumulated up to a maximum of 240 hours, is payable upon resignation, retirement, or death.

5. Other Current Liabilities

These accounts consist of accrued wages and accrued employee benefits.

6. Deferred Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria as not been met.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the SCWDC as assets with an initial, individual cost of more than \$5,000.00 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
OCE Copier	6

Capital Asset activity for the year ended June 30, 2013 was as follows:

Asset	Beginning Balance 7/1/2012	Increases	Decreases	Ending Balance 6/30/2013
Capital assets, not being depreciated:	0	0	0	0
<u>Total capital assets, not being depreciated</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital assets, being depreciated:				
Equipment	0	6,484	0	6,484
<u>Total capital assets, being depreciated</u>	<u>0</u>	<u>6,484</u>	<u>0</u>	<u>6,484</u>
Less accumulated depreciation for:				
Equipment	0	450	0	450
<u>Total accumulated depreciation</u>	<u>0</u>	<u>450</u>	<u>0</u>	<u>450</u>
<u>Total capital assets, being depreciated, net</u>	<u>0</u>	<u>6,034</u>	<u>0</u>	<u>6,034</u>
Governmental activities capital assets, net	0	6,034	0	6,034

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental funds Balance sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes a reconciliation between fund balance (total governmental fund) and net position (governmental activities reported in the government-wide statement of net position).

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balance (total governmental funds) and changes in net position (governmental activities as reported in the government-wide statement of activities).

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 – DEPOSITS AND INVESTMENTS

DEPOSITS

The SCWDC's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or federal savings and loan insurance (FSLIC).

INVESTMENTS

As of June 30, 2013, SCWDC had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value of SCWDC Owned Investment</u>
Certificates of Deposit	08/5/2013 – 07/25/2014	\$1,221,991

NOTE 5 – PENSION PLANS

Substantially all SCWDC 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 retirement plans. 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; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and the GASB Statement 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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 defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 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 exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 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 Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plans 1 and 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plans 1 Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plans 1 Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement 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 monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were \$95.2 million, and plan refunds paid out were \$66.2 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Members who chose to participate would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75 percent of AFC; stop contributing to the Judicial Retirement Account (JRA); pay higher contributions; and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; not be subject to a benefit cap; continue to participate in JRA, if applicable; continue to pay contributions at the regular PERS rate; and never be a participant in the JBM Program.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 2,304 participating employers in PERS as of June 30, 2013. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012.

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	29,273
Total	248,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS 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 at 7.5 percent for state government elected officials. 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. 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 June 30, 2013, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer ¹	7.21% ²	7.21% ²	7.21% ³
Employee	6.00% ⁴	4.64% ⁴	⁵

¹ The employer rates include the employer administrative expense fee currently set at 0.16%.

² The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.

³ Plan 3 defined benefit portion only.

⁴ The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.

⁵ Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the SCWDC and the employees made the required contributions. The SCWDC's required contributions for the period ended June 30, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$11,825	\$19,792	\$23,151
2012	\$11,274	\$24,389	\$20,029
2011	\$9,448	\$23,383	\$15,460

NOTE 6 – RISK MANAGEMENT

The SCWDC has obtained insurance through Wells Fargo Insurance Services Northwest, Inc. and the Non Profit Insurance Program. The insurance policies cover the SCWDC for property (at replacement cost), equipment, general liability, automobile liability and damage, Directors and Officers liability, miscellaneous professional liability, crime and excess crime for employee theft. The SCWDC enforces several human resource policies designed to limit exposure to litigation in employment practices. The Worker's Compensation Fund covers injuries to employees.

NOTE 7 – LEASES

In the year ended June 30, 2013, the SCWDC leased office space under a non-cancelable operating lease. Total cost for the lease was \$72,000 for the year ended June 30, 2013. The future minimum lease payments for this lease are as follows:

The Lease expired August 31, 2012, during which time the SCWDC made lease payment of \$6,000 per month. Currently, SCWDC leases office space on a month-to-month basis at the rate of \$6,000/month.

NOTE 8 – CONTINGENCIES AND LITIGATIONS

The SCWDC's financial statements include all material liabilities and there are no contingent liabilities to record. The SCWDC is not currently involved in any lawsuits or other legal action nor is it aware of any pending litigation.

The SCWDC 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 SCWDC's management believes that such disallowances, if any, will be immaterial.

