



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

South Central Workforce Development Council

For the period July 1, 2021 through June 30, 2022

Published March 2, 2023

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**Office of the Washington State Auditor
Pat McCarthy**

March 2, 2023

Board of Directors
South Central Workforce Development Council
Union Gap, 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,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

South Central Workforce Development Council July 1, 2021 through June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the South Central Workforce Development Council are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities and each major fund in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
17.258	WIOA Cluster – WIOA Adult Program
17.259	WIOA Cluster – WIOA Youth Activities
17.278	WIOA Cluster – WIOA Dislocated Worker Formula Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Council qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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 July 1, 2021 through June 30, 2022

Board of Directors
South Central Workforce Development Council
Union Gap, 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 South Central Workforce Development Council, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 23, 2023.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we have reported to the management of the Council in a separate letter dated February 23, 2023.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.



Pat McCarthy, State Auditor

Olympia, WA

February 23, 2023

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

South Central Workforce Development Council July 1, 2021 through June 30, 2022

Board of Directors
South Central Workforce Development Council
Union Gap, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the South Central Workforce Development Council, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2022. The Council's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Council's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 the Uniform Guidance. 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 "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

February 23, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

South Central Workforce Development Council July 1, 2021 through June 30, 2022

Board of Directors
South Central Workforce Development Council
Union Gap, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Central Workforce Development Council, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the South Central Workforce Development Council, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 13 to the financial statements, in 2022, the Council adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council’s ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 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 the effectiveness of the Council's 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 "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

February 23, 2023

**South Central Workforce Development Council
July 1, 2021 through June 30, 2022**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Balance Sheet – Governmental Funds – 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – 2022

Notes to Budgetary Comparison Schedule – 2022

Schedule of Changes in Total OPEB Liability and Related Ratios – PEBB plan – 2022

Schedule of Proportionate Share of Net Pension Liability (Asset) – PERS 1 and PERS 2/3
– 2022

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2022

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, 2022. 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 plus deferred outflows and liabilities less deferred inflows, 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, 2021. 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, 2022

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 at the Government-Wide level.

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 \$1,744,603 at June 30, 2022.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2022

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:

	Year Ended	
	June 30, 2022	June 30, 2021
		<u>Audited</u>
Governmental Activities		
Other Assets	4,232,020	3,591,943
Capital Assets	<u>566,460</u>	<u>38,907</u>
Total Assets	4,798,480	3,630,850
Total Deferred Outflows	<u>101,489</u>	<u>136,002</u>
Total Assets and Deferred Outflows	4,899,969	3,766,852
Other Liabilities	1,509,118	1,474,136
Noncurrent Liabilities	<u>1,106,748</u>	<u>823,272</u>
Total Liabilities	2,615,866	2,297,408
Total Deferred Inflows	<u>539,500</u>	<u>61,317</u>
Total Liabilities and Deferred Inflows	<u>3,155,366</u>	<u>2,358,725</u>
Investment in Capital Assets	11,282	38,907
Restricted	522,287	0
Unrestricted	<u>1,211,034</u>	<u>1,369,220</u>
Total Net Position	1,744,603	1,408,127

Statement of Activities

The following table reflects the condensed Government-Wide Statement of Activities of the Council, summarizing information regarding overall operating results:

	Year Ended	
	June 30, 2022	June 30, 2021
		<u>Audited</u>
Governmental Activities		
Program Revenues	7,692,743	7,862,861
Program Expenses	<u>7,378,799</u>	<u>7,751,857</u>
Changes in Governmental Activities	313,944	111,004
Unrestricted Investment Earnings	22,532	24,954
Miscellaneous Revenue	0	0
Transfers	<u>0</u>	<u>0</u>
Change in Net Position	336,476	135,958
Net Position – Beginning	<u>1,408,127</u>	<u>1,272,169</u>
Change in Accounting Principal	<u>0</u>	<u>0</u>
Net Position – Ending	<u>1,744,603</u>	<u>1,408,127</u>

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2022

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As the preceding analysis indicates, Program Revenues decreased between the years ended June 30, 2022 and June 30, 2021, by \$170,118. 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.

