



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements and Federal Single Audit Report

# Pacific Mountain Workforce Development Council

For the period July 1, 2022 through June 30, 2023

*Published April 22, 2024*

Report No. 1034646



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

April 22, 2024

Board of Directors  
Pacific Mountain Workforce Development Council  
Olympia, 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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Pacific Mountain Workforce Development Council July 1, 2022 through June 30, 2023

### 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 basic financial statements of the governmental activities and each major fund in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

#### Federal Awards

Internal Control over Major Programs:

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

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

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

## Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

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

See Finding 2023-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Pacific Mountain Workforce Development Council July 1, 2022 through June 30, 2023

#### **2023-001 The Council did not have adequate internal controls ensuring accurate reporting of its financial statements.**

##### *Background*

State and federal agencies, the Board of Directors, and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance its financial reporting is reliable and the financial statements and notes are accurate. The Council prepares its financial statements in accordance with generally accepted accounting principles (GAAP).

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the Council's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

##### *Description of Condition*

The Council did not have controls in place to properly evaluate and implement new accounting standards, specifically for Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. In this statement, GASB established lease accounting and reporting standards for lessees and lessors that were effective for fiscal years ending June 30, 2022, and after. The Council elected not to implement this new GASB standard during the period under audit and did not report any of its lease obligations.

##### *Cause of Condition*

The Council was aware of this new GASB standard, but underestimated the overall impact to the financial statements and, ultimately, elected not to implement it.

## *Effect of Condition*

The Council did not properly report \$749,953 in lease obligations in its Statement of Net Position, nor did it disclose the lease information in the notes to the financial statements as required.

The Council corrected the financial statements as a result of our audit.

## *Recommendation*

We recommend the Council dedicate sufficient time and resources to adequately research and properly implement new accounting standards.

## *Council's Response*

*PacMtn will establish a system to not only address current material weaknesses resulting from the audit regarding GASB 87 but also to find and prevent future changes in GASB (Governmental Accounting Standards Board) rules. PacMtn will establish a robust process for ongoing compliance and regulatory monitoring by implementing the following:*

- 1. **Stay Informed:** Designate CFO to be responsible for monitoring updates and changes to GASB rules. Subscribe to GASB newsletters, participate in training sessions, and actively engage with professional organizations to stay informed about upcoming changes.*
- 2. **Increase Capacity:** PacMtn will increase the capacity of the finance and accounting department, by increasing the FTE count.*
- 3. **Regular Training and Education:** Provide regular training and educational programs to ensure that staff are aware of GASB rules and understand their implications for financial reporting. This includes initial training for new hires and ongoing education for existing staff.*
- 4. **Update Policies and Procedures:** Review and update policies and procedures related to GASB compliance to reflect changes in standards and regulations. Ensure that documented processes are aligned with current best practices and incorporate any new requirements.*
- 5. **Internal Controls Review:** Conduct periodic reviews of internal controls related to GASB compliance to identify weaknesses or areas for improvement. This may involve performing risk assessments, testing controls, and implementing remedial actions as needed.*
- 6. **Engage External Experts:** Seek guidance from external experts such as auditors, consultants, or legal advisors with expertise in GASB compliance.*

*Tap into their knowledge and experience to ensure that your organization remains up-to-date with regulatory requirements.*

- 7. Monitor Industry Trends:** *Stay abreast of industry trends and developments in governmental accounting and financial reporting. Attend conferences, webinars, and seminars to learn about emerging issues and best practices in GASB compliance.*

### ***Auditor's Remarks***

We appreciate the steps the Council is taking to resolve this issue. We will review the corrective action taken during our next audit.

### ***Applicable Laws and Regulations***

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations contracts or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

*Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

Governmental Accounting Standards Board Statement No. 87, *Leases*.

BARS Manual, 4.3.1, Leases.



## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Pacific Mountain Workforce Development Council July 1, 2022 through June 30, 2023**

Board of Directors  
Pacific Mountain Workforce Development Council  
Olympia, 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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated April 15, 2024.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, that we consider to be material weaknesses.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

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

## **COUNCIL'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Council's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

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

April 15, 2024

## INDEPENDENT AUDITOR'S REPORT

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

#### **Pacific Mountain Workforce Development Council July 1, 2022 through June 30, 2023**

Board of Directors  
Pacific Mountain Workforce Development Council  
Olympia, Washington

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

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the Pacific Mountain Workforce Development Council, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2023. The Council's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### **Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Council's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;

- Obtain an understanding of the Council’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council’s internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

April 15, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Pacific Mountain Workforce Development Council July 1, 2022 through June 30, 2023**

Board of Directors  
Pacific Mountain Workforce Development Council  
Olympia, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pacific Mountain Workforce Development Council, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pacific Mountain Workforce Development Council, as of June 30, 2023, 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.

