



GREATER ECONOMIC VITALITY FOR ALL.

Partnering to prepare and grow the Pierce County workforce to align it with employer needs.

WFC Executive Board Meeting

AGENDA

November 16, 2017 • 8:30-10:00 a.m.

WorkForce Central • 3640 S. Cedar St., Suite E Conference Room

Mayor Strickland presiding

I. CALL TO ORDER

II. PUBLIC COMMENT

III. WDC UPDATE – Tim Owens

IV. CONSENT AGENDA

- A. Approve the October 19, 2017 Minutes
- B. Approve October 2017 Voucher Payments

V. REGULAR AGENDA

- A. Re-appoint WDC members – Attachment A

VI. CEO Report

- A. Q1 Obligation Report
- B. Infrastructure Funding Agreement
- C. Continuing Resolution Act for FY18 rescission and local impact
- D. Line of credit approved by County Council on Oct 31st and by City of Tacoma Council on Sept 26th
- E. State Auditor's Office annual audit update
- F. Update on certification of interim WorkSource Pierce Job Center and affiliate sites
- G. WorkForce Central CQI efforts to date
- H. March 2018 joint regional strategic planning with WDC
- I. December 2018 cancel meeting

VII. OTHER BUSINESS

VIII. ADJOURN



WFC Executive Board Meeting**MINUTES**

October 19, 2017 • 8:30-10:00 a.m. 3640 S. Cedar St., Suite E Conference Room
Pierce County Executive Bruce Dammeier presiding

Attendees: Bruce Dammeier, Deborah Howell, Tim Owens, Conor McCarthy, Joe Lonergan, Jan Adams

I. CALL TO ORDER

Bruce called the meeting to order at 8:31 a.m.

II. PUBLIC COMMENT

None.

III. WDC UPDATE – Tim Owens

Tim gave a brief update from last month's meeting noting the approval of Kyla Lackie to the Youth & Young Adult Committee and the discussion on the cyber security sector.

IV. CONSENT AGENDA**A. Approve the September 21, 2017 Minutes****B. Approve September 2017 Voucher Payments**

Motion to approve made by Tim; seconded by Joe. Approved

V. REGULAR AGENDA**A. iDashboard Data tracking discussion continued**

Deborah gave background on the process and asked for review of the joint list of data tracking items. Joe asked if we have asked the partners for common metrics, they are currently tracking. Deborah noted discussions with partners is ongoing, which will likely update the list going forward. Discussion continued around the system, all the partners and the metrics to track.

VI. CEO Report**A. WIOA Title I Dashboard 1st Quarter**

Deborah discussed the results for the first quarter noting the areas that need improvement including WEX and Cohort Training.

B. PERC Unit Clarification Petition

Deborah noted this was just clarification.

C. City of Tacoma Line of Credit Update

Deborah noted WFC was approved for the \$250k line of credit by the City of Tacoma.

D. Pierce County Line of Credit Update

Deborah noted the decision on this is to be made later this month at a special council meeting.

E. Career Connect RFP

Deborah noted we are in the process of responding to the RFP working with our STEM partner. She noted one of the challenges was working with in-school youth with the restriction under the WIOA regulations. Tim asked if this was a non-academic track. Deborah clarified that it was a pre-apprenticeship program so we are working with the technical colleges. Conor asked where the funding was coming from. Deborah noted it is discretionary funds from the DOL.



F. CQI Process Update

Deborah gave a background on Continuous Quality Improvement process and next steps.

VII. OTHER BUSINESS

Conor noted he has been working with Corey Mosesly on the concept of what can the city do to help get people into the construction labor market. He noted he will be presenting a budget amendment to the city to fund more training. Bruce noted the county would be interested in collaborating and coordinate with him on this project.

VIII. ADJOURN

Motion to adjourn made by Tim; seconded by Joe. Meeting adjourned at 9:17 p.m.



VOUCHER APPROVAL

October 2017

The following listing of vouchers written in the above month is hereby submitted to the Board for approval. I have audited and certified all vouchers as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090.

FUND NAME	CLAIMS	PAYROLL	TOTAL
ETC General Fund	\$ -	\$ -	\$ -
Unencumbered Fund	\$ 1,151.53	\$ -	\$ 1,151.53
Indirect Cost Pool	\$ 8,510.62	\$ -	\$ 8,510.62
Contra Indirect Cost Pool	\$ (8,510.62)	\$ -	\$ (8,510.62)
WIOA Adult	\$ 122,380.68	\$ 23,422.93	\$ 145,803.61
WIOA Admin	\$ 11,700.56	\$ 29,421.24	\$ 41,121.80
WIOA Dislocated Worker	\$ 154,479.66	\$ 30,090.10	\$ 184,569.76
WIOA Youth	\$ 119,279.38	\$ 30,557.27	\$ 149,836.65
WIOA Program Pool	\$ 172,381.21	\$ 46,200.43	\$ 218,581.64
Contra Program Pool	\$ (172,381.21)	\$ (46,200.43)	\$ (218,581.64)
All Grants Admin Pool	\$ 13,407.03	\$ 29,090.27	\$ 42,497.30
Contra All Grants Admin Pool	\$ (13,407.03)	\$ (29,090.27)	\$ (42,497.30)
Strategic Planning/Partnership Pool	\$ 6,226.63	\$ 27,902.05	\$ 34,128.68
Contra Strategic Planning/ Partnership Pool	\$ (6,226.63)	\$ (27,902.05)	\$ (34,128.68)
YouthWorks 2	\$ 13,914.90	\$ 1,009.54	\$ 14,924.44
C2C Program Services and Training	\$ 18,165.61	\$ 6,359.97	\$ 24,525.58
Rapid Response Initiatives	\$ 22,020.43	\$ 7,228.19	\$ 29,248.62
Rapid Response Initiatives-Admin	\$ 992.56	\$ 2,304.80	\$ 3,297.36
DSHS Pre-Employment Transition Services	\$ 510.71	\$ 2,496.33	\$ 3,007.04
TAP UBI Highway Construction	\$ 14,477.28	\$ 2,922.86	\$ 17,400.14
South Seattle College - AAI Grant	\$ 75.48	\$ 363.50	\$ 438.98
TOTAL	\$ 479,148.78	\$ 136,176.73	\$ 615,325.51