The following represents general fund revenues for the years ended June 30, 2022 and June 30, 2021:

	Year Ended	
	June 30, 2022	June 30, 2021
		<u>Audited</u>
Grant and Contract Revenue	7,692,743	7,862,861
Investment and Other Income	<u>22,532</u>	<u>24,954</u>
Totals	<u>7,715,275</u>	<u>7,887,815</u>

The following represents general fund expenditures for the years ended June 30, 2022 and June 30, 2021:

	Year Ended	
	June 30, 2022	June 30, 2021
		<u>Audited</u>
Manpower Training	7,528,215	7,711,429
Training	10,315	815
Facilities	24,612	97,143
Capital Outlay	601,070	0
Debt Services	<u>69,739</u>	<u>0</u>
Totals	<u>8,233,951</u>	<u>7,809,387</u>

The following represents general fund other financing sources for the years ended June 30, 2022 and June 30, 2021:

	Year Ended	
	June 30, 2022	June 30, 2021
		<u>Audited</u>
Lease Liabilities Issued	<u>601,070</u>	<u>0</u>
Totals	<u>601,070</u>	<u>0</u>

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2022

BUDGET VARIANCES

At the end of the year, the actual appropriations received were \$2,633,897 less than budgeted and charges to appropriations were \$1,662,464 less than budgeted. These decreases were chiefly due to reduced expenditures by subcontractors.

In comparison to the PY21 Preliminary Budget, the PY21 Final Budget increased the amount available for appropriation by \$2,794,268, due mainly to the additions of unspent ("carry-in") funds from PY20 and additional funds received from the Department of Commerce for WorkFirst programs and from the Employment Security Department for WIOA programs. Charges to appropriations were also increased by \$1,997,126 through the receipt of these additional funds received by the Council in PY21 and through the allocation of unspent ("carry-in") funds from PY20. Of these charges to appropriations, \$2,121,897, or about 106%, were related to increases for the delivery of program services to participants.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital assets with a unit cost of \$5,000 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.

During PY21 the Council added \$601,070 in Right-to-Use Lease Assets for its office space with a remaining five (5) year lease and an option to extend and other equipment with a remaining two (2) year lease and an option to extend. The Council also continued to own its tenant improvements, whose original ten (10) year useful life had diminished to five (5) years. Net of depreciation and amortization, the value of these capital assets was \$566,460 as of June 30, 2022.

During PY21 the Council also added \$555,178 in Right-to-Use Lease Liabilities for its office space and other equipment.

The Council has no other capital assets or long-term debt.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Funding Factors

The total amount of funds allocated for WIOA Formula programs in PY21 as compared to PY20, decreased 22.15% from \$6,160,052 for the year ended June 30, 2021 (PY20) to \$4,795,636 for the year ending June 30, 2022 (PY21). The total amount of funds allocated for WorkFirst programs increased 32.50% from \$1,728,340 to \$2,290,000, in these same periods. Allocations for WIOA Formula and WorkFirst programs are the two largest sources of funds for the SCWDC.

With regard to smaller allocations, in PY21 additional multi-year grants for the Economic Security For All and the CDBG-CV were received, as well as a one-year contract for Opportunities. Multi-year grants for

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ended June 30, 2022

the PY19 Rapid Response Initiative, COVID-19 Disaster Recovery NEG, COVID-19 Employment Recovery NEG, and DVR Youth also continued in PY21.

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 South Central Workforce Development Council, Attention Director, 1205 Ahtanum Ridge Dr., Suite B, Union Gap, WA 98903.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	386,751
Investments	1,823,607
Receivables	1,459,463
Prepays	39,912
Net Pension Asset	522,287
Right-to-Use Lease Assets (net of accumulated amortization)	542,945
Capital Assets (net of accumulated depreciation)	<u>23,515</u>
TOTAL ASSETS	4,798,480
DEFERRED OUTFLOWS	<u>101,489</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>4,899,969</u>
LIABILITIES	
Accounts Payable	1,426,886
Other Liabilities	82,232
Noncurrent Liabilities:	
Net Pension Liability - due in more than one year	49,802
Total Right-to-Use Lease Liability:	
Due within one year	48,938
Due in more than one year	506,240
Total OPEB Liability:	
Due within one year	10,620
Due in more than one year	<u>491,148</u>
TOTAL LIABILITIES	2,615,866
DEFERRED INFLOWS	<u>539,500</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>3,155,366</u>
NET POSITION	
Net Investment in Capital Assets	11,282
Restricted	522,287
Unrestricted	1,211,034
TOTAL NET POSITION	<u>1,744,603</u>

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contracts</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
GOVERNMENTAL ACTIVITIES:			
Employment Opportunity and Development	<u>7,378,799</u>	<u>7,692,743</u>	<u>313,944</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>7,378,799</u>	<u>7,692,743</u>	<u>313,944</u>
General Revenues			
			<u>22,532</u>
			<u>22,532</u>
			<u>336,476</u>
			<u>1,408,127</u>
			<u>1,744,603</u>