### **Basis for Opinions**

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

### **Matters of Emphasis**

As discussed in Note 6 to the financial statements, in 2023, the Council adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.



## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

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Pat McCarthy, State Auditor

Olympia, WA

April 15, 2024

**Pacific Mountain Workforce Development Council  
July 1, 2022 through June 30, 2023**

**REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2023

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2023

Statement of Activities – 2023

Balance Sheet – Governmental Funds – 2023

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2023

Notes to Financial Statements – 2023

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund – 2023

Notes to Budgetary Comparison Schedule – 2023

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023

**SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL  
Management's Discussion and Analysis  
Year Ending June 30, 2023

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, 2023. 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 are intended to serve as an introduction to the Council's basic financial statements. These audited financial statements cover twelve months ending June 30, 2023. 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 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 a 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, 2023. 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

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL  
Management's Discussion and Analysis  
Year Ending June 30, 2023

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.

**CONDENSED COMPARATIVE FINANCIAL DATA**

**Government-wide Financial Analysis**

**Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. The Council's assets and deferred outflows exceeded its liabilities and deferred inflows by \$1,024,578 at year ending June 30, 2023, and year end June 30, 2022, assets and deferred outflows exceeded its liabilities and deferred inflows by \$802,493.

The following measure is a departure from GAAP: At year ending June 30, 2023, the Council shows a high net position or excess assets because there is a net pension asset. Because of implementation of GASB 68, the Council will likely show low net position or excess liabilities each year. This is because of the reporting requirement to include net pension liability. Without GASB 68 the net position would reflect a balance of \$765,243 which more accurately represents the financial conditions at PacMtn.

Deferred outflows and inflows of resources are 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:

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL  
Management's Discussion and Analysis  
Year Ending June 30, 2023

<b>Governmental Activities</b>	Year Ending	
	June 30, 2023	June 30, 2022
<b>Assets:</b>		<u>Audited</u>
Current Assets	2,376,509	1,761,204
Long Term Assets	1,254,664	1,750,255
Capital Assets	<u>4,335</u>	<u>47,297</u>
Total Assets	<u>3,635,508</u>	<u>3,558,756</u>
<b>Deferred Outflows of Resources</b>	685,896	375,148
<b>Liabilities:</b>		
Current Liabilities	1,644,865	898,217
Long Term Liabilities	<u>1,005,206</u>	<u>274,243</u>
Total Liabilities	2,650,071	1,172,460
<b>Deferred Inflows of Resources</b>	646,756	1,958,951
<b>Net Position:</b>		
Investment in Capital Assets	4,335	47,297
Unrestricted	<u>1,020,243</u>	<u>755,196</u>
<b>Total Net Position</b>	<u>1,024,578</u>	<u>802,493</u>

**Statement of Activities**

The following table summarizes the Council's overall operating results for the year ending June 30, 2023, and 2022:

	Year Ending	
	June 30, 2023	June 30, 2022
		<u>Audited</u>
<b>Governmental Activities</b>		
Program Revenues	8,564,154	9,345,263
General Revenues	586	584
Total Revenues	<u>8,564,740</u>	<u>9,345,847</u>
Program Expenses	<u>8,343,815</u>	<u>8,428,191</u>
Total Expenses	8,343,815	8,428,191
Excess (Deficiency)	220,925	917,656
Special Item Gain on Sale of Capital Asset	1,160	33,260
Change in Net Position	222,085	950,916
Net Position – Beginning	802,493	(148,423)
Net Position- Ending	<u>1,024,578</u>	<u>802,493</u>

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL  
Management's Discussion and Analysis  
Year Ending June 30, 2023

**OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

As the preceding analysis indicates, this was the twelfth full year of operations from July 1, 2022, to June 30, 2023. The ending net position of \$1,024,578 used unrestricted funds and includes \$4,335 of capital assets. While this shows an increase in net position of \$222,085 because of the new GASB 68 reporting requirements, actual results from the prior year would show a decrease of \$37,570 in net position from previous year. Actual increases in net position occur from earnings exceeding expenses in our payment point contracts and timing in recognition of revenue. This measure is a departure from GAAP.

