Office of the Washington State Auditor

Pat McCarthy

Financial Statements and Federal Single Audit Report

Pacific Mountain Workforce Development Council

Thurston County

For the period July 1, 2015 through June 30, 2016

Published January 19, 2017

Report No. 1018438

Office of the Washington State Auditor
Pat McCarthy

January 19, 2017

Board of Directors
Pacific Mountain Workforce Development Council
Tumwater, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pacific Mountain Workforce Development Council
Thurston County
July 1, 2015 through June 30, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the Council's compliance with requirements applicable to its major federal program.

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 program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster Title
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT 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*

Pacific Mountain Workforce Development Council
Thurston County
July 1, 2015 through June 30, 2016

Board of Directors
Pacific Mountain Workforce Development Council
Tumwater, 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 Pacific Mountain Workforce Development Council, Thurston County, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 10, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

January 10, 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

Pacific Mountain Workforce Development Council
Thurston County
July 1, 2015 through June 30, 2016

Board of Directors
Pacific Mountain Workforce Development Council
Tumwater, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Pacific Mountain Workforce Development Council, Thurston 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 Council's major federal programs for the year ended June 30, 2016. The Council'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 Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Council's internal control over compliance.

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

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

Purpose of this Report

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

Pat McCarthy

State Auditor

Olympia, WA

January 10, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pacific Mountain Workforce Development Council
Thurston County
July 1, 2015 through June 30, 2016

Board of Directors
Pacific Mountain Workforce Development Council
Tumwater, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pacific Mountain Workforce Development Council, Thurston County, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council'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 Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pacific Mountain Workforce Development Council, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20, budgetary comparison information on pages 40 through 41 and pension plan information on pages 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 January 10, 2017 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

January 10, 2017

FINANCIAL SECTION

Pacific Mountain Workforce Development Council
Thurston County
July 1, 2015 through June 30, 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
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2016
Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – 2016
Notes to the Budgetary Comparison Information – 2016
Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2016
Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2016
Schedule of Employer Contributions - PERS 1 – 2016
Schedule of Employer Contributions - PERS 2/3 – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016
Notes to the Schedule of Expenditures of Federal Awards – 2016

As management of the Pacific Mountain Workforce Development Council (PacMtn), we offer readers of the financial statements a narrative overview of the Council's financial activities for the year ending June 30, 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.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. These audited financial statements cover twelve months ending June 30, 2015. PacMtn took over grants management and fiscal functions from Thurston County as of January 1, 2011 and operates on a fiscal year from July 1 – June 30. The audit year comparisons will reflect four full years of operation. The basic financial statements are comprised of the following components:

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

Government-wide Financial Statements

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

The statement of activities presents information showing how the Council's net position changed for the twelve months ended June 30, 2016. It separates program revenue generated by its functions and program: grants, contracts, and miscellaneous sources. All changes in net position are reported as soon as the underlying event gives rise to the change to occur, regardless of the timing of related cash flows. Items such as unpaid invoices and earned but unused vacation are included in the statement as income and expenses, even though the cash associated with these items will not be received or distributed until sometime in the future.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. PacMtn uses a single fund accounting system to ensure

and demonstrate compliance with finance-related requirements and to provide management with information for controlling spending activities.

The Balance Sheet Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds present a single column of financial data for the General Fund. This 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 function reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near term inflows and outflows of spendable resources available at the end of the fiscal year. This information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Notes to Financial Statements

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

Budgetary Comparison and Schedule and Related Note

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

A Budgetary comparison schedule provides the following types of information:

1. The original budget – the first complete legally appropriated budget adjusted for changes occurring before the beginning of the fiscal year. The original budget also includes initial appropriation amounts automatically carried over from prior grant years.

2. The final budget – including all legally authorized changes including those occurring during and after the end of the fiscal year.

3. Actual inflows, outflows, and balances.

A note to the budgetary comparison schedule is also provided.

CONDENSED COMPARATIVE FINANCIAL DATA

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. The Council's liabilities and deferred inflows exceeded assets and deferred outflows by $665,766 at year ending June 30, 2015 and by $530,117 at year ending June 30, 2016. Because of implementation of GASB 68, the Council will likely continue to show excess liabilities each year. This is because of the new reporting requirement to include net pension liability. Without GASB 68 the net position would reflect a balance of $868,948, which more accurately represents the financial conditions at PacMtn.