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

**Balance Sheet
Governmental Funds
June 30, 2022**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	386,751
Receivables	1,459,463
Investments	<u>1,823,607</u>
TOTAL ASSETS	<u>3,669,821</u>
DEFERRED OUTFLOWS	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>3,669,821</u>
LIABILITIES	
Accounts Payable	1,426,886
Other Liabilities	<u>48,500</u>
TOTAL LIABILITIES	<u>1,475,386</u>
DEFERRED INFLOWS	<u>0</u>
FUND BALANCE (Unassigned)	2,194,435
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>3,669,821</u>

Amounts reported for governmental activities in the Government-Wide Statement of Net Position are different because:

Balance in Governmental Funds	2,194,435
Share of Collective Pension Amounts	34,474
Share of Collective OPEB Amounts	(501,768)
Share of Right-to-Use Lease Amounts	(12,233)
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	39,912
Compensated absences used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	(33,732)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds.	<u>23,515</u>
Net Position of governmental activities	<u>1,744,603</u>

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	<u>General Fund</u>
REVENUES	
Grant and Contract Revenue	7,692,743
Investment and Other Income	<u>22,532</u>
TOTAL REVENUES	<u>7,715,275</u>
EXPENDITURES	
Manpower Training	7,528,215
Training	10,315
Facilities	24,612
Capital Outlay	601,070
Debt Services	<u>69,739</u>
TOTAL EXPENDITURES	<u>8,233,951</u>
Excess (Deficiency) of Revenues over Expenditures	(518,676)
OTHER FINANCING SOURCES (USES)	
Lease Liabilities Issued	<u>601,070</u>
TOTAL OTHER FINANCING SOURCES	<u>601,070</u>
Net Change in Fund Balance	<u>82,394</u>
FUND BALANCES - BEGINNING	<u>2,112,041</u>
FUND BALANCES - ENDING	<u>2,194,435</u>
Amounts reported for governmental activities in the Government-Wide Statement of Activities are different because:	
Net change in fund balances	82,394
Debt Service Principal Payments	45,892
Capital Outlays	601,070
Other Financing Sources	(601,070)
Net adjustment to pension expense	180,300
Net adjustment to OPEB expense	100,992
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	(7,278)
Compensated absences used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds	7,692
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Governmental Funds.	<u>(73,516)</u>
Change in Net Position	<u>336,476</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, 2022

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 19 members of the board of directors of the SCWDC pursuant to the nomination and appointment process established under the Workforce Innovation and Opportunity Act (WIOA) 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.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

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

The annual appropriated budget was adopted at the Government Fund level using the accrual basis of accounting.

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

2. Amending the Budget

Any revisions that substantially alter the total expenditures or revenues 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.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

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

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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, expenditures, 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 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. On June 30, 2022, the SCWDC was holding \$386,751 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), The Federal Savings and Loan Deposit Insurance Corporation (FSLIC) or the National Credit Union Administration (NCUA). 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 and sick leave. All compensated absences accrued when incurred in the government-wide financial statements.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

Vacation pay, which may be accumulated up to a maximum of 240 hours, is payable upon resignation, retirement, or death. Sick leave, which may be accumulated up to a maximum of 960 hours, is payable upon retirement or death at a rate of 25% of the total accumulated hours.

5. Other Liabilities

These accounts consist of accrued wages and accrued employee benefits.

6. 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 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
Tenant Improvements	10

Capital Asset activity for the year ended June 30, 2022 was as follows:

Asset	Beginning Balance 7/1/2021	Increases	Decreases	Ending Balance 6/30/2022
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:				
Tenant Improvements	\$333,488	\$0	\$0	\$333,488
<u>Total capital assets, being depreciated</u>	<u>\$333,488</u>	<u>\$0</u>	<u>\$0</u>	<u>\$333,488</u>
Less accumulated depreciation for:				
Tenant Improvements	\$294,581	\$15,392	\$0	\$309,973
<u>Total accumulated depreciation</u>	<u>\$294,581</u>	<u>\$15,392</u>	<u>\$0</u>	<u>\$309,973</u>
<u>Total capital assets, being depreciated, net</u>	<u>\$38,907</u>	<u>\$15,392</u>	<u>\$0</u>	<u>\$23,515</u>
Governmental activities capital assets, net	\$38,907	\$15,392	\$0	\$23,515

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

7. Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the SCWDC includes the net pension asset only.

8. Leases

The SCWDC leased office space from \$5,918 per month in a five (5) year lease arrangement with an option to expend and leased other equipment from \$159 per month in a five (5) year lease arrangement with an option to extend. The SCWDC uses an estimated incremental borrowing rate as the discount rate. A capitalization threshold for leases has not been established.