**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 was a decrease in PacMtn's federal allocation of formulaic grants and in the programing expenditure, number, and amount of awards from the previous year. The following represents general fund revenues for the year ending June 30, 2023, and 2022:

	Year Ending	
	June 30, 2023	June 30, 2022
Grant and Contract Revenue	8,565,314	9,378,523
Investment and Other Income	586	584
Totals	8,565,900	9,379,107

Expenses fluctuate each year based on the amount of grant awards received. There was an increase in total expenses from the previous year.

	Year Ending	
	June 30, 2023	June 30, 2022
		Audited
Payroll, Taxes, & Benefits	2,085,477	2,600,211
Program Sub-Contractors	5,684,916	5,361,764
Participant Payments	37,881	376,871
Facilities	265,784	389,517
Professional Services	396,530	379,135
Training & Travel	66,093	34,993
Insurance	15,409	21,928
Prepaid	15,735	24,903



PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL  
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Other	66,701	35,618
Lease	(16,891)	0
Capital Outlay	(38,426)	19,316
Totals	8,579,209	9,244,256

**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 revenue increased due to several additional grants and the expenses increased due to an increase in staffing and program costs.

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 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.

Actual expense amounts reported do not add in pension expense as determined through GASB 68.

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

PacMtn's has limited office equipment including printers & copiers. The capital asset schedule can be found in the Notes to the Financial Statements. From July 1, 2022, to June 30, 2023, the organization had capital asset disposals due to sales of vehicles and obsolete equipment. The organization does not plan to nor intends 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.

**Funding Factors**

PacMtn ended the Fiscal Year (July 1, 2022 – June 30, 2023) earning less revenue than budgeted which was due to several factors. First, we under-performed and closed out our pay point contracts resulting in expenditure in excess of revenues. Second, we did not spend all our grant funds 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.

PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL  
Management's Discussion and Analysis  
Year Ending June 30, 2023

**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, 201 5<sup>th</sup> Ave. SW., Suite 401, Olympia, WA 98501

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Statement of Net Position**  
**As of June 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	211,076
Investments	234,778
Receivables	1,849,058
Prepays	81,597
Noncurrent Assets:	
Pension Asset	521,603
Lease Assets net of amortization	
Buildings	733,061
Total Lease Assets	733,061
Capital Assets net of accum depreciation/Amortization:	
Vehicles	-
Office Equipment	4,335
Leasehold Improvements	-
Total Capital Assets	4,335
<b>TOTAL ASSETS</b>	<b>3,635,508</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pensions	<b>685,896</b>
 <b>LIABILITIES</b>	
Accounts Payable	1,375,492
Other Current Liabilities	137,099
Current Portion of Compensated Absences	3,656
Current Portion of Lease Liability	128,618
Noncurrent Liabilities:	
Other Noncurrent Liabilities	-
Compensated Absences	82,463
Pension Liability	301,408
Lease Liability	621,335
<b>TOTAL LIABILITIES</b>	<b>2,650,071</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pensions	<b>646,756</b>
 <b>Net Position</b>	
Investment in Capital Assets	4,335
Unrestricted	1,020,243
<b>TOTAL NET POSITION</b>	<b>1,024,578</b>

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



**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Balance Sheet**  
**Governmental Funds**  
**As of June 30, 2023**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	211,076
Investments	234,778
Receivables	1,849,058
<b>TOTAL ASSETS</b>	<b>2,294,912</b>
 <b>LIABILITIES &amp; FUND BALANCE</b>	
Accounts Payable	1,375,492
Other Current Liabilities	137,099
Other Noncurrent Liabilities	-
<b>TOTAL LIABILITIES</b>	<b>1,512,591</b>
 <b>FUND BALANCE</b>	
Committed	14,667
Unassigned	767,654
<b>TOTAL FUND BALANCE</b>	<b>782,321</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>2,294,912</b>