Deferred outflows and inflows of resources is related to pensions as required by GASB 68.

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

Governmental Activities	Year Ending	
	June 30, 2016	June 30, 2015
Assets:	Audited	Audited
Current Assets	1,887,160	1,826,163
Capital Assets	30,945	43,797
Total Assets	1,918,104	1,869,960
Deferred Outflows of Resources	364,487	89,295
Liabilities:		
Current Liabilities	924,716	852,009
Long Term Liabilities-Compensated Absences	124,440	162,834
Net Pension Liability	1,527,938	1,057,103
Total Liabilities	2,577,094	2,071,946
Deferred Inflows of Resources	235,614	553,075
Net Position:		
Net Investment in Capital Assets	30,945	43,797
Unrestricted	(561,062)	(709,563)
Total Net Position	(530,117)	(665,766)

Statement of Activities

The following table summarizes the Council's overall operating results for the year ending June 30, 2016 and 2015:

	Year Ending June 30, 2016 Audited	June 30, 2015 Audited
Governmental Activities		
Program Revenues	8,783,496	8,714,782
General Revenues	1,241	1,471
Total Revenues	8,784,737	8,716,253
Program Expenses	9,022,154	8,366,798
Total Expenses	9,022,154	8,366,798
Excess (Deficiency)	(237,417)	349,455
Special Item Gain on Sale of Capital Asset	0	1,303
Change in Net Position	(237,417)	350,758
Net Position – Beginning	(665,766)	746,536
Changes in Accounting Principles-GASB 68	373,065	(1,763,060)
Net Position- Ending	(530,117)	(665,766)

The Statement of Activities reflects the adjustment to pension expense, 251,247 and the adjustments to beginning net position as revised according to GASB 68 standards.

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As the preceding analysis indicates, this was the fifth full year of operations from July 1, 2015 to June 30, 2016. The ending net position of ($530,117) is unrestricted and includes $30,945 of capital assets. While this shows an increase of net position of $135,649 because of the new GASB 68 reporting requirements, actual results from the prior year would show an increase in $13,831 in net position from previous year. If this increase could be shown, the majority of positive change in net position occurs from earnings generated from our payment point contracts. There was a small increase due to interest earnings on long term investments.

FUND ANALYSIS

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

Grant revenue fluctuates year to year depending upon federal availability of funds and State distribution of formulaic grants. There were not significant changes in the types and amounts of federal awards from the previous year. The following represents general fund revenues for the year ending June 30, 2016 and 2015:

	Year Ending June 30, 2016 Audited	June 30, 2015 Audited
Grant and Contract Revenue	8,676,158	8,710,650
Investment and Other Income	1,241	1,232
Totals	8,677,399	8,711,881

Expenses fluctuate each year based on the amount of grant awards received. Because new grant funding required additional staffing our expenses in payroll increased from last year.

	Year Ending June 30, 2016 Audited	June 30, 2015 Audited
Payroll, Taxes, & Benefits	2,779,751	2,581,187
Program Sub-Contractors	3,411,341	3,395,756
Participant Payments	1,950,141	2,008,698
Facilities	417,613	371,710
Professional Services	128,812	104,117
Training & Travel	67,803	82,259
Insurance	16,518	15,404
Other	24,470	23,970
Capital Outlay	0	33,825
Totals	8,796,449	8,616,927

BUDGET VARIANCES IN THE GENERAL FUND

The original budget reflects the preliminary budget adopted in June, prior to the beginning of the fiscal year. The final budget reflects the last board adopted budget of the year. Budgets are updated throughout the year to reflect the addition of new grant awards. The final budget increased significantly, over 76%, due to the award of a new grant from the Department of Social and Health Services, which is a three year grant. There was also the release of the third increment of Department of Labor National Emergency Grant funds, which extended the project an additional year.