9. Fund Balance Classification

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

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

10. Fund Balance Details

The SCWDC considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed and

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

assigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

11. Net Position Classification

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the SCWDC will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the SCWDC's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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), federal savings and loan insurance (FSLIC) or The National Credit Union Administration insurance (NCUA).

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Notes to Financial Statements
Year Ended June 30, 2022

INVESTMENTS

As of June 30, 2022, SCWDC had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Amortized Cost of SCWDC Owned Investments</u>
Certificates of Deposit	07/24/2022 – 01/28/2024	\$1,823,607

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year end June 30, 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(49,802)
Pension assets	\$522,287
Deferred outflows of resources	\$101,489
Deferred inflows of resources	\$(539,500)
Pension expense/expenditures	\$(128,287)

State Sponsored 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System (PERS)

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for year end June, 30 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	6.00%

SCWDC’s actual contributions to the plan were \$19,164 for the year ended June 30, 2022.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 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 three 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.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for year end June, 30 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

SCWDC's actual contributions to the plan were \$32,853 for the year ended June 30, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20 %
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability (Asset)

The table below presents the SCWDC's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the SCWDC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$84,840	\$49,802	\$19,245
PERS 2/3	\$(148,789)	\$(522,287)	\$(829,863)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Notes to Financial Statements
Year Ended June 30, 2022

At June 30, 2022, SCWDC reported a total pension liability (asset) of \$(472,485) for its proportionate share of the net pension liabilities (asset) as follows:

	Liability (asset)
PERS 1	\$(49,802)
PERS 2/3	\$522,287

At June 30, 2022, the SCWDC's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.004252%	0.004078%	-0.000174%
PERS 2/3	0.005504%	0.005243%	-0.000261%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended June 30, 2022, SCWDC recognized pension expense as follows:

	Pension Expense
PERS 1	\$(15,442)
PERS 2/3	\$(112,845)
TOTAL	\$(128,287)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2022, SCWDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (*prepare a separate table for each plan*):

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Notes to Financial Statements
Year Ended June 30, 2022

<i>Plan Name: PERS 1</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(55,263)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$19,164	\$0
TOTAL	\$19,164	\$(55,263)

<i>Plan Name: PERS 2/3</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$25,367	\$(6,403)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(436,510)
Changes of assumptions	\$763	\$(37,091)
Changes in proportion and differences between contributions and proportionate share of contributions	\$23,343	\$(4,234)
Contributions subsequent to the measurement date	\$32,853	\$0
TOTAL	\$82,325	\$(484,237)

Deferred outflows of resources related to pensions resulting from SCWDC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended June 30:	<i>Plan Name: PERS 1</i>
2022	\$(14,639)
2023	\$(13,415)

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

2024	\$ (12,684)
2025	\$ (14,525)
2026	\$ 0
Thereafter	\$ 0
TOTAL	\$ (55,263)

Year ended June 30:	<i>Plan Name: PERS 2/3</i>
2022	\$ (113,804)
2023	\$ (105,962)
2024	\$ (101,200)
2025	\$ (111,980)
2026	\$ (1,609)
Thereafter	\$ (208)
TOTAL	\$ (434,764)

NOTE 6 – OTHER POST- EMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year end June 30, 2022:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 501,768
OPEB assets	\$ 0
Deferred outflows of resources	\$ 0
Deferred inflows of resources	\$ 0
OPEB expense/expenditures	\$ (92,034)

The State of Washington implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Postemployment Benefits Other Than Pension for fiscal year 2018 financial reporting. The state, consisting of state agencies and its component units as well as higher education institutions, is considered a single employer based on guidance provided in GASB Statement No.75. The State Health Care Authority (HCA) administers this single employer defined benefit other postemployment benefit (OPEB) plan.

Per RCW 41.05.065, the Public Employees’ Benefits Board (PEBB), created within HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

employers and plan members. This understanding is based on communications between HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is funded on a pay-as-you-go basis with contributions set by the Legislature each biennium as a part of the budget process. The PEBB OPEB plan has no assets accumulated in a qualifying trust and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system.

Employees covered by benefit terms – At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	0
Active employees	8
Total	12

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on the claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2022, the explicit subsidy remained at \$183 per member per month, and it will remain constant through 2023 then grow with healthcare trends starting in 2024.

Total OPEB Liability

The SCWDC's total OPEB liability was measured and valued as of June 30, 2022 using the alternative measurement method.