Respectfully submitted by Steve Linted

Chairman of Board

Date

ATTACHMENT A

Pierce County Workforce Development Council Members Members to be Reappointed for 2nd Term 2018 – 2020

WDC Member	1st Term	2nd Term	3rd Term
Ron Thalheimer	2015-17	2018-20	
Joyce Conner	2015-17	2018-20	
April Gibson	2015-17	2018-20	
Darci Gibson	2015-17	2018-20	
Bruce Kendall	2015-17	2018-20	
Dale King	2015-17	2018-20	
Mark Martinez	2015-17	2018-20	
Wayne Nakamura	2015-17	2018-20	
Tim Owens	2015-17	2018-20	
Dona Ponepinto	2015-17	2018-20	
Patty Rose	2015-17	2018-20	
Blaine Wolfe	2015-17	2018-20	

WorkForce Central

PY17/FY18 Expenditure / Obligation Progression

Q1 - 9/30/17 Projection

ADULT					
	\$ Grant	\$ Expended	\$ Obligated	Total	% Obligated
Q1 September 30, 2017 Report	1,781,989	-	909,937	909,937	51%
Q2 December 31, 2017 Report				-	0%
Q3 March 31, 2018 Report				-	0%
Q4 June 30, 2018 Report				-	0%
Q4 Projections - Additional Estimates					
+ Wages, Benefits & Op Exp to 6/30/18		440,477	**	1,350,414	76%
+ Contract in Negotiations executed by 11/2/17		**	30,000	1,380,414	77%
+ Provider Contract Modifications to be Executed by 12/15/17		**	143,378	1,523,792	86%
+ Provider Contracts to be Executed by 6/30/18		**	910,000	2,433,792	137%
** projected expenditures and obligations					

DW					
	\$ Grant	\$ Expended	\$ Obligated	Total	% Obligated
Q1 September 30, 2017 Report	2,250,265	-	1,060,849	1,060,849	47%
Q2 December 31, 2017 Report				-	0%
Q3 March 31, 2018 Report				-	0%
Q4 June 30, 2018 Report				-	0%
Q4 Projections - Additional Estimates					
+ Wages, Benefits & Op Exp to 6/30/18		612,452	**	1,673,301	74%
+ Contract in Negotiations executed by 11/2/17		**	30,000	1,703,301	76%
+ Provider Contract Modifications to be Executed by 12/15/17		**	66,667	1,769,968	99%
+ Provider Contracts to be Executed by 6/30/18		**	980,000	2,749,968	122%
** projected expenditures and obligations					

YOUTH					
	\$ Grant	\$ Expended	\$ Obligated	Total	% Obligated
Q1 September 30, 2017 Report	1,881,565	-	532,666	532,666	28%
Q2 December 31, 2017 Report				-	0%
Q3 March 31, 2018 Report				-	0%
Q4 June 30, 2018 Report				-	0%
Q4 Projections - Additional Estimates					
+ Wages, Benefits & Op Exp to 6/30/18		654,511	**	1,187,177	63%
+ Contract in Negotiations executed by 11/2/17		**	30,000	1,217,177	65%
+ Provider Contract Modifications to be Executed by 12/15/17		**	166,666	1,383,843	78%
+ Provider Contracts to be Executed by 6/30/18		**	800,000	2,017,177	107%
** projected expenditures and obligations					

WorkForce Central
Program Year 2017 / Fiscal Year 2018

Budget Modification 1 for November 16th Board and WDC Meetings

		ADULT	DW	YOUTH	Total	Leverage	ADMIN
REVENUE							
Actual Formula Funding		\$ 1,781,989	\$ 2,250,265	\$ 1,881,565	\$ 5,913,819		\$ 657,091
PY16/FY17 Carry-in Funds		\$ 566,992	\$ 749,395	\$ 877,511	\$ 2,193,898		\$ 128,977
Secondary sources of Admin Funding							\$ 62,800
Leverage		\$ 19,165	\$ 930,171	\$ 418,365	\$ 1,367,700	\$ 1,367,700	
Total Funds Available		\$ 2,368,146	\$ 3,929,831	\$ 3,177,441	\$ 9,475,417	\$ 1,367,700	\$ 848,868
INVESTMENT AREAS							
PY16/FY17 Carry-in Obligations - Projected (Detail Below)		\$ 299,900	\$ 435,584	\$ 351,709	\$ 1,087,193		19,744
Direct Services							
Job Seeker Contract		\$ 986,711	\$ 980,000	\$ 900,000	\$ 2,866,711		
Leverage		\$ -	\$ 447,200	\$ 234,300		\$ 681,500	
Job Seeker System Wide Support Services - Co-Enrollment Required		\$ 50,000	\$ 72,367	\$ 100,000	\$ 222,367		
County Out of School Youth Paid WEX - 18-24 Years Old		\$ -	\$ -	\$ 138,554	\$ 138,554		
Business Services Contract		\$ 266,667	\$ 266,667	\$ 266,667	\$ 800,000		
Leverage		\$ 16,665	\$ 172,670	\$ 16,665		\$ 206,000	
New Cohort Training/Priority Initiatives/System Enhancements		\$ 135,637	\$ 413,289	\$ 150,000	\$ 698,926		
Leverage		\$ -	\$ 173,800	\$ 89,300		\$ 263,100	
Assessment/Tracking Licenses		\$ 34,330	\$ 34,340	\$ 59,330	\$ 128,000		
Statutory Mandates	12.5 FTEs	\$ 368,625	\$ 526,117	\$ 538,478	1,433,220		441,241
Leverage		\$ 1,987	\$ 115,555	\$ 66,709		\$ 184,251	
Implementation and oversight of 4 year local Plan							
Conduct Workforce Research and Region Labor Market Analysis							
Convene, Broker and leverage stakeholders and assets							
Lead employer engagement							
Lead career pathways development and implement with secondary and post secondary partners							
Lead effort to identify and promote proven and promising practices							
Develop technology based strategies for service access, engagement and delivery							
Oversee the local service delivery system and programs							
Negotiate local performance accountability							
Select one stop operator(s) and provider(s)							
Identify eligible training providers							
Ensure consumer choice							
Coordinate with education providers							
Approve and oversee budget and comply with federal/state/local laws and regulations in the administration of WIOA							
Statutory Mandates Operational Requirements		\$ 117,347	\$ 159,448	\$ 160,260	\$ 437,055		133,360
Leverage		\$ 513	\$ 20,946	\$ 11,390		\$ 32,849	
Administrative Reserve							221,668
5% Mitigation PY17/FY18		\$ 89,764	\$ 111,848	\$ 94,078	\$ 295,691	-	32,855
Total Budget Need		\$ 2,368,146	\$ 3,929,830	\$ 3,177,441	\$ 9,475,417	\$ 1,367,700	848,868