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

A. During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance 07/01/2012	Additions	Reductions	Ending Balance 6/30/2013	Due Within One Year
Governmental Activities:					
Compensated Absences	44,336	131,671	133,846	42,161	1,900.51
Governmental activity long-term liabilities:	<u>44,336</u>	<u>131,671</u>	<u>133,846</u>	<u>42,161</u>	<u>1,900.51</u>

The amount noted as "Due Within One Year" for Compensated Absences is an estimate based on average utilization [Additions (vacation accrued) minus Reductions (vacation taken)] in the last three years.

NOTE 10 – OTHER DISCLOSURES

A. Related party Transactions

The SCWDC Board of Directors and staff members have professional and personal associations throughout the community. Where a direct or indirect conflict of interest exists as a result of these associations, the board or staff member must abstain from any discuss and voting concerning the matter. Board and staff members must publically disclose all such associations for inclusion in the meeting minutes. Staff and board members adhere to internal administrative policies regarding the code of ethics and conflicts of interest.

B. Intergovernmental Grants and Entitlements

The accompanying Schedule of Expenditures of Federal Awards provides a summary of the federal assistance programs in which the SCWDC participates.

C. Accounting and Reporting Changes

1. Effective June 15, 2010, the SCWDC, in accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, classifies governmental fund balances as Non-Spendable, Restricted, Committed, Assigned or Unassigned.
2. The SCWDC operates only a general fund and fund balances are classified as unassigned. All fund balances are available for any purpose and have not been classified to other funds that are non-spendable, restricted, committed or assigned in nature. Unassigned fund balance for year ending June 30, 2013 was \$1,682,472.
3. Statement GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

This statement is effective for financial statements for the period beginning after July 1, 2012. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Government-Wide presented statements have reflected the following changes: Statement of Net Assets has changed to Statement of Net Position, and Balance Sheets has changed to Statement of Financial Position. The Council does not have any items that are considered Outflows of Resources or Deferred Inflows of Resources.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive <u>(Negative)</u>
Budgetary Fund Balance, July 1	1,565,891	1,565,891	1,565,891	0
Resources (Inflows)				
Grant and Contract Revenue	5,703,614	7,109,973	6,429,936	680,037
Investment and Other Income	16,000	14,000	8,448	5,552
Amounts Available for Appropriation:	7,285,505	8,689,864	8,004,275	685,589
Charges to Appropriations (Outflows)				
Manpower Training	5,007,944	6,131,362	5,799,648	331,714
Training	6,050	6,651	3,283	3,368
Facilities	141,200	141,210	129,940	11,270
Participant Payments	416,556	590,927	409,613	181,314
Total Charges to Appropriations	5,571,750	6,870,150	6,342,484	527,666
Budgetary Fund Balance, June 30	1,713,755	1,819,714	1,661,790	157,924

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Schedule 16
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2013