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined using the following actuarial assumptions based on the results of the 2013-2018 Demographic Experience study and 2019 Economic Experience Study performed by the Office of the State Actuary, applied to all periods included in the measurement, unless otherwise specified:

Discount rate (beginning of measurement year): 2.16%

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Notes to Financial Statements

Year Ended June 30, 2022

Discount rate (end of measurement year): 3.54%

Salary Changes: 3.5% + service-based increases

Healthcare trend rates: Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075

Mortality rates were based on PubG.H-2010 tables, with mortality improvement scales applied

Inflation rate: 2.75%

Post-retirement participation percentage: 65%

Percentage with spouse coverage: 45%

Schedule of Changes in the Total OPEB Liability and Related Ratios

PEBB	
Total OPEB Liability at 7/1/2021	\$602,760
Service Cost	\$20,089
Interest	\$13,357
Changes in Experience Data and Assumptions	\$(125,480)
Changes in Benefit Terms	\$0
Benefit Payments	\$(8,958)
Other	\$0
Total OPEB Liability at 6/30/2022	\$501,768
Net Change on Total OPEB Liability	\$(100,992)

OPEB Expense for Year Ending 6/30/22	
Service Cost	\$20,089
Interest	\$13,357
Changes in Experience Data and Assumptions	\$(125,480)
Changes in Benefit Terms	\$0
Other Changes in Fiduciary Net Position	\$0
Total OPEB Expense	\$(92,034)

The following presents the total OPEB liability of the SCWDC calculated using the current healthcare cost trend rate range of 2-11 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1-10%) or 1-percentage point higher (3-12%) that the current rate.

	1% Decrease (1-10%)	Current Healthcare Cost Trend Rate (2-11%)	1% Increase (3-12%)
Total OPEB Liability	\$418,571	\$501,768	\$609,494

The following presents the total OPEB liability of the SCWDC calculated using the discount rate of 2.16 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) that the current rate.

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Notes to Financial Statements
Year Ended June 30, 2022

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$603,119	\$501,768	\$422,742

At June 30, 2022, the SCWDC did not have any deferred outflows of resources and deferred inflows of resources related to OPEB to report.

Deferred outflows of resources resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

NOTE 7 – RISK MANAGEMENT

The SCWDC has obtained insurance through PayneWest Insurance 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 8 – LEASES

The SCWDC leased office space from \$5,918 per month in a five (5) year lease arrangement. The lease originally began in February 2017 but was extended in September 2021 for an addition five (5) years, will end in January 2027, and has additional extension options at the end of the term. The SCWDC also leased other equipment from \$159 per month in a five (5) year lease arrangement. The lease began in April 2018, will end in March 2023, and has extension options at the end of the initial five (5) year term. The SCWDC adopted GASB 87, *Leases*, in 2021 with a conversion date of July 1, 2021. As a lessee, the SCWDC is required to recognize intangible right-of-use assets and corresponding lease liabilities for all leases that are not considered short-term. The SCWDC has adopted the following policies in determining lease treatment in accordance with GASB 87.

Basis of Lease Classification - Leases will not be considered short-term if the non-cancelable period is more than 12 months.

Term - At the time of lease commencement, the term of the lease will include possible periods that are deemed to be reasonably certain given all available information, regarding the likelihood to extend.

Discount Rate – Unless explicitly stated in the lease agreements, known by the agency, or the agency is able to determine the rate implicit within the lease, the discount rate used to calculate the lease right-of-use assets and liabilities will be an estimated incremental borrowing rate. A discount rate of 4.50% was used for the SCWDC leased office space and a rate of 4.75% was used for the SCWDC leased equipment.

Prepaid Lease Payments - The SCWDC did not make any prepaid lease payments.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

Variable Payments – Variable payments based on the future performance of the SCWDC or usage of the underlying asset are not included in the measurement of the lease assets or liabilities. For the year ending June 30, 2022, all leases are based on fixed payments and do not have variable payment components.

Residual Value Guarantees - There were no residual value guarantees included in any leases.

Total lease related assets for the year ended June 30, 2022 was as follows:

	Beg. Bal.	Increases	Decreases	End. Bal
Leased Bldgs.	\$0	\$596,126	\$0	\$596,126
Leased Equip.	\$0	\$4,944	\$0	\$4,944
Total	\$0	\$601,070	\$0	\$601,070
Accum. Amort. Leased Bldgs.	\$0	\$56,327	\$0	\$56,327
Accum. Amort. Leased Equip.	\$0	\$1,798	\$0	\$1,798
Total	\$0	\$58,125	\$0	\$58,125

As of June 30, 2022, the principal and interest requirements to maturity was as follows:

Year ended June 30:	Principal	Interest	Total
2023	\$48,938	\$23,988	\$72,926
2024	\$50,711	\$21,737	\$72,448
2025	\$51,569	\$19,444	\$71,013
2026	\$53,938	\$17,075	\$71,013
2027	\$56,416	\$14,597	\$71,013
2028-2032	\$293,607	\$31,867	\$325,474
Total	\$555,179	\$128,708	\$683,887