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

Fund balance in governmental funds	782,321
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the funds	81,597
Lease Assets used in governmental activities are not financial resources and therefore are not reported in the fund.	733,061
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	4,335
Net Pension liability amounts and deferred inflow and outflow amounts use in governmental activities are not financial resources and therefore are not reported in the fund.	259,335
Net Lease liabilities are not due and payable in the current period and therefore are not reported in the fund.	(749,953)
Compensated absences used in governmental activities are not financial resources and therefore not reported in the funds	(86,119)
<b>Net position - Governmental Activities</b>	<b>1,024,578</b>

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For Year Ended June 30, 2023**

	<b>General Fund</b>
REVENUES	
Operating Grants & Contributions	8,565,314
Investment Earnings	586
TOTAL REVENUES	8,565,900
EXPENDITURES	
Current	
Payroll, Taxes, & Benefits	2,085,477
Program Sub-Contractors	5,684,916
Participant Payments	37,881
Facilities	265,784
Professional Services	396,530
Training & Travel	66,093
Insurance	15,409
Prepaid	15,735
Other	66,701
Lease	(16,891)
Capital Outlay	(38,426)
TOTAL EXPENDITURES	8,579,209
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(13,309)</b>
Net Change in Fund Balance	(13,309)
Fund Balance - Beginning	795,630
<b>Fund Balance - Ending</b>	<b>782,321</b>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Net change in fund balance	(13,309)
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds	(42,962)
Lease Assets used in governmental activities are not financial resources and therefore are not reported in the fund.	733,061
Net Lease liabilities are not due and payable in the current period and therefore are not reported in the fund.	(749,953)
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the funds	15,735
Net adjustments to pension expense used in governmental activities are not financial resources and therefore not reported in the Governmental funds	259,655
Compensated absences used in governmental activities are not financial resources and therefore not reported in the funds	19,858
<b>CHANGE IN NET POSITION - Governmental Activities</b>	<b>222,085</b>

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

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

**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 7, 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 the activities of PacMtn.

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

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.

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.



**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

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, 2023, 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, 2023, PacMtn was holding \$234,778.41 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.

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

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:
  - a. 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 Chief Financial Officer.

6. Other Current Liabilities

These accounts consist of accrued wages and accrued employee benefits.

7. Pensions

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

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

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, 2023, PacMtn had \$234,778 in investments through a 36-month certificate of deposit and will mature on 11/20/2023. 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, 2023, was as follows:

	<b>Beginning Balance 7/1/22</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 6/30/23</b>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Vehicles	29,045	-0-	29,045	-0-
Office Equipment	71,903	4,335	65,576	10,662
Leasehold Improvements	17,364	-0-	17,364	-0-
Total capital assets being depreciated	118,312	4,335	111,985	10,662
Less accumulated depreciation for:				
Vehicles	480	2,160	2,640	-0-
Office Equipment	61,966	1,122	56,761	6,327
Leasehold Improvements	8,569	1,254	9,823	-0-
Total accumulated depreciation	71,015	4,536	69,224	6,327
Governmental activities capital assets, net				<u>4,335</u>

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

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 2022:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ (301,408)
Pension assets	\$ 521,603
Deferred outflows of resources	\$ 685,896
Deferred inflows of resources	\$ (646,756)
Pension expense/expenditures	\$ (114,719)

**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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems  
 Communications Unit  
 P.O. Box 48380  
 Olympia, WA 98540-8380

Or the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

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 2022 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
July – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>
September – June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>

PacMtn contributed \$54,432 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

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

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 2022 were as follows:

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
July – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>
September – June 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>

PacMtn’s contributions to the plans were \$90,501 for year ended June 30, 2023.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

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

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% 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 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.



**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	<b>100%</b>	

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents PacMtn’s proportionate share of the net pension asset calculated using the discount rate of 7.0 percent, as well as what PacMtn’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$402,677	\$301,408	\$213,024
PERS 2/3	\$614,256	\$(521,603)	\$ (1,454,783)

**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, 2023, PacMtn reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$(301,408)
PERS 2/3	\$521,603

At June 30, 2023, PacMtn’s proportionate share of the collective net pension assets was as follows:

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	%.013656	%.010825	.002831%
PERS 2/3	%.017570	%.014064	.003506%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30, 2022, 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 Non-employer Allocations* for all plans except LEOFF 1.