DETAIL CARRY-IN OBLIGATIONS - PROJECTED

TARGETED SECTOR TRAINING				
BankWorks	-	14,000	10,000	24,000
Sound Outreach Youth Entrepreneurship Training	-	-	68,788	68,788
Sub-Total	-	14,000	78,788	92,788
ECONOMIC DEVELOPMENT PARTNERSHIPS				
San Diego Workforce Partnership	6,000	8,000	6,000	20,000
Sub-Total	6,000	8,000	6,000	20,000
TOTAL TRAINING & PLACEMENT INVESTMENTS	6,000	22,000	84,788	112,788
OTHER OBLIGATIONS				
ResCare PY2016 Youth	-	-	127,618	127,618
Career Path Services PY2016 Direct Services	239,597	351,180	-	590,777
ResCare PY2016 Business Services Provider	9,437	12,583	9,437	31,458
JayRay - Strategic Communications/Outreach	14,866	19,821	14,866	49,552
National Center for Arts & Technology	-	-	20,000	20,000
One Stop Network Operator	30,000	30,000	30,000	90,000
Youth Committee/FAFSA Plus	-	-	65,000	65,000
Sub-Total	293,900	413,584	266,921	974,405
TOTAL	299,900	435,584	351,709	1,087,193



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

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

For the period January 1, 2016 through December 31, 2016

Published September 29, 2017

Report No. 1019954





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

September 29, 2017

Executive Board
WorkForce Central
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	8
Independent Auditor’s Report On Financial Statements	11
Financial Section.....	14
About The State Auditor’s Office.....	56

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WorkForce Central Pierce County January 1, 2016 through December 31, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the WorkForce Central 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 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 Consortium.

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed 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>CFDA No.</u>	<u>Program or Cluster Title</u>
17.258	WIOA Adult Program – WIA/WIOA Cluster
17.259	WIOA Youth Activities – WIA/WIOA Cluster
17.278	WIOA Dislocated Worker Formula Grants – WIA/WIOA Cluster

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

The Consortium 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 ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**WorkForce Central
Pierce County
January 1, 2016 through December 31, 2016**

Executive Board
WorkForce Central
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the WorkForce Central, Pierce County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated September 26, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

September 26, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**WorkForce Central
Pierce County
January 1, 2016 through December 31, 2016**

Executive Board
WorkForce Central
Tacoma, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the WorkForce Central, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Consortium's major federal programs for the year ended December 31, 2016. The Consortium's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Consortium's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 initial "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

September 26, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

WorkForce Central Pierce County January 1, 2016 through December 31, 2016

Executive Board
WorkForce Central
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the WorkForce Central, Pierce County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the Consortium's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the WorkForce Central, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying Schedule

of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 on our consideration of the Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

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FINANCIAL SECTION

**WorkForce Central
Pierce County
January 1, 2016 through December 31, 2016**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –
2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2016

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2016

Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – General Fund – 2016

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2016

Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2016

Schedule of Employer Contributions – PERS 1 – 2016

Schedule of Employer Contributions – PERS 2/3 – 2016

Notes to the Required Supplementary Information – Pensions

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016

Notes to the Schedule of Expenditures of Federal Awards – 2016

**TACOMA-PIERCE COUNTY EMPLOYMENT & TRAINING CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending December 31, 2016**

As management of Tacoma – Pierce County Employment & Training Consortium (the Consortium), we offer readers of the financial statements a narrative overview of the Consortium's financial activities for the year ending December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements and notes to the financial statements which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the Consortium exceeded its assets and deferred outflows of resources at December 31, 2016 by \$1,595,460 (Net Position). This is primarily due to the Consortium implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions in 2015.
- For the year ending December 31, 2016 the Consortium's revenues were \$110,834 greater than its expenses, resulting in corresponding increase in the Consortium's Net Position.
- For the year ending December 31, 2016, the Consortium received \$9.27 million in program revenues.
- General fund expenditures exceeded revenues by \$20,767 for the year ending December 31, 2016.
- The Consortium experienced a decrease in funding of \$508,257 in 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

The statement of activities presents information showing how the Consortium's net position changed for the year ending December 31, 2016. It separates program revenue generated by its functions and programs: grants, contributions and miscellaneous sources. All changes in net position are reported as soon as the underlying event gives rise to the change, regardless of the timing of related cash flows. Items such as unpaid vendor invoices and earned but unused vacation leave are included in the statement of activities as expenses, even though the cash associated with these items will not be distributed until sometime in the future.

Fund Financial Statements

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

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

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

Notes to the Financial 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 Schedules and Related Notes

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

A budgetary comparison schedule is presented for the general fund.

The budgetary comparison schedule provides the following types of information:

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

Notes to the required supplementary information are also provided.

Other Information

This report also presents certain required supplementary information regarding pension related data. Required supplementary information may be found immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Consortium’s financial position. The Consortium’s liabilities and deferred inflows exceeded assets and deferred outflows by \$1,595,460 at December 31, 2016. Because of the implementation of GASB 68 and the requirement to include net pension liability, the Consortium will likely show liabilities and deferred inflows exceeding assets and deferred outflows in future years. Without GASB 68, net position at December 31, 2016 would be \$980,256, which may more accurately represent the financial condition of the Consortium. The following table reflects the condensed Government-Wide Statement of Net Position of the Consortium.