NOTE 9 – 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 10 – CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL

Notes to Financial Statements

Year Ended June 30, 2022

	Beginning Balance 07/01/2021	Additions	Reductions	Ending Balance 6/30/2022	Due Within One Year
Governmental Activities:					
Compensated Absences	\$41,424	\$98,290	\$105,982	\$33,732	\$901
Right-to-Use Lease Liability	\$601,070	\$0	\$45,892	\$555,178	\$48,938
Net Pension Liability	\$220,512	\$0	\$170,710	\$49,802	\$0
Total OPEB Liability	<u>\$602,760</u>	<u>\$0</u>	<u>\$100,992</u>	<u>\$501,768</u>	<u>\$10,620</u>
Total Long-Term Liabilities	\$1,465,766	\$98,290	\$423,576	\$1,140,480	\$60,459

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

NOTE 11 – 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 publicly 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.

NOTE 12 – 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.

NOTE 13 – ACCOUNTING AND REPORTING CHANGES

The SCWDC implemented GASB Statement No. 87, *Leases*, with a conversion date of July 1, 2021. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

NOTE 14 – RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$522,287 of restricted component of net position, of which \$0 is restricted by enabling legislation.

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Budgetary Comparison Schedule
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	2,112,041	2,112,041	2,112,041	0
 Resources (Inflows)				
Grant and Contract Revenue	8,141,019	10,935,287	7,692,743	3,242,544
Investment and Other Income	14,955	14,955	22,532	(7,577)
Other Financing Sources	<u>0</u>	<u>0</u>	<u>601,070</u>	<u>(601,070)</u>
Amounts Available for Appropriation:	<u>10,268,015</u>	<u>13,062,283</u>	<u>10,428,386</u>	<u>2,633,897</u>
 Charges to Appropriations (Outflows)				
Manpower Training	7,786,199	9,783,325	7,528,215	2,255,110
Training	20,090	20,090	10,315	9,775
Facilities	93,000	93,000	24,612	68,388
Capital Outlay	0	0	601,070	(601,070)
Debt Services	<u>0</u>	<u>0</u>	<u>69,739</u>	<u>(69,739)</u>
Total Charges to Appropriations	<u>7,899,289</u>	<u>9,896,415</u>	<u>8,233,951</u>	<u>1,662,464</u>
 Budgetary Fund Balance, June 30	 <u>2,368,726</u>	 <u>3,165,868</u>	 <u>2,194,435</u>	 <u>971,433</u>

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Note to Budgetary Comparison Schedule
Year Ended June 30, 2022

NOTE 1 – BUDGET AMOUNTS AND VARIANCES

The Budgetary Comparison Schedule is prepared at the Government Fund level using the accrual basis of accounting.

Schedule of Changes in Total OPEB Liability and Related Ratios
Public Employees Benefit Board Program
For the year ended June 30
Last 10 Fiscal Years

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total OPEB liability - beginning	\$ 524,473	\$ 529,889	\$ 495,846	\$ 656,357	\$ 602,760					
Service cost	21,500	23,303	19,177	28,167	20,089					
Interest	19,436	21,187	17,833	14,962	13,357					
Changes in benefit terms	0	0	0	0	0					
Differences between expected and actual experience	(29,330)	(66,983)	134,623	(81,594)	(125,480)					
Changes of assumptions	0	0	0	0	0					
Benefit payments	(6,190)	(11,550)	(11,122)	(15,132)	(8,958)					
Other changes	0	0	0	0	0					
Total OPEB liability - ending	529,889	495,846	656,357	602,760	501,768					
Covered-employee payroll	539,286	567,697	542,062	548,601	521,563					
Total OPEB liability as a % of covered payroll	98.26%	87.34%	121.09%	109.87%	96.20%					

Notes to Schedule of Changes in Total OPEB Liability and Related Ratios:

Note 1

Until a full 10-year trend is compiled, only information for those years available is presented.

Note 2: Asset Valuation Method

There is no asset valuation method since there are no assets invested in an irrevocable, dedicated and protected trust.

Note 3: Changes of Assumptions

Changes in assumptions reflect changes in the discount rate each period.

Note 4: Alternative Measurement Method

The alternative measurement method was used in the Schedule of Changes in Total OPEB Liability and Related Ratios. Further detail is disclosed in the Notes to the Financial Statements Note 6.