**Pension Expense**

For the year ended June 30, 2023, PacMtn recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 61,937
PERS 2/3	\$(176,656)
TOTAL	\$(114,719)

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2023, PacMtn reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>PERS Plan 1</i>	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	\$(49,952)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$54,432	\$0
TOTAL	\$54,432	\$(49,952)

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

<i>PERS Plan 2/3</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$129,241	\$(11,808)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(385,625)
Changes of assumptions	\$290,722	\$(76,121)
Changes in proportion and differences between contributions and proportionate share of contributions	\$121,000	\$(123,250)
Contributions subsequent to the measurement date	\$90,501	\$0
<b>TOTAL</b>	<b>\$631,464</b>	<b>\$(596,804)</b>

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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<i>PERS 1</i>
2023	\$(21,139)
2024	\$(19,199)
2025	\$(24,085)
2026	\$ 14,471
2027	\$ 0
Thereafter	\$ 0
Total	\$(49,952)

Year ended June 30:	<i>PERS 2/3</i>
2023	\$(117,968)
2024	\$(119,979)
2025	\$(124,866)
2026	\$ 178,987
2027	\$ 60,402
Thereafter	\$ 67,582
Total	\$ (55,841)

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

**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 has implemented GASB 87 for lease accounting. PacMtn sub-leases administrative office space under a noncancelable operating lease, which ended December 31, 2022. Total cost for the lease was \$94,442.58 for the year ended June 30, 2023. PacMtn relocated its administrative office to Olympia and signed a new lease agreement that commenced on November 1, 2022. Total cost for the new lease was \$81,879 for the year ended June 30, 2023. PacMtn also holds a sub-lease for one other location in our region, for a total of \$14,532.30 for the year ended June 30, 2023.

The future minimum lease payments for these leases are as follows:

Term	Administrative Office Tumwater*	Administrative Office Olympia**	Mason County YMCA***
July 1, 2022 – June 30, 2023	\$94,442.58	\$81,879.00	\$14,532.30
July 1, 2023 – June 30, 2024	\$0	\$168,124.88	\$14,968.26
July 1, 2024 – June 30, 2025	\$0	\$174,849.84	\$15,417.27
July 1, 2025 – June 30, 2026	\$0	\$181,843.85	\$15,879.72
July 1, 2026 – June 30, 2027	\$0	\$189,117.58	\$16,356.06
July 1, 2027 – June 30, 2028	\$0	\$97,063.98	\$12,540.96

\*Sub-lease agreement from 1/1/2021 – 12/31/2022

\*\* Lease agreement from 11/1/2022 – 12/31/2027

\*\*\* Sub-lease agreement from 4/1/2021 – 3/31/2028

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

At June 30, 2023, the total amount of lease assets, and the related accumulated amortization are as follows:

	<b>Beginning Balance 7/1/22</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 6/30/23</b>
Leased Buildings	\$0	\$914,427	\$93,497	\$820,930
Total	\$0	\$914,427	\$93,497	\$820,930
Accum. Amor. Leased Buildings	\$0	\$181,366	\$93,497	\$87,869
Total	\$0	\$181,366	\$93,497	\$87,869

At June 30, 2023, the principal and interest requirements to maturity are as follows:

<b>Year ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$164,475	\$26,379	\$190,854
2024	\$128,618	\$54,475	\$183,093
2025	\$145,127	\$45,140	\$190,267
2026	\$163,131	\$34,593	\$197,724
2027	\$182,749	\$22,724	\$205,473
2028	\$100,190	\$9,415	\$109,605
Total	\$884,290	\$192,726	\$1,077,016

PacMtn has annual cost 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.

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

NOTE 7 – CHANGES IN LONG TERM LIABILITIES

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$105,977	\$61,502	\$81,360	\$86,119	\$3,656
Pension Liability	\$166,772	\$134,636	\$0	\$301,408	\$0
Lease Liability	\$0	\$914,427	\$164,474	\$749,953	\$128,618

The amount of estimated Compensated Absences current portion as noted in Due Within One Year is an estimate based on the average utilization (additions less use) in the last five years.

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 – 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 publicly disclose all such associations for inclusion in the meeting minutes. Staff and Board members adhere to internal administrative policies regarding the code of ethics and conflicts of interest.

**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Financial Statements**  
**Year Ending June 30, 2023**

B. Committed Fund Balance

PacMtn has committed funds comprised of the Equipment Repair & Replacement in the amount of \$14,667 and unassigned funds comprised of unrestricted earnings in the amount of \$767,654. 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.