	December 31 2016	December 31 2015	Increase/ (Decrease)
Government Activities			
Current assets	\$ 2,484,059	\$ 1,713,603	\$ 770,456
Capital assets (net of depreciation)	18,138	22,095	(3,957)
Total Assets	<u>2,502,197</u>	<u>1,735,698</u>	<u>766,499</u>
Deferred Outflows Related to Pensions	<u>420,074</u>	<u>358,173</u>	<u>61,901</u>
Current liabilities	1,521,941	692,433	829,508
Unearned Revenues	-	144,943	(144,943)
Non-Current liabilities	<u>2,863,442</u>	<u>2,571,733</u>	<u>291,709</u>
Total Liabilities	<u>4,385,383</u>	<u>3,409,109</u>	<u>976,274</u>
Deferred Inflows Related to Pensions	<u>132,348</u>	<u>391,056</u>	<u>(258,708)</u>
Net Position			
Investment in capital assets	18,138	22,095	(3,957)
Restricted for compensated absences	108,359	215,017	(106,658)
Unrestricted	<u>(1,721,957)</u>	<u>(1,943,406)</u>	<u>221,449</u>
Total Net Position	<u>\$ (1,595,460)</u>	<u>\$ (1,706,294)</u>	<u>\$ 110,834</u>

Accounts payable at December 31, 2016 are approximately \$1.31 million as compared to approximately \$251,000 at December 31, 2015. Accrued salaries and wages decreased for the year ended 2016. Accrued salaries and wages at December 31, 2016 are approximately \$56,000 as compared to \$176,000 in 2015.

In 2009, the Washington State Employment Security Department, as pass-through funding agency of WIA/WIOA grants, approved the Consortium's use of a funded compensated absences plan. As of December 31, 2016, the general leave liability, cash savings and net position restricted for compensated absences is approximately \$108,000. Another portion of net position is the investment in capital assets such as equipment and furniture of approximately \$18,100. These assets are not available for future spending. The balance of net position can be used to finance normal Consortium operations without constraints established by enabling legislation or other legal requirements.

Statement of Activities

The following table summarizes the Consortium's overall operating results for the years ending December 31, 2016 and 2015.

Governmental Activities

	<u>December 31 2016</u>	<u>December 31 2015</u>	<u>Increase/ (Decrease)</u>
Revenues			
Program Revenues			
Operating grants and contributions	\$ 9,262,769	\$ 9,709,959	\$ (447,190)
Capital grants and contributions	-	-	
Charges for services	4,832	74,513	(69,681)
General Revenues			
Interest income	-	20	(20)
Other miscellaneous revenue	8,634	-	8,634
Total Revenues	<u>9,276,235</u>	<u>9,784,492</u>	<u>(508,257)</u>
Program Expenses			
Employment Opportunity	<u>9,165,401</u>	<u>9,708,072</u>	<u>(542,671)</u>
Change in Net Position	<u>110,834</u>	<u>76,420</u>	<u>34,414</u>
Net Position - beginning of year as previously reported	(1,706,294)	823,243	(2,529,537)
Change in Accounting Principle	-	(2,605,957)	2,605,957
Net Position - beginning of year restated	<u>(1,706,294)</u>	<u>(1,782,714)</u>	<u>76,420</u>
Net Position at end of year	<u>\$ (1,595,460)</u>	<u>\$ (1,706,294)</u>	<u>\$ 110,834</u>

As a result of decreases in funding, total revenue decreased by \$508,257 or 5.2%. Total expenses decreased at a slightly higher rate of 5.6% or \$542,671.

FUND BASIS FINANCIAL ANALYSIS

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

The following represents general fund revenues for the years ending December 31, 2016 and 2015.

	<u>December 31 2016</u>	<u>December 31 2015</u>	<u>Increase/ (Decrease)</u>
Intergovernmental revenues	\$ 9,253,676	\$ 9,673,862	\$ (420,186)
Charges for services	4,832	74,513	(69,681)
Contributions and donations	9,093	36,097	(27,004)
Miscellaneous revenues	8,634	20	8,614
	<u>\$ 9,276,235</u>	<u>\$ 9,784,492</u>	<u>\$ (508,257)</u>

The following is a summary of general fund expenditures for the years ending December 31, 2016 and 2015.

	<u>December 31 2016</u>	<u>December 31 2015</u>	<u>Increase/ (Decrease)</u>
Salaries and wages	\$ 2,509,744	\$ 3,430,562	\$ (920,818)
Personnel benefits	1,040,343	1,504,632	(464,289)
Supplies and other expenditures	773,044	1,100,691	(327,647)
Contractual services	4,973,871	3,660,224	1,313,647
Capital Outlays	-	23,744	(23,744)
Totals	<u>\$ 9,297,002</u>	<u>\$ 9,719,853</u>	<u>\$ (422,851)</u>

Due to decreased funding, both revenues and expenditures experienced decreases in 2016.

The General Fund expenditures exceeded revenues by \$20,767 thus decreasing fund balances by the same amount.

BUDGETARY HIGHLIGHTS

The Consortium’s originally adopted 2016 budget did not differ from its final budget. A summary of budget to actual amounts is shown below.

	<u>December 31 2016</u>	<u>Actual Amounts</u>	<u>Increase/ (Decrease)</u>
Revenues			
Intergovernmental revenues	\$ 9,210,000	\$ 9,253,676	\$ 43,676
Charges for services	-	4,832	4,832
Contributions and donations	-	9,093	9,093
Miscellaneous revenues	-	8,634	8,634
	<u>9,210,000</u>	<u>9,276,235</u>	<u>66,235</u>
Expenditures			
Current			
Salaries and wages	\$ 2,449,860	\$ 2,509,744	\$ 59,884
Personnel benefits	1,049,940	1,040,343	(9,597)
Supplies and other expenditures	736,800	773,044	36,244
Contractual services	4,973,400	4,973,871	471
Capital Outlays	-	-	-
	<u>9,210,000</u>	<u>9,297,002</u>	<u>87,002</u>
Excess (deficiency) of revenues over (under) expenditures	-	(20,767)	(20,767)
Fund balances, beginning of year	<u>1,091,244</u>	<u>1,091,244</u>	-
Fund balances, end of year	<u>\$ 1,091,244</u>	<u>\$ 1,070,477</u>	<u>\$ (20,767)</u>

CAPITAL ASSETS

The Consortium’s investment in capital assets for its governmental type activities as of December 31, 2016 amounted to \$18,138. This investment in capital assets includes computer equipment and other types of equipment and furniture. There were no capital asset additions in 2016; there were capital additions of \$23,744 in 2015. The following table shows capital asset values of the Consortium at December 31, 2016 and 2015.