Both the actual revenue and expenditures were under budgeted amounts. Revenues under budget are directly related to the under expenditures as the majority of our grants are cost reimbursement. Under expenditures mainly occurred on the subcontract and participant payment side. This is partially due to general under expenditures but also due to anticipated shift of spending as funds cross into the next year and carry in funds are needed.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

PacMtn has several vehicles and office equipment including printers, servers and software. The capital asset schedule can be found in the Notes to the Financial Statements. The organization does not have any debt, plans to take on debt, nor commitments for capital expenditures.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Workforce Innovation and Opportunity Act

PacMtn operates primarily under the authorization of Title 1 of the Workforce Innovation and Opportunity Act of 2014. Final regulations were released and full implementation of the requirements will continue into program year 16.

Funding Factors

PacMtn ended the Fiscal Year (July 1, 2015 – June 30, 2016) earning less revenue than budgeted but this means more funds will be available to use in the next fiscal year. Discretionary grants are added throughout the year and help supplement WIOA formula funds. Grants received late in the year are still added in entirety to the budget to show availability even though the program will continue over subsequent fiscal years. A three-year, $3 million dollar grant from the Department of Social and Health Services through Department of Vocational Rehabilitation was awarded in May 2016. This grant helps juvenile offenders prepare for employment upon release. Another increment from our Camo2Commerce grant was awarded January 2016. This $2.5 million addition will continue the program through June 30, 2016. This grant serves the transitioning military population at Joint Base Lewis McChord. The Department of Commerce grant for work experience for TANF clients has provided additional revenue to our program funds.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of PacMtn's finances for all those with an interest in PacMtn finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Chief Executive Officer, Pacific Mountain Workforce Development Council, 1570 Irving Street SW, Tumwater, WA 98512.

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL

Statement of Net Position

June 30, 2016

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	600,028
Investments	248,243
Receivables	970,891
Prepaids	67,998
Capital Assets net of accumulated depreciation:	
Vehicles	26,993
Office Equipment	3,951
Total Capital Assets	30,945
TOTAL ASSETS	**1,918,104**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	**364,487**
LIABILITIES	
Accounts Payable	609,197
Other Current Liabilities	315,519
Compensated Absences	124,440
Net Pension Liability	1,527,938
TOTAL LIABILITIES	**2,577,094**
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	**235,614**
Net Position	
Investment in Capital Assets	30,945
Unrestricted	(561,062)
TOTAL NET POSITION	**(530,117)**

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

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL

Statement of Activities

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position Total Governmental Activities
Governmental Activities			
Employment Opportunity	9,022,154	8,783,496	(238,657)
TOTAL GOVERNMENTAL ACTIVITIES			(238,657)
General Revenues:			
Unrestricted Investment Earnings			1,241
Total General Revenues			1,241
Change in Net Position			(237,416)
		Net Position - Beginning	(665,766)
		Prior Year Adjustments-GASB 68	373,065
		Net Position - Ending	(530,117)

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

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL

Balance Sheet

Governmental Funds
June 30, 2016

	General Fund
ASSETS	
Cash and Cash Equivalents	600,028
Investments	248,243
Receivables	970,890
TOTAL ASSETS	**1,819,161**
LIABILITIES & FUND BALANCE	
Accounts Payable	609,197
Other Current Liabilities	315,519
Unearned Revenue	60,000
TOTAL LIABILITIES	984,716
FUND BALANCE	
Committed	4,287
Unassigned	830,158
TOTAL FUND BALANCE	834,445
TOTAL LIABILITIES & FUND BALANCE	**1,819,161**

Amounts reported for governmental activities in the statement of net position are different because:

Balance in governmental funds	834,445
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the funds	67,998
Unearned revenues provided by governmental activities are not available to pay current period expenditures and therefore are not reported in the funds	60,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	30,945
Net Pension amounts use in governmental activities are not financial resources and therefore are not reported in the fund.	(1,399,065)
Compensated absences used in governmental activities are not due and payable in the current period and therefore not reported in the funds	(124,440)
Net position - Governmental Activities	(530,117)