Schedules of Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 1
As of June 30
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Employer's proportion of the net pension liability/asset</u>	0.008721%	0.008143%	0.006729%	0.006661%	0.006443%	0.004221%	0.004252%	0.004078%		
<u>Employer's proportionate share of the net pension liability (asset)</u>	439,324	425,955	361,379	316,070	287,747	162,312	150,119	49,802		
<u>State's proportionate share of the net pension liability (asset) associated with the employer</u>										
TOTAL	439,324	425,955	361,379	316,070	287,747	162,312	150,119	49,802		
<u>Covered payroll</u>	763,873	708,370	573,502	602,209	594,616	647,862	637,466	627,459		
<u>Employer's proportionate share of the net pension liability/asset as a percentage of covered payroll</u>	57.51%	60.13%	63.01%	52.49%	48.39%	25.05%	23.55%	7.94%		
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	61.19%	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%		

Notes to Schedule of Proportionate Share of the Net Pension Liability - PERS 1

Note 1

Until a full 10-year trend is compiled, only information for those years available is presented.

Note 2: Changes of Benefit Terms

There were no changes of benefit terms for PERS 1.

Note 3: Changes of Assumptions

See Note 5 - Pension Plans in the Notes to Financial Statements for a list of changes in methods and assumptions.

Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Employer's proportion of the net pension liability/asset</u>	0.006864%	0.006114%	0.004258%	0.004277%	0.004776%	0.005446%	0.005504%	0.005243%		
<u>Employer's proportionate share of the net pension liability (asset)</u>	138,746	218,457	214,387	148,605	81,546	52,899	70,393	(522,287)		
<u>State's proportionate share of the net pension liability (asset) associated with the employer</u>										
TOTAL	138,746	218,457	214,387	148,605	81,546	52,899	70,393	(522,287)		
<u>Covered payroll</u>	594,293	534,487	395,200	419,381	463,477	647,862	637,466	627,459		
<u>Employer's proportionate share of the net pension liability/asset as a percentage of covered payroll</u>	23.35%	40.87%	54.25%	35.43%	17.59%	8.17%	11.04%	83.24%		
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	93.29%	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%		

Notes to Schedule of Proportionate Share of the Net Pension Liability - PERS 2/3

Note 1

Until a full 10-year trend is compiled, only information for those years available is presented.

Note 2: Changes of Benefit Terms

There were no changes of benefit terms for PERS 2/3.

Note 3: Changes of Assumptions

See Note 5 - Pension Plans in the Notes to Financial Statements for a list of changes in methods and assumptions.

Schedule of Employer Contributions
PERS 1
As of June 30
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<u>Contractually required contributions</u>	37,424	38,164	40,070	40,700	33,134	30,343	30,447	19,164		
<u>Contributions in relation to the contractually required contributions</u>	<u>(37,424)</u>	<u>(38,164)</u>	<u>(40,070)</u>	<u>(40,700)</u>	<u>(33,134)</u>	<u>(30,343)</u>	<u>(30,447)</u>	<u>(19,164)</u>		
<u>Contribution deficiency (excess)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
<u>Covered payroll</u>	708,370	573,502	602,209	594,616	647,862	637,466	627,459	516,546		
<u>Contributions as a percentage of covered payroll</u>	5.28%	6.65%	6.65%	6.84%	5.11%	4.76%	4.85%	3.71%		

Notes to Schedule of Employer Contributions - PERS 1

Note 1

Until a full 10-year trend is compiled, only information for those years available is presented.

Note 2: Changes of Benefit Terms

There were no changes of benefit terms for PERS 1.

Note 3: Changes of Assumptions

See Note 5 - Pension Plans in the Notes to Financial Statements for a list of changes in methods and assumptions.

Schedule of Employer Contributions
PERS 2/3
As of June 30
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<u>Contractually required contributions</u>	27,233	24,579	26,123	34,714	48,688	50,487	49,695	32,853		
<u>Contributions in relation to the contractually required contributions</u>	<u>(27,233)</u>	<u>(24,579)</u>	<u>(26,123)</u>	<u>(34,714)</u>	<u>(48,688)</u>	<u>(50,487)</u>	<u>(49,695)</u>	<u>(32,853)</u>		
<u>Contribution deficiency (excess)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
<u>Covered payroll</u>	534,487	395,200	419,381	463,477	647,862	637,466	627,459	516,546		
<u>Contributions as a percentage of covered payroll</u>	5.10%	6.22%	6.23%	7.49%	7.52%	7.92%	7.92%	6.36%		

Notes to Schedule of Employer Contributions - PERS 2/3

Note 1

Until a full 10-year trend is compiled, only information for those years available is presented.

Note 2: Changes of Benefit Terms

There were no changes of benefit terms for PERS 2/3.