**Pacific Mountain Workforce Development Council**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>
Budgetary Fund Balance, July 1	803,406	803,406	803,406
Resources (Inflows)			
Grant and Contract Revenue	10,071,124	14,140,194	8,565,314
Investment and Other Income	-	-	586
Amounts Available for Appropriation:	<u>10,071,124</u>	<u>14,140,194</u>	<u>8,565,900</u>
Charges to Appropriations (Outflows)			
Payroll, Taxes & Benefits	1,889,587	1,914,810	2,065,619
Program Sub-Contractors	6,545,689	7,088,035	5,676,327
Participant Payments/In house programs	100,500	108,665	37,881
Facilities	237,689	207,096	187,187
Professional Services	155,300	230,477	396,530
Training & Travel	66,480	105,116	66,093
Insurance	14,500	14,500	15,409
Other	409,216	310,490	175,315
Total Charges to Appropriations	<u>9,418,961</u>	<u>9,979,188</u>	<u>8,620,361</u>
Budgetary Fund Balance, June 30	<u><u>1,455,569</u></u>	<u><u>4,964,412</u></u>	<u><u>748,945</u></u>



**PACIFIC MOUNTAIN WORKFORCE DEVELOPMENT COUNCIL**  
**Note to Budgetary Comparison Schedule**  
**Year Ended June 30, 2023**

**NOTE 1 – BUDGET AMOUNTS AND VARIANCES**

The budgetary comparison schedule is prepared using the modified accrual basis of accounting with exception for compensated absences, capital assets, and prepaid expenses. These are reported using the accrual basis of accounting.

**NOTE 2 – BUDGETARY CONTROLS OBJECTIVE**

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 the fiscal year.
3. Actual inflows, outflows, and balances.

**NOTE 3 – RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

Total amounts reported for governmental activities in the Statement of Revenues, Expenditures and Changes in Fund Balances are different by \$(24,260) because of \$19,858 from compensated absences, \$(4,536) from depreciation expenses, \$15,735 from prepaid expenses, \$(16,891) from leases, and \$(38,426) from capital outlays.

The Budgetary Comparison is developed based on the format of the organizations approved budget rather than matching the presentation provided in the Statement of Revenues, Expenditures and Changes in Fund Balance. The two major differences in presentation are first the Budget Comparison combines all direct services costs, which includes a portion of salaries, benefits, facilities, professional services, travel, and other and includes it in the category of Participant Payments. Additionally, the budget records all revenue as the grants are awarded, whereas the Statement of Revenue is recorded as the revenue is earned on a cost reimbursement basis.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Pacific Mountain Workforce Development Council  
 Schedule of Proportionate Share of the Net Pension Liability (Asset)  
 Public Employees Retirement System - Plan 1  
 As of June 30, 2022  
 Last 10 Fiscal Years\*

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	0.013883%	0.015517%	0.015500%	0.018272%	0.014123%	0.016791%	0.013656%	0.010825%
Employer's proportionate share of the net pension liability (asset)	\$	699,363	811,683	832,423	867,021	630,738	592,813	166,772	301,408
TOTAL	\$	699,363	811,683	832,423	867,021	630,738	592,813	166,772	301,408
Covered payroll	\$	1,507,525	1,791,829	1,888,229	2,135,123	2,045,260	2,566,232	2,078,712	1,682,195
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	46.39%	45.30%	44.08%	40.61%	30.84%	23.10%	8.02%	17.92%
Plan fiduciary net position as a percentage of the total pension liability	%	61.19%	59.10%	57.03%	61.24%	63.22%	68.64%	88.74%	76.56%

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 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 - State Sponsored Plans

Pacific Mountain Workforce Development Council  
 Schedule of Proportionate Share of the Net Pension Liability (Asset)  
 Public Employees Retirement System - Plan 2/3

As of June 30, 2022  
 Last 10 Fiscal Years\*

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	%	0.017698%	0.020046%	0.019837%	0.0235030%	0.0182180%	0.0217880%	0.0175700%	0.0140640%
Employer's proportionate share of the net pension liability (asset)	\$	357,740	716,255	998,777	816,617	311,056	278,656	(1,750,255)	(521,603)
	\$								
TOTAL	\$	357,740	716,255	998,777	816,617	311,056	278,656	(1,750,255)	(521,603)
Covered payroll	\$	1,507,525	1,791,829	1,888,229	2,135,123	2,045,260	2,566,232	2,078,712	1,682,195
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	23.73%	39.97%	52.89%	38.25%	15.21%	10.86%	-84.20%	-31.01%
Plan fiduciary net position as a percentage of the total pension liability	%	93.29%	89.20%	85.82%	90.97%	95.77%	97.22%	120.29%	106.73%