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

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2016

	General Fund
REVENUES	
Operating Grants & Contributions	8,676,158
Investment Earnings	1,241
TOTAL REVENUES	8,677,399
EXPENDITURES	
Current:	
Payroll, Taxes, & Benefits	2,779,751
Program Sub-Contractors	3,411,341
Participant Payments	1,950,141
Facilities	417,613
Professional Services	128,812
Training & Travel	67,803
Insurance	16,518
Other	24,470
TOTAL EXPENDITURES	8,796,449
Excess (Deficiency) of Revenues over Expenditures	**(119,050)**
Net Change in Fund Balance	(119,050)
Fund Balance - Beginning	953,495
	-
Fund Balance - Ending	**834,445**
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance	(119,050)
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds	(12,852)
Unearned revenues provided by governmental activities are not available to pay current period expenditures and therefore are not reported in the funds	57,237
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the funds	50,101
Net Pension expense amounts used in governmental activities are not financial resources and therefore are not reported in the fund.	(251,247)
Compensated absences used in governmental activities are not due and payable in the current period and therefore not reported in the funds	38,394
CHANGE IN NET POSITION - Governmental Activities	(237,416)

The accompanying notes are an integral part of this financial statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Pacific Mountain Consortium is comprised of the Board of County Commissioners of Grays Harbor, Lewis, Mason, Pacific, and Thurston Counties, Washington in Workforce Development Area 2, pursuant to the Governor's approval dated July 1, 2010, to provide workforce investment activities. The Consortium is organized under the Interlocal Cooperation Act of 1967, Chapter 39.34, RCW, which permits local governmental units to cooperate and to provide services and facilities in a manner which will best deal with the geographic, economic, demographic, and other factors influencing the development of local communities. PacMtn was organized as a nonprofit corporation by the Consortium; as provided for in Section 117 of Public Law 105-220--Aug. 7, 1998 Workforce Investment Act (WIA), to implement the WIA in the Workforce Development Area. In accordance with Section 117(d) (3) (B) of the Workforce Investment Act (WIA), the subsequent reauthorization in the Workforce Innovation and Opportunity Act (WIOA) section 107 (d) (12) (B) and in accordance with the Interlocal Cooperation Act of 1967 (Chapter 39.34, Revised Code of Washington), the Consortium has designated PacMtn as the local grant sub recipient and local fiscal agent. The five counties acting through the Pacific Mountain Consortium appoint the 24 or fewer members of the Board of Directors of PacMtn pursuant to the nomination and appointment process established under WIOA and in accordance with the nomination process prescribed by the Bylaws, approve the Strategic and Operation plans for Workforce Development Area 2; and make recommendations on and approve the selection of workforce service providers.

PacMtn is organized exclusively for educational, charitable, religious, scientific, and/or literary purposes, within the meaning of Section 501(c) (3) of the Internal Revenue Code of 1986, as amended from time to time. PacMtn was incorporated on July 6, 2000 and assumed all administrative and fiscal functions beginning January 1, 2011. PacMtn financial statements include the financial position and results of operations for all programs that are controlled by or dependent on PacMtn.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, PacMtn considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. This criterion applies to all Grant and Contract revenues. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

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

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

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for the general fund on the modified accrual basis of accounting. Appropriations for the general fund lapse at fiscal year-end. Grant and contract revenues are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

2. Amending the Budget

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

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

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year. PacMtn adjusted the original budget once during this fiscal year but is not limited to the number of budget adjustments.

3. Excess of Expenditures Over Appropriations

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

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and investments with a maturity of less than three months when purchased. At June 30, 2016, PacMtn was holding $0.00 in short-term investments.

2. Investments

Acting as fiscal agent for the Consortium, PacMtn may place certificates of deposit only with institutions that are guaranteed by The Federal Deposit Insurance Corporation (FDIC) or The Federal Savings and Loan Deposit Insurance Corporation (FSLIC). These certificates are valued at purchase price plus accrued interest through year-end, based on the interest rate of the certificate. At June 30, 2016, PacMtn was holding $248,242.55 in Investments.

3. Receivables

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

4. Capital Assets

Capital assets, which include equipment, are reported on the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Assets are depreciated using the straight line method over the estimated useful lives of the asset.

Assets	Years
Vehicles	5 years
Multifunction devices (printer/copier/fax)	6 years
Accounting system software package	5 years

5. Compensated Absences

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

A. Vacation pay, paid time off, which may be accumulated up to a maximum of 720 hours, is payable upon resignation, retirement, death, or:
   i. Annual Payment Opportunity. Once a year, within 30 days of the new calendar year, employees may choose to be paid for accrued Paid Time Off in any amount up to 240 hours, provided that the employee has a remaining accrued balance of Paid Time Off of at least 360 hours. In the case of a personal emergency, employees may be paid for a portion of accrued Paid Time Off with the approval of the Director of Finance & Administrative Services.