	<u>December 31 2016</u>	<u>December 31 2015</u>
Equipment and furniture	\$ 222,270	\$ 222,270
Accumulated depreciation	(204,132)	(200,175)
Totals	<u>\$ 18,138</u>	<u>\$ 22,095</u>

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

Workforce Innovation and Opportunity Act of 2014 and Impact

On July 22, 2014, the Workforce Innovation and Opportunity Act (WIOA) became law with majority bipartisan support. WIOA replaces the Workforce Investment Act (WIA) of 1998 and reaffirms the leadership of local workforce boards and the public workforce investment system that were established under WIA. The purpose of this new legislation is to provide job seekers and workers access to employment, education, training, and support services to succeed in the labor market and match employers with skilled workers they need to compete in the global economy.

The Workforce Innovation and Opportunity Act of 2014 has fundamentally changed the way the Consortium has historically operated since its inception in 1982. WIOA mandates specific priorities that the local workforce board and chief local elected officials need to do and emphasizes strategic leadership. WIOA mandates the procurement of all direct service delivery and center operator functions/roles, dissuading local boards to take on these roles as allowed under the Workforce Investment Act of 1998.

Prior to WIOA, our chief local elected officials and WDC have prioritized focus and investments toward direct service delivery. With no significant increase in WIOA Title 1B funding anticipated in the short and long term, less funds will be invested toward direct service delivery because some investments need to support the following statutory mandates. These mandates are critical to support the workforce system, its partners and direct services recipients.

- Develop a 4 year regional unified plan
- Conduct workforce research and regional labor market analysis
- Convene, broker and leverage stakeholders and assets
- Lead employer engagement
- Lead Career pathways development and implementation with secondary and post-secondary partners – This is a very new scope of work for the WDC to lead and in partnership with our educational partners
- Lead efforts to identify and promote proven and promising practices – This is a very new scope for the WDC to lead
- Develop technology based strategies for service access, engagement and delivery
- Oversee the local service delivery system and programs
- Negotiate local performance accountability
- Select one stop operator(s) and provider(s)
- Select youth provider(s)
- Identify eligible training providers

- Ensure consumer choice
- Coordinate with education providers
- Approve and oversee budget and comply with federal/state/local laws and regulations in the administration of WIOA

Pierce County Workforce and Labor Market

Pierce County is the second most populous county in WA, with a population of more than 861,000 in 2016. The population is projected to grow 1.1% annually, reaching 1.1 million by 2040. The County's population is predominantly white, but is more diverse than both Snohomish and Kitsap counties, and the state as a whole as well. 10% of our population identifies as Hispanic or Latino; 15% speak a language other than English, including Spanish, Korean, Spanish, Tagalog, Vietnamese, German, Russian and Mon-Khmer.

Residents of Pierce County have relatively lower educational attainment when compared to other Puget Sound counties, with 68% of the population without some form of postsecondary degree, compared to 48% in King County and 63% in Kitsap and Snohomish Counties.

The composition of household income in Pierce County is similar to the state as a whole, with 41% of the residents earning less than \$50,000 annually, whereas 35% of King County residents earn less than \$50,000. The overall median wage in Pierce County is \$39,389 compared to \$47,236 in King County.

Non-Farm employment totaled more than 289,000. Pierce County represents 9.4% of total statewide non-farm employment, and the Puget Sound Region represents 63% of total statewide non-farm employment. Employment is projected to grow 1.4% annually between 2015 and 2040, reaching almost 419,000 jobs in 2040. By 2023 Education and Health Services, Professional Services and Construction are projected to see the largest gain as a share of total employment.

Unemployment has been steadily decreasing since reaching a high of 10.4% in 2010. As of March 2017 Pierce County's unemployment rate dipped below the chronic 6% rate to 5.8%. This is welcomed news and more focus is needed to assist unemployed individuals return to the labor market as soon as feasible.

The largest industries are Government, Wholesale & Retail Trade, and Healthcare. Construction and Professional & Business Services are projected to grow most strongly. The most highly concentrated industries are Wholesale & Retail Trade and Warehousing/Transportation/Utilities.

A large portion of Pierce County workers travel outside the county for work, more than 48% or 148,000. 19% or 105,100 workers travel to King County for work. Other counties that are major work destinations include Snohomish, Yakima, Clark, Lewis, Thurston, Mason and Kitsap.

Path Forward

Since the passage of WIOA, a local workforce strategic plan has been completed and approved. The plan provides priorities and strategies that the public workforce development system will support over the next four years. For more information, go to www.workforce-central.org.

WIOA partners are finalizing the Memorandum of Understanding with a target completion date of May 2017 and the development of the Infrastructure Funding Agreement continues. WIOA partners have committed to jointly transform the workforce delivery system into a relational and customer focused system that provides comprehensive solutions based on each individual circumstances of each customer, whether job seeker, worker or business. In order to achieve this vision, partners have made system wide commitments that include a common data collection system, information sharing, cross agency training/professional development, common referral system, workforce skill standards, common technology including an integrated platform, and single point of contact for business solutions.

It is projected that appropriations across the partnership will be reduced over the next several years. Therefore, it is critical that all partners continue to develop and deploy strategies that maximize the public funds we each steward.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Consortium's finances for all those with an interest in the Consortium finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tacoma – Pierce County Employment & Training Consortium, 3640 South Cedar Street, Suite E, Tacoma, Washington 98409.

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

**Statement of Net Position
December 31, 2016**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 833,523
Accounts receivable	1,588,900
Prepaid items and deposits	61,636
Capital assets (net of accumulated depreciation)	18,138
Total assets	2,502,197
 Deferred Outflows of Resources	
Related to Pensions	420,074
 Liabilities	
Accounts payable	1,307,801
Accrued wages/benefits payable	55,781
Due to other governments	50,000
Noncurrent liabilities due within one year	108,359
Net Pension Liability	2,863,442
Total liabilities	4,385,383
 Deferred Inflows of Resources	
Related to Pensions	132,348
 Net Position	
Investment in capital assets	18,138
Restricted for compensated absences	108,359
Unrestricted	(1,721,957)
Total Net Position	\$ (1,595,460)

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

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM
Statement of Activities
For the Year Ended December 31, 2016