CFDA #	Federal Agency Name	Federal Program Name	Pass-Through Agency Name	Other Award I.D. Number	ARRA	Total	Footnote Ref.
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	ACP - WIA FY12 6109-1302		82,029	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	ACP - WIA PY12 6109-7302		7,746	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	ACP - WIA FY13 6109-1303		71,496	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	Adult - WIA FY12 6109-1102		125,221	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	Adult - WIA PY12 6109-7102		69,718	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	Adult - WIA FY13 6109-1103		689,578	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	10% Aerospace -WIA PY11 6109-7620-14		545	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	10% GE Aviation - PY10 6109-7620-18		38,937	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	10% UAV - PY10 6109-7620-22		33,050	2,3,4
17.258	U.S. Department of Labor	WIA Adult Program	WA Employment Security Department	10% CubCrafters - PY10 6109-7620-28		17,521	2,3,4
Subtotal 17.258						1,135,841	
17.259	U.S. Department of Labor	WIA Youth Activities	WA Employment Security Department	ACP - WIA PY12 6109-7302		110,274	2,3,4
17.259	U.S. Department of Labor	WIA Youth Activities	WA Employment Security Department	Youth - WIA PY11 6109-7001		38,500	2,3,4
17.259	U.S. Department of Labor	WIA Youth Activities	WA Employment Security Department	Youth - WIA PY12 6109-7002		946,613	2,3,4
17.259	U.S. Department of Labor	WIA Youth Activities	WA Employment Security Department	10% Aerospace -WIA PY11 6109-7620-14		308	2,3,4
17.259	U.S. Department of Labor	WIA Youth Activities	WA Employment Security Department	10% GE Aviation - PY10 6109-7620-18		22,030	2,3,4
17.259	U.S. Department of Labor	WIA Youth Activities	WA Employment Security Department	10% UAV - PY10 6109-7620-22		18,699	2,3,4
17.259	U.S. Department of Labor	WIA Youth Activities	WA Employment Security Department	10% CubCrafters - PY10 6109-7620-28		9,914	2,3,4
Subtotal 17.259						1,146,339	
17.260	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	ARRA-OJT/NET - PY09 6109-4670-02	x	14,358	2,3,4,5
Subtotal ARRA 17.260						14,358	
17.275	U.S. Department of Labor	State Energy Sector Partnership	Spokane Area Workforce Development Council	ARRA-State Energy Partnership - PY12 SCWD-SESP	x	36,528	2,3,4,5
Subtotal ARRA 17.275						36,528	
17.277	U.S. Department of Labor	WIA National Emergency Grant	WA Employment Security Department	OJT/NEG - PY12 6109-6982-02		76,873	2,3,4
17.277	U.S. Department of Labor	WIA National Emergency Grant	WA Employment Security Department	PY12 Community Partnership NEG - State 6109-6992-02		21,165	2,3,4
17.277	U.S. Department of Labor	WIA National Emergency Grant	WA Employment Security Department	PY12 Community Partnership NEG - Local 6109-6992-02		11,879	2,3,4
Subtotal 17.277						109,917	
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	ACP - WIA PY12 6109-1302		71,105	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	ACP - WIA PY12 6109-7302		20,275	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	ACP - WIA FY13 6109-1303		71,793	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	DW - WIA FY12 6109-1202		141,509	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	DW - WIA PY12 6109-7202		182,470	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	DW - WIA FY13 6109-1203		613,685	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	10% Aerospace -WIA PY11 6109-7620-14		546	2,3,4

17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	10% GE Aviation - PY10 6109-7620-18	39,033	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	10% UAV - PY10 6109-7620-22	33,132	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	10% CubCrafters - PY10 6109-7620-28	17,565	2,3,4
17.278	U.S. Department of Labor	WIA Dislocated Workers	WA Employment Security Department	Rapid Response - WIA PY11 6109-7501-10	107,979	2,3,4
Subtotal 17.278					1,299,092	
17.283	U.S. Department of Labor	WIF Homeless Navigator Program	Workforce Central (Pierce County, WA Workforce	WFC-WIA-A-IF-23252-12-60-A-53-SC	159,349	2,3,4
Subtotal 17.283					159,349	
93.558	U.S. Department of Health & Human Services	Temporary Assistance for Needy Families	WA Department of Commerce	Community Jobs PY12 S13-32710-014	2,480,404	2,3,4
Subtotal 93.558					2,480,404	
TOTAL FEDERAL FUNDS EXPENDED					6,381,828	

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Note 1 – Basis of Accounting:

This schedule is prepared on the same basis of accounting as the financial statements of the South Central Workforce Development Council (SCWDC).

Note 2 – Program Costs:

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the SCWDC proportion, are more than shown.

Note 3 – Indirect Costs:

SCWDC allocates indirect costs to programs each month based on the direct labor hours incurred by that program that month. During the year ended June 30, 2013, \$327,861.43 was allocated to U.S. Department of Labor programs based on 14,068.65 direct labor hours, and \$30,744.41 was allocated to the U.S. Department of Health and Human Services program based on 1,318.70 direct labor hours.

Note 4 – Amounts Awarded to Subrecipients:

Included in the total amounts expended for federal programs were the following amounts that were passed through to subrecipients that administered their own projects:

Program	Amount
WIA Adult (CFDA 17.258)	\$899,189.56
WIA Youth (CFDA 17.259)	\$930,513.65
WIA SESP-ARRA (CDFR 17.275)	\$27,548.13
WIA OJT/NEG (CFDA 17.277)	\$18,246.44
WIA Community Partnership State/Local (CDFA 17.277)	\$6,362.21
WIA Dislocated Workers (CFDA 17.278)	\$291,548.59
WIA WIF (CFDA 17.283)	\$119,286.90
Subtotal WIA	<u>\$2,292,695.48</u>
Temporary Assistance for Needy Families (CFDA 93.558)	\$2,301,528.90
Subtotal TANF	<u>\$2,301,528.90</u>
Total WIA and TANF	<u>\$4,594,224.38</u>

Note 5 – American Recovery and Reinvestment Act (ARRA) of 2009:

Expenditures for this program were funded by ARRA.



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.

We 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.

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