6. Other Current Liabilities

These accounts consist of accrued wages and accrued employee benefits.

7. Unearned Revenues

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

8. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

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

INVESTMENTS

As of June 30, 2016, PacMtn had $248,242.55 in investments through a 12 month certificate of deposit.
PacMtn has no deposit or investment policy that addresses a specific type of risk, all investments are covered by depository insurance so there is no custodial credit risk.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ending June 30, 2016 was as follows:

Governmental Activities	Beginning Balance 7/1/15	Increases	Decreases	Ending Balance 6/30/16
Capital assets, being depreciated:				
Vehicles	65,129	-0-	-0-	65,129
Office Equipment	57,406	-0-	-0-	57,406
Total capital assets being depreciated	122,535	-0-	-0-	122,535
Less accumulated depreciation for:				
Vehicles	29,832	8,304	-0-	38,136
Office Equipment	48,907	4,548	-0-	53,455
Total accumulated depreciation	78,739	12,852	-0-	91,591
Governmental activities capital assets, net				30,945

NOTE 4 – PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ (1,527,938)
Pension assets	$ 0
Deferred outflows of resources	$ 364,487
Deferred inflows of resources	$ (235,614)
Pension expense/expenditures	$ 251,247

State Sponsored Pension Plans

Substantially all PacMtn 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 98504-8380.

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.
The following disclosures are made pursuant to GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

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

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 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
July 2015 through June 2016	11.18%	6.00%

PacMtn contributed $90,068 to PERS 1 through the UAAL calculation.

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 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
July 2015 through June 2016	11.18%	6.12%
Employee PERS Plan 3		varies

PacMtn's contributions to the plans were $117,637 for year ended June 30, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. 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 2013 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 20, 2015, 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. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% 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.

- The OSA updated demographic assumptions, consistent with the changes from the 2007-2012 Experience Study Report, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the 2007-2012 Experience Study Report.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5% 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% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% 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. 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% 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, 2014, are summarized in the table below. The inflation component used to create the table is 2.7% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	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 NPL

The table below presents PacMtn's proportionate share* of the net pension liability calculated using the discount rate of 7.5%, as well as what the PacMtn'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%) or 1-percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 988,277	$ 811,683	$ 659,872
PERS 2/3	$ 2,094,367	$ 716,255	$ (338,914)

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, PacMtn's reported a total pension liability of $1,527,938 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 811,683
PERS 2/3	$ 716,255

At June 30, 2016 PacMtn's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	%.013883	%.015517	%.001634
PERS 2/3	%.017698	%.020046	%.002348

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

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended June 30, 2016, PacMtn recognized pension expense as follows:

	Pension Expense
PERS 1	$140,591
PERS 2/3	$110,656
TOTAL	$251,247

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, PacMtn reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$0	$(44,408)
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$87,899	$0
TOTAL	$87,899	$(44,408)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$76,138	$0
Net difference between projected and actual investment earnings on pension plan investments	$0	$(191,206)
Changes of assumptions	$1,154	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$84,779	$0
Contributions subsequent to the measurement date	$114,517	$0
TOTAL	$276,588	$(191,206)

Deferred outflows of resources related to pensions resulting from PacMtn's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability

in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	*PERS 1*
2016	$ (17,211)
2017	$ (17,211)
2018	$ (17,211)
2019	$ 7,225
2020	$ 0
Thereafter	$ 0

Year ended June 30:	*PERS 2/3*
2016	$ (26,001)
2017	$ (26,002)
2018	$ (27,847)
2019	$ 50,714
2020	$ 0
Thereafter	$ 0

NOTE 5 – RISK MANAGEMENT

PacMtn has obtained insurance through Propel Insurance and the Non Profit Insurance Program. The insurance policies cover PacMtn for property (at replacement cost), equipment, general liability, automobile liability and damage, Directors and Officers liability, miscellaneous professional liability, crime and excess crime for employee theft. PacMtn enforces several human resource policies designed to limit exposure to litigation in employment practices. The Worker's Compensation Fund covers injuries to employees.
There have been no settlements in the past three years that have exceeded insurance coverage.