		Program Revenues			Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Primary government					
Governmental activities					
Employment Opportunity	\$ 9,165,401	\$ 4,832	\$ 9,262,769	\$ -	\$ 102,200
Total governmental activities	<u>\$ 9,165,401</u>	<u>\$ 4,832</u>	<u>\$ 9,262,769</u>	<u>\$ -</u>	<u>102,200</u>
General revenues					
Other miscellaneous revenues					8,634
Total general revenues					<u>8,634</u>
Change in net position					110,834
Net Position - beginning of year					<u>(1,706,294)</u>
Net Position - end of year					<u>\$ (1,595,460)</u>

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

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

**Balance Sheet
Governmental Funds
December 31, 2016**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 833,523
Prepaid expenditures	61,636
Accounts receivable	<u>1,588,900</u>
Total Assets	\$ <u>2,484,059</u>
LIABILITIES	
Vouchers and accounts payable	\$ 1,307,801
Accrued wages/benefits payable	55,781
Due to other governments	<u>50,000</u>
Total Liabilities	<u>1,413,582</u>
FUND BALANCES	
Nonspendable	61,636
Restricted Balance	108,359
Unassigned	<u>900,482</u>
Total Fund Balance	<u>1,070,477</u>
Total Liabilities and Fund Balances	\$ <u>2,484,059</u>

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

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM
Reconciliation of Governmental Funds Balance Sheet
December 31, 2016

Total Governmental Fund Balance	\$ 1,070,477
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	18,138
Other items related to pension activity that are not financial resources therefore, not reported in the fund	287,726
Long-term liabilities applicable to the Consortium's activities are not due and payable in the current period and are not reported as fund liabilities:	
Compensated absences	(108,359)
Net Pension Liability	<u>(2,863,442)</u>
Net Position of Governmental Activities	<u>\$ (1,595,460)</u>

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

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending December 31, 2016

	General Fund
Revenues	
Intergovernmental revenues	\$ 9,253,676
Charges for services	4,832
Contributions and donations	9,093
Miscellaneous revenues	8,634
Total revenues	9,276,235
 Expenditures	
Current	
Salaries and wages	2,509,744
Personnel benefits	1,040,343
Supplies and other expenditures	773,044
Contractual services	4,973,871
Total expenditures	9,297,002
Excess (deficiency) of revenues over (under) expenditures	\$ (20,767)
Net change in fund balances	\$ (20,767)
Fund balance, beginning of year	1,091,244
Fund balance, end of year	\$ 1,070,477

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

TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ending December 31, 2016

Net change in fund balances - total governmental funds	\$	(20,767)
Amounts reported for governmental activities in the statement of net activities are different because:		
In the statement of activities, the cost of capital assets are allocated over their estimated useful lives as depreciation expense		(3,957)
Pension expense adjustment reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		28,900
Expenses for compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>106,658</u>
Change in net position of governmental activities	\$	<u><u>110,834</u></u>

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

TACOMA-PIERCE COUNTY EMPLOYMENT & TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
For the Year Ending December 31, 2016

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Tacoma-Pierce County Employment & Training Consortium (the Consortium) have been prepared in the conformance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

D. Budget Information

Scope of Budget

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

Amending the Budget

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

Excess of Expenditures

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

Budgetary Comparison Schedule

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

E. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

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

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

2. Capital Assets and Depreciation

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

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

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

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

3. Compensated Absences

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

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

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

4. Unearned Revenues

When the Consortium receives funding for non-federal grants before the related expenditures are incurred, these advance funds are recorded as unearned revenues. At December 31, 2016, the Consortium had no unearned revenues.

5. Pensions

For purposes of measuring the net pension liability, 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.

6. Fund Balance

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

- Non-spendable fund balance: amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance: amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

- Committed fund balance: amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance: amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official to whom the governing body delegates the authority.
- Unassigned fund balance: amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

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

A. Governmental Fund Balance Sheet

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

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

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

Note 3 – Detailed Notes on Financial Statement Amounts

A. Cash and cash equivalents

Cash and cash equivalents balances at December 31, 2016 are \$833,523; \$108,359 of this amount is restricted for future payment of compensated absences.

B. Prepaid Items and Deposits

Amounts recorded as prepaid items and deposits are as follows:

Lease deposit	\$ 16,968
Prepaid other	<u>\$ 44,668</u>
	<u>\$ 61,636</u>

C. Capital Assets

Capital assets activity for the year ending December 31, 2016 was as follows:

	<u>Balance Jan 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec 31, 2016</u>
Capital Assets being Depreciated	\$ 222,270	\$ -	\$ -	\$ 222,270
Accumulated Depreciation	<u>(200,175)</u>	<u>(3,957)</u>	<u>-</u>	<u>(204,132)</u>
Net Capital Assets	<u>\$ 22,095</u>	<u>\$ (3,957)</u>	<u>\$ -</u>	<u>\$ 18,138</u>

The total amount of depreciation is \$3,957, all of which is allocated to the unencumbered fund.

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

D. Compensated Absences

As of December 31, 2016, the Consortium's liability for compensated absences is \$108,359. Per the Consortium's Personnel Rules and Regulations manual the Consortium's liability to pay these compensated balances is contingent on the availability of funds to pay them. In 2009, the Washington State Employment Security Department, as pass-through funding agency of WIA/WIOA grants, approved the Consortium's use of a funded compensated absences plan. Funds received from the Consortium's grantors are maintained in a designated savings bank account and are restricted for payment of compensated absences.

E. Changes in Long-Term Liabilities

In the Statement of Net Position, compensated absence liability is reported as a non-current liability. During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Balance			Balance	
	January 1,			December 31,	Due Within
	2016	Increases	Decreases	2016	One Year
Governmental Activities:					
Compensated Absences	\$ 215,017	\$ 262,833	\$ 369,491	\$ 108,359	\$ 108,359
Net Pension Liability	2,571,733	291,709	-	2,863,442	-
Governmental Activity Long-term Liabilities	\$ 2,786,750	\$ 554,542	\$ 369,491	\$ 2,971,801	\$ 108,359

F. Due to Other Governments

The Consortium has an agreement with the City of Tacoma and Pierce County to provide working capital advances of up to \$100,000, split 50-50 between the City and the County. Each has advanced the Consortium \$25,000 of working capital as of December 31, 2016. Both the City of Tacoma and Pierce County have allowed the Consortium to draw the working capital with no mandatory repayment schedule and without interest or penalty.