Note 3: Changes of Assumptions

See Note 5 - Pension Plans in the Notes to Financial Statements for a list of changes in methods and assumptions.

**South Central Workforce Development Council
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT; HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via WA Department of Commerce)	COVID 19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CDBG-CV 20- 6221C-138	108,157	-	108,157	104,825	2,3
WIOA Cluster								
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Adult Program	17.258	ACP - WIOA PY20/FY21 6109- 7300	153,450	-	153,450	3,576	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Adult Program	17.258	ACP - WIOA PY21/FY22 6109- 7301	7,105	-	7,105	404	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Adult Program	17.258	Adult - WIOA PY20/FY21 6109- 7100	555,982	-	555,982	484,118	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Adult Program	17.258	Adult - WIOA PY21/FY22 6109- 7101	965,904	-	965,904	877,421	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Adult Program	17.258	Economic Security For All 6109-7620-07	19,937	-	19,937	18,033	2,3
			Total ALN 17.258:	1,702,378	-	1,702,378	1,383,552	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Youth Activities	17.259	ACP - WIOA PY20/FY21 6109- 7300	169,624	-	169,624	3,953	2,3

EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Youth Activities	17.259	ACP - WIOA PY21/FY22 6109- 7301	7,871	-	7,871	447	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Youth Activities	17.259	Youth - WIOA PY20 6109-7000	314,359	-	314,359	273,616	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Youth Activities	17.259	Youth - WIOA PY21 6109-7001	934,856	-	934,856	862,778	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Youth Activities	17.259	Economic Security For All 6109-7620-07	122,947	-	122,947	111,201	2,3
Total ALN 17.259:				1,549,657	-	1,549,657	1,251,995	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Dislocated Worker Formula Grants	17.278	ACP - WIOA PY20/FY21 6109- 7300	168,981	-	168,981	3,938	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Dislocated Worker Formula Grants	17.278	ACP - WIOA PY21/FY22 6109- 7301	8,340	-	8,340	474	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Dislocated Worker Formula Grants	17.278	DW - WIOA PY20/FY21 6109- 7200	809,026	-	809,026	708,250	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Dislocated Worker Formula Grants	17.278	DW - WIOA PY21/FY22 6109- 7201	1,071,749	-	1,071,749	1,019,707	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Dislocated Worker Formula Grants	17.278	Rapid Response Initiative 6109- 7509-10	78,214	-	78,214	70,919	2,3

EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	WIOA Dislocated Worker Formula Grants	17.278	Economic Security For All 6109-7620-07	23,260	-	23,260	21,038	2,3
			Total ALN 17.278:	2,159,570	-	2,159,570	<u>1,824,326</u>	
			Total WIOA Cluster:	5,411,605	-	5,411,605	<u>4,459,873</u>	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	COVID 19 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	COVID-19 Disaster Recovery DWG 6109-7580-64	338,106	-	338,106	311,511	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via WA Employment Security Department)	COVID 19 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	COVID-19 Employment Recovery DWG 6109-7590-64	359,022	-	359,022	333,356	2,3
			Total ALN 17.277:	697,128	-	697,128	<u>644,867</u>	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Department of Commerce)	Temporary Assistance for Needy Families	93.558	Community Jobs PY21 S22-32710- 014	1,227,616	-	1,227,616	1,143,650	2,3
			Total Federal Awards Expended:	7,444,506	-	7,444,506	<u>6,353,215</u>	

SOUTH CENTRAL WORKFORCE DEVELOPMENT COUNCIL
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

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). The Council uses the generally accepted accounting principles (GAAP).

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's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Certain grants designated as ACP-WIOA PY20/FY21 6109-7300, ACP-WIOA PY21/FY22 6109-7301 and Economic Security For All 6109-7620-07 are included in two or more of the following CFDA programs: 17.258 (Adult), 17.259 (Youth) and 17.278 (Dislocated Worker). The amount of such grants that have been included in each of these programs is based on the percentage of the grant expended in the year ended June 30, 2022, multiplied by the amount allocated to each CFDA program as indicated in each grant, unless specified by the grantor.

Note 3 – Indirect Costs:

The SCWDC allocates indirect costs to programs each month based on the direct salaries and benefits incurred by that program that month. During the year ended June 30, 2022, \$373,167 was allocated to U.S. Department of Labor programs based on \$514,324 in direct salaries and benefits, \$26,707 was allocated to the U.S. Department of Health and Human Services program based on \$36,447 in direct salaries and benefits and \$1,527 was allocated to the U.S. Department of Housing and Urban Development program based on \$1,794 in direct salaries and benefits. The SCWDC has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

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