NOTE 6 – LEASES

PacMtn sub-leases administrative office space under a noncancelable operating lease. Total cost for the lease was $71,976 for the year ended June 30, 2016. PacMtn also holds sub-leases for three other locations in our region, for a combined payment of $145,160. The future minimum lease payments for these sub-leases are as follows:

Term	Administrative Office	Thurston County Worksource	Mason County WorkSource	Raymond WorkSource
July 1, 2016 – June 30, 2017	$0*	$0**	$33,120	$9,000

*Sub-lease agreement expired September 30, 2015, new lease agreement under development
**Sub-lease agreement expired December 31, 2015, new lease agreement under development

PacMtn has annual resource sharing agreements for office space for employees located in various worksites in our five county region. Rent payments vary year to year and are not on long term contracts.

NOTE 7 – CHANGES IN LONG TERM LIABILITIES

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Due Within One Year
Governmental Activities					
Compensated Absences	$162,834		38,394	$124,440	$0
Pension Liability	$1,057,103	$470,835		$1,527,938	$0

NOTE 8 – CONTINGENCIES AND LITIGATIONS

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

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

NOTE 9 – ACCOUNTING AND REPORTING CHANGES

Effective June 15, 2014, PacMtn, in accordance with Governmental Accounting Standards Board Statement 68, Accounting and Financial Reporting for Pensions, recognizes pension liabilities, deferred outflows and inflows of resources for its defined benefit pensions. The fund balance

break-out into these categories is shown in the Statement of Net Position. Pension expense adjustments are reflected in the Statement of Activities.

NOTE 10 – OTHER DISCLOSURES

A. Related Party Transactions

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

B. Intergovernmental Grants and Entitlements

The accompanying Schedule of Expenditures of Federal Awards (SEFA) provides a summary of the federal assistance programs in which the PacMtn participates.

C. Committed Fund Balance

PacMtn has committed funds comprised of the Equipment Repair & Replacement in the amount of $4,287 and unassigned funds comprised of unrestricted earnings in the amount of $830,158. Committed funds are amounts constrained to specific purposes by the Board of Directors, using its highest level of decision-making authority; to be reported as committed; once formal action is taken via majority vote to establish (and modify or rescind) a fund balance commitment. PacMtn considers committed and unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment is shown to recognize the corrected amount for net position because of reporting changes from GASB 68. Previous year ending balance for net position on the Statement of Activities was recorded as ($665,766), after corrections the ending balance reflects ($292,701).

Pacific Mountain Workforce Development Council
Budgetary Comparison Schedule
General Funds
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	(Budgetary Basis)
Budgetary Fund Balance, July 1	855,117	855,117	855,117
Resources (Inflows)			
Grant and Contract Revenue	9,833,228	17,338,141	8,783,496
Investment and Other Income	-	-	1,241
Amounts Available for Appropriation:	9,833,228	17,338,141	8,784,738
Charges to Appropriations (Outflows)			
Payroll, Taxes & Benefits	2,566,809	5,119,937	2,741,357
Program Sub-Contractors	3,656,200	5,235,010	3,411,341
Participant Payments	2,860,730	4,027,253	1,950,141
Faciliites	360,024	712,727	417,613
Professional Services	144,031	221,977	128,812
Training & Travel	82,538	136,938	67,803
Insurance	16,500	16,500	16,518
Other	44,914	162,884	37,322
Total Charges to Appropriations	9,731,746	15,633,227	8,770,907
Budgetary Fund Balance, June 30	956,599	2,560,031	868,948

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL
Note to Budgetary Comparison Schedule
Year Ended June 30, 2016

NOTE 1 – BUDGET AMOUNTS AND VARIANCES

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

NOTE 2 – RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Amounts reported for governmental activities in the Statement of Revenues, Expenditures and Changes in Fund Balances are different because:

Payroll, Taxes & Benefits are different by $38,394 due to Leave Expenses/Compensated Absences