Due to Other Governments	Balance			Balance
	Jan 1, 2016	Increases	Decreases	Dec 31, 2016
City of Tacoma	\$ 25,000	\$	\$	\$ 25,000
Pierce County	25,000			25,000
Liability to Other Governments	\$ 50,000	\$	\$	\$ 50,000

G. Fund Balances

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

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

- Unassigned fund balance: amounts that are available for any purpose; positive amounts are reported only in the general fund.

At December 31, 2016, the Consortium’s Non-spendable fund balance was calculated as follows:

Prepays	\$ 44,668
Deposits	<u>16,968</u>
Total Non-spendable	<u>\$ 61,636</u>

The remainder of the Consortium’s fund balance is categorized as Restricted (for Compensated Absences) \$108,359 or Unassigned, in the amount of \$900,482.

Note 4 - Operating Leases and Future Commitments

The Consortium incurred expenditures of \$ 109,804 for rents and leases in the year ending December 31, 2016. The Consortium has a facilities lease commitment as follows:

2017	\$ 65,292
2018	65,292
2019	65,292
2020	65,292
2021	<u>54,410</u>
	<u>\$ 315,578</u>

Note 5 - Employee Pension Plans

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 2,863,442
Pension assets	\$
Deferred outflows of resources	\$ 420,074
Deferred inflows of resources	\$ 132,348
Pension expense/expenditures	\$ 183,354

State Sponsored Pension Plans

Substantially all Consortium full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. 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)

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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
PERS Plan 1	6.23%	6.00%
PERS Plan UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%

The Consortium's actual contributions to the plan were \$ 95,953 for the year ended December 31, 2016.

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.

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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

The Consortium’s actual contributions to the plan were \$ 120,897 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3% total economic inflation; 3.75% salary inflation
- Salary increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. 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 minor changes in methods and assumptions since the last valuation:

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these 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 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected

returns make up one component of WSIB’s capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

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, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the 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%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of the Net Pension Liability

The table below presents the Consortium’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Consortium’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 1,605,980	\$ 1,331,769	\$ 1,095,794
PERS 2/3	\$ 2,820,086	\$ 1,531,673	\$ (797,324)

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

At June 30, 2016, the Consortium reported a total pension liability of \$2,863,442 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,331,769
PERS 2/3	\$ 1,531,673

At June 30, the Consortium’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	.026614%	.024798%	(.001816)%
PERS 2/3	.033013%	.030421%	(.002592)%

Employer contribution transmittals received and processed by the 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 the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the Consortium recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (14,704)
PERS 2/3	198,058
TOTAL	\$ 183,354

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ 33,532	\$
Contributions subsequent to the measurement date	22,421	
TOTAL	\$ 55,953	\$

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,561	\$ 50,563
Net difference between projected and actual investment earnings on pension plan investments	187,432	
Changes of assumptions	15,831	
Changes in proportion and differences between contributions and proportionate share of contributions	50,014	81,785
Contributions subsequent to the measurement date	29,283	
TOTAL	\$ 364,121	\$ 132,348

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,561	\$ 50,563
Net difference between projected and actual investment earnings on pension plan investments	220,964	
Changes of assumptions	15,831	
Changes in proportion and differences between contributions and proportionate share of contributions	50,014	81,785
Contributions subsequent to the measurement date	51,704	
TOTAL	\$ 420,074	\$ 132,348

Deferred outflows of resources related to pensions resulting from the Consortium's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2017	\$ (8,256)
2018	\$ (8,256)
2019	\$ 30,795
2020	\$ 19,249

Year ended December 31:	PERS 2/3
2017	\$ (3,661)
2018	\$ (3,661)
2019	\$ 126,092
2020	\$ 83,720

Note 6 - Employee Pension Plans – Defined Contribution

A. 401(a) Plan

All full time permanent employees are provided a defined contribution 401(a) plan. Funds are administered by ICMA Retirement Corporation. Contributions by the employer are 7.5% of the gross salary. The contribution for represented employees and non-represented employee is 7.5%. For the year ending December 31, 2016 contributions made to the plan totaled \$173,086. The program is fully funded.

B. 401(k) Plan

A 401k Savings Plan, a defined contribution plan, was established effective January 1, 1985. All full time permanent employees have the option of deferring up to \$18,000 of their income into the plan. The Consortium matches 50% of the first 2.5% of the employees' deferral. Funds are administered by ICMA Retirement Corporation. For the year ending December 31, 2016, total contributions to the plan were \$132,677; employee contributions totaled \$95,421; employer contributions totaled \$37,256. The program is fully funded.

C. 457 Savings Plan

A 457 Savings Plan, a defined contribution plan, was established effective January 1, 1985 with the City of Tacoma. All full time permanent employees have the option of deferring up to \$18,000 of their income into the plan. The Consortium does not match contributions into

this fund; the plan is fully funded by employee contributions. Funds are administered by ICMA Retirement Corporation. For the year ending December 31, 2016, employee contributions totaled \$55,853.

Note 7 - Other Information

A. Risk Management

The Consortium has obtained insurance through Brown & Brown Insurance. The insurance policies cover the Consortium for equipment (at replacement cost), general liability, employee dishonesty, travel/accident liability, D&O Liability, and Fiduciary liability. The coverage also contains a \$3 million umbrella policy.

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

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

B. Contingencies and Litigations

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

C. Stewardship, Compliance and Accountability

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

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

**Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ending December 31, 2016**

The Consortium received approximately \$66K in unanticipated revenues in the form of grants, fees for service and donations. As a result of the unanticipated revenue, expenditures increased by roughly \$87K as programs were expanded.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 9,210,000	\$ 9,210,000	\$ 9,253,676	\$ 43,676
Charges for services			4,832	4,832
Contributions and donations			9,093	9,093
Miscellaneous revenues			8,634	8,634
Total revenues	9,210,000	9,210,000	9,276,235	66,235
Expenditures				
Current				
Salaries and wages	2,449,860	2,449,860	2,509,744	59,884
Personnel benefits	1,049,940	1,049,940	1,040,343	(9,597)
Supplies and other expenditures	736,800	736,800	773,044	36,244
Contractual services	4,973,400	4,973,400	4,973,871	471
Capital Outlays	-	-	-	-
Total expenditures	9,210,000	9,210,000	9,297,002	87,002
Excess (deficiency) of revenues over (under) expenditures	-	-	(20,767)	(20,767)
Fund balance, beginning of year	1,091,244	1,091,244	1,091,244	-
Fund balance, end of year	\$ 1,091,244	\$ 1,091,244	\$ 1,070,477	\$ (20,767)

Note to Required Supplementary Information – Budgetary Comparison Schedule - General Fund

Note 1. Basis of Accounting

The Budgetary Comparison Schedule – General Fund is prepared on the same basis of accounting as the Consortium’s government-wide financial statements, which are prepared using Generally Accepted Accounting Principles (GAAP).