Other is different by $12,852 due to Depreciation Expenses

REQUIRED SUPPLEMENTARY INFORMATION

Pacific Mountain Workforce Development Council
Schedule of Proportionate Share of the Net Pension Liability
Public Employees Retirement System - Plan 1
As of June 30, 2015
Last 10 Fiscal Years*

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer's proportion of the net pension liability (asset)	%	0.013883%	0.015517%								
Employer's proportionate share of the net pension liability	$	699,363	811,683								
TOTAL	$	699,363	811,683								
Employer's covered employee payroll	$	1,507,525	1,791,829								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	46.39%	45.30%								
Plan fiduciary net position as a percentage of the total pension liability	%	61.19%	61.19%								

Notes to Schedule:
Contributions are calculated based on rates set by the Department of Retirement Systems for that fiscal year.
Contributions vary year to year depending on the rates set and the amount of covered employer payroll.
Staffing level fluctuate depending on the type and amounts of grants in a given year.
Staffing levels may begin to even out over the next 5 years as new programs are contracted out rather than staffed by PacMtn employees.

** Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION

Pacific Mountain Workforce Development Council
Schedule of Proportionate Share of the Net Pension Liability
Public Employees Retirement System-Plan 2/3
As of June 30, 2015
Last 10 Fiscal Years*

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer's proportion of the net pension liability (asset)	%	0.017698%	0.020046%								
Employer's proportionate share of the net pension liability	$	357,740	716,255								
TOTAL	$	357,740	716,255								
Employer's covered employee payroll	$	1,507,525	1,791,829								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	23.73%	39.97%								
Plan fiduciary net position as a percentage of the total pension liability	%	93.29%	93.29%								

Notes to Schedule:
Contributions are calculated based on rates set by the Department of Retirement Systems for that fiscal year.
Contributions vary year to year depending on the rates set and the amount of covered employer payroll.
Staffing level fluctuate depending on the type and amounts of grants in a given year.
Staffing levels may begin to even out over the next 5 years as new programs are contracted out rather than staffed by PacMtn employees.

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REQUIRED SUPPLEMENTARY INFORMATION

Pacific Mountain Workforce Development Council
Schedule of Employer Contributions
Public Employees Retirement System Plan 1
As of June 30, 2016
Last 10 Fiscal Years*

		2015	2016
Contractually required contributions	$	71,816	90,068
Contributions in relation to the contractually required contributions	$	(71,816)	(90,068)
Contribution deficiency (excess)	$	0	0
Covered Employer Payroll	$	795,300	818,802
Contributions as a percentage of covered employee payroll	%	9.03%	11.00%

Notes to Schedule:
Contributions are calculated based on rates set by the Department of Retirement Systems for that fiscal year.
Contributions vary year to year depending on the rates set and the amount of covered employer payroll.
Staffing level fluctuate depending on the type and amounts of grants in a given year.
Staffing levels may begin to even out over the next 5 years as new programs are contracted out rather than staffed by PacMtn employees.

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

REQUIRED SUPPLEMENTARY INFORMATION

Pacific Mountain Workforce Development Council
Schedule of Employer Contributions
Public Employees Retirement System Plan 2/3
As of June 30, 2016
Last 10 Fiscal Years*

		2015	2016
Contractually required contributions	$	89,987	117,637
Contributions in relation to the contractually required contributions	$	(89,987)	(117,637)
Contribution deficiency (excess)	$	0	0
Covered Employer Payroll	$	996,528	1,069,427
Contributions as a percentage of covered employee payroll	%	9.03%	11.00%

Notes to Schedule:
Contributions are calculated based on rates set by the Department of Retirement Systems for that fiscal year.
Contributions vary year to year depending on the rates set and the amount of covered employer payroll.
Staffing level fluctuate depending on the type and amounts of grants in a given year.
Staffing levels may begin to even out over the next 5 years as new programs are contracted out rather than staffed by PacMtn employees.

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

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

1	2	3	4	5				6
				Expenditures				
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Direct Awards	From Pass Through Awards	Total	Passed through to Subrecipients	Note
WIA/WIOA Cluster								
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6102-1105		257,972	257,972	113,131	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6102-7105		87,176	87,176	32,214	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6102-1106		706,262	706,262	397,915	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6102-7305		7,285	7,285	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6102-1305		82,583	82,583	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6102-7403-04		2,408	2,408	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6102-7624-03		5,491	5,491	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6102-7625-04		396	396	-	
			Total CFDA 17.258	**-**	***1,149,573***	***1,149,573***	***543,260***	2,3,4
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Youth Activities	17.259	6102-7004		72,730	*$ 72,730*	*$ 59,835*	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Youth Activities	17.259	6102-7005		996,553	*$ 996,553*	*$ 697,586*	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Youth Activities	17.259	6102-7305		88,099	*$ 88,099*	$ -	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Youth Activities	17.259	6102-7403-04		32,533	*$ 32,533*	$ -	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Youth Activities	17.259	6102-7624-03		66,404	*$ 66,404*	$ -	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Youth Activities	17.259	6102-7625-04		4,788	*$ 4,788*	$ -	
			Total CFDA 17.259	**-**	**1,261,105**	**1,261,105**	**757,420**	2,3,4
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-1205		442,933	442,933	206,786	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7205		245,853	245,853	144,934	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-1206		681,134	681,134	416,678	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7494-02		358,894	358,894	206,061	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7503-11		186,150	186,150	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7503-13		35,594	35,594	30,403	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7503-15		158,441	158,441	158,441	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7305		20,545	20,545	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-1305		82,187	82,187	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7403-04		7,309	7,309	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7624-03		15,486	15,486	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIA/WIOA Dislocated Worker Formula Grants	17.278	6102-7625-04		1,117	1,117	-	
			Total CFDA 17.278	**-**	**2,235,644**	**2,235,644**	**1,163,303**	2,3,4
			Total WIOA Cluster		**4,646,323**	**4,646,323**	**2,463,983**	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	6102-7575-02		109,656	109,656	-	
Employment Training Administration, Department of Labor (Washington State Employment Security)	WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	6102-7564-02		234,454	234,454	-	
Employment Training Administration, Department of Labor	WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	25264-14-60-A-53	2,108,513	-	2,108,513	810,888	
			TOTAL CFDA 17.277	**2,108,513**	**344,109**	***2,452,622***	***810,888***	2,3
Department of Education Office of Special Education and Rehabilitiative Services (Department of Social and Health Services)	Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	1612-63439	-	24,545	24,545		
Department of Education Office of Special Education and Rehabilitiative Services (Department of Social and Health Services)	Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	1669-60810	-	16,696	16,696	5,000	
			TOTAL CFDA 84.126	**-**	**41,241**	**41,241**	**5,000**	2,3
TANF Cluster								
Administration for Children and Families, Department of Health and Human Services (Washington State Department of Commerce)	Temporary Assistance for Needy Families	93.558	S15-32710-100		1,483,941	1,483,941	-	
Administration for Children and Families, Department of Health and Human Services (Washington State Department of Commerce)	Temporary Assistance for Needy Families	93.558	S15-32710-124		2,223	2,223	-	
Administration for Children and Families, Department of Health and Human Services (Washington State Department of Commerce)	Temporary Assistance for Needy Families	93.558	S15-32710-111		2,326	2,326	-	
			Total TANF Cluster CFDA 93.558	**-**	**1,488,490**	***$ 1,488,490***	***$ -***	2,3
			Total Federal Awards Expended	***2,108,513***	***6,520,162***	***8,628,675***	***3,279,871***	

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Pacific Mountain Workforce Development Council's (PacMtn) financial statements. PacMtn uses the accrual basis of accounting.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – INDIRECT COST RATE

PacMtn allocates indirect costs to programs each month based on the direct labor costs incurred by that program that month. During the year ended June 30, 2016, $791,678 was allocated to U.S. Department of Labor programs based on $1,349,934 direct labor costs and $233,228 was allocated to the U.S Department of Health and Human Services program based on $584,587 direct labor costs. PacMtn has an approved provisional indirect cost rate of 25.92% from the Department of Labor. This rate is used for planning purposes and amounts charged are based on actuals. PacMtn has not elected to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

NOTE 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

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

Program	Amount
WIOA Adult Program	543,260
WIOA Youth Program	757,420
WIOA Dislocated Worker Program	1,163,303
WIOA National Dislocated Worker Grants	810,888
TOTAL	3,274,871

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.

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