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

**Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability**

**PERS 1
As of June 30
Last 3 Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employer's proportion of the net pension liability (asset)	0.025708%	0.026614%	0.024798%
Employer's proportionate share of the net pension liability	\$ 1,295,053	\$ 1,392,160	\$ 1,331,769
Employer's covered employee payroll	\$ 2,832,393	\$ 3,019,722	\$ 2,956,589
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	45.72%	46.10%	45.04%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%

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

**Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
PERS 2/3
As of June 30
Last 3 Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employer's proportion of the net pension liability (asset)	0.030811%	0.033013%	0.030421%
Employer's proportionate share of the net pension liability	\$ 622,802	\$ 1,179,573	\$ 1,531,673
Employer's covered employee payroll	\$ 2,661,543	\$ 2,949,849	\$ 2,898,964
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	23.40%	39.99%	52.84%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%

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

**Required Supplementary Information
Schedule of Employer Contributions**

PERS 1

As of December 31

Last 3 Years

	2014	2015	2016
Statutorily or contractually required contributions	\$ 120,654	\$ 132,928	\$ 95,953
Contributions in relation to the statutorily or contractually required contributions	\$ (120,654)	\$ (132,928)	\$ (95,953)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employer payroll	\$ 2,963,055	\$ 3,098,125	\$ 1,971,366
Contributions as a percentage of covered employee payroll	4.07%	4.29%	4.87%

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

**Required Supplementary Information
Schedule of Employer Contributions**

**PERS 2/3
As of December 31
Last 3 Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily or contractually required contributions	\$ 141,537	\$ 163,796	\$ 120,897
Contributions in relation to the statutorily or contractually required contributions	<u>\$ (141,537)</u>	<u>\$ (163,796)</u>	<u>\$ (120,897)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 2,828,044	\$ 3,036,890	\$ 1,940,572
Contributions as a percentage of covered employee payroll	5.00%	5.39%	6.23%

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

**Required Supplementary Information
Notes to Required Supplementary Information - Pensions
For the Year Ending December 31, 2016**

Note 1. Information Provided

The Consortium implemented GASB 68 for the year ending December 31, 2015, therefore there is no data available for the years prior to 2014.

Note 2. Significant Factors

There were no changes in benefit terms, significant changes in employees covered under the benefit terms, or in the use of different assumptions.

Note 3. Changes in Employer Contribution Rates

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

**TACOMA-PIERCE COUNTY
EMPLOYMENT & TRAINING CONSORTIUM
Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2016**

Grantor/Pass-Through Grantor	Federal Program Name	CFDA Number	Other Identification Number	From Pass Through Awards	From Direct Awards	Total	Passed Through to Subrecipients	
U.S. Department of Labor Employment Training Administration/pass through from State of Washington Employment Security Department	WIA/WIOA Adult Program	17.258	6106 Program Income	\$ 1,937,133 190	\$	\$ 1,937,323	\$ 362,829	
	WIA/WIOA Youth Activities	17.259	6106 Program Income	2,335,243 11,745		2,346,988	1,526,938	
	WIA/WIOA Dislocated Worker Formula Grants	17.278	6106 Program Income	2,746,310 2,898		2,749,208	514,548	
	Total WIA/WIOA Cluster					7,033,519	2,404,315	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants		17.277	6106	739,126		739,126	123,604	
U.S. Department of Labor Employment Training Administration/pass through South Seattle College	H-1B Job Training Grants	17.268		7,369		7,369	6,188	
U.S. Department of Labor Employment Training Administration	Workforce Innovation Fund	17.283			1,206,977	1,206,977	629,637	
U.S. Department of Agriculture Food and Nutrition Service/pass through State of Washington Department of Social and Health Services	Pilot Project to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596		58,126		58,126	-	
Total Expenditures of Federal Awards							\$ 7,838,140	\$ 3,163,744
Total Expenditures of Federal Awards							\$ 1,206,977	\$ 9,045,117
Total Expenditures of Federal Awards							\$ 1,206,977	\$ 9,045,117

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

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ending December 31, 2016**

NOTE 1. Basis of Accounting

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

NOTE 2. Program Income

The Consortium uses the deductive method to report program income. This method requires the grantee to use the income as an offset against expenditures before requesting additional grant funding. The method reports the net of revenues less expenditures as program income. The gross amount of income applied toward WIA/WIOA grant costs was \$14,833.

NOTE 3. Indirect Cost Rate

The Consortium has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

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

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
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audit report.

Exit Conference: Tacoma-Pierce County Employment and Training Consortium

About our Office

The Washington State Auditor's Office's vision is government that works for citizens. Our goal is for government that works better, costs less and earns greater public trust.

The purpose of this meeting is to share our audit results and draft reporting. We value and appreciate your participation.

Audit Highlights

- Management and staff were responsive to audit requests and questions.
- Audit request samples were explained and conveyed thoroughly.

Audit Scope

We performed the following audits for the Consortium:

- **Financial statement audit for 2016.** See draft report.
- **Federal grant compliance audit for 2016.** See draft report.

Financial Statement required communications

In relation to our report, we would like to bring to your attention:

- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.

There were no material misstatements in the financial statements corrected by management during the audit.

Recommendations not included in the Audit Reports

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the

Concluding Comments

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/saoportall/Login.aspx>

Audit Cost

At the entrance conference, we estimated the cost of the audit to be an estimated \$16,740, at 180 hours at \$93 per hour, and actual audit costs for the single and financial statements will approximate that amount.

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in 2018 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement
- Federal Programs

The estimated cost for the next financial statement and single audits based on current rates is estimated to be \$27,900, at \$93 per hour, plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.