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 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 - State Sponsored Plans

Pacific Mountain Workforce Development Council  
 Schedule of Employer Contributions  
 Public Employees Retirement System - Plan 1  
 As of June 30, 2023  
 Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily or contractually required contributions \$	71,816	90,068	101,845	102,883	111,264	122,153	100,829	62,409	54,432
Contributions in relation to the statutorily or contractually required contributions \$	(71,816)	(90,068)	(101,845)	(102,883)	(111,264)	(122,153)	(100,829)	(62,409)	(54,432)
Contribution deficiency (excess) \$									
Covered payroll \$	1,791,829	1,888,229	2,135,123	2,045,260	2,175,717	2,566,232	2,078,712	1,682,195	1,422,975
Contributions as a percentage of covered payroll %	4.01%	4.77%	4.77%	5.03%	5.11%	4.76%	4.85%	3.71%	3.83%

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 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 - State Sponsored Plans

Pacific Mountain Workforce Development Council  
 Schedule of Employer Contributions  
 Public Employees Retirement System - Plan 2/3  
 As of June 30, 2023  
 Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily or contractually required contributions	\$ 89,987	117,637	133,018	153,224	163,509	203,246	164,634	106,988	90,501
Contractually required contributions	\$ (89,987)	(117,637)	(133,018)	(153,224)	(163,509)	(203,246)	(164,634)	(106,988)	(90,501)
Contribution deficiency (excess)	\$								
Covered payroll	\$ 1,791,829	1,888,229	2,135,123	2,045,260	2,175,717	2,566,232	2,078,712	1,682,195	1,422,975
Contributions as a percentage of covered payroll	% 5.02%	6.23%	6.23%	7.49%	7.52%	7.92%	7.92%	6.36%	6.36%

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 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, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
None; (via American Lightweight Materials Manufacturing Innovation Institute (ALMMII))	Basic and Applied Scientific Research	12.300	M-017-01	156,483	-	156,483	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-6221C-135	753,458	-	753,458	-	
<b>WIOA Cluster</b>								
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Adult Program	17.258	6102-7101	204,729	-	204,729	120,613	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Adult Program	17.258	6102-7102	933,762	-	933,762	714,043	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Adult Program	17.258	6102-7301	31,238	-	31,238	-	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Adult Program	17.258	6102-7302	85,355	-	85,355	-	2,3
<b>Total ALN 17.258:</b>				<b>1,255,084</b>	<b>-</b>	<b>1,255,084</b>	<b>834,656</b>	

The accompanying notes are an integral part of this schedule.

**Pacific Mountain Workforce Development Council  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Youth Activities	17.259	6102-7001	395,292	-	395,292	272,572	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Youth Activities	17.259	6102-7002	689,080	-	689,080	471,090	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Youth Activities	17.259	6102-7003	16,892	-	16,892	-	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Youth Activities	17.259	6102-7301	32,242	-	32,242	-	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Youth Activities	17.259	6102-7302	85,074	-	85,074	-	2,3
			<b>Total ALN 17.259:</b>	<b>1,218,580</b>	<b>-</b>	<b>1,218,580</b>	<b>743,661</b>	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Dislocated Worker Formula Grants	17.278	6102-7201	191,185	-	191,185	110,363	2,3,4

The accompanying notes are an integral part of this schedule.

**Pacific Mountain Workforce Development Council  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Dislocated Worker Formula Grants	17.278	6102-7202	858,449	-	858,449	636,508	2,3,4
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Dislocated Worker Formula Grants	17.278	6102-7301	34,209	-	34,209	-	2,3,4
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA Dislocated Worker Formula Grants	17.278	6102-7302	88,169	-	88,169	-	2,3,4
			<b>Total ALN 17.278:</b>	<b>1,172,012</b>	<b>-</b>	<b>1,172,012</b>	<b>746,871</b>	
			<b>Total WIOA Cluster:</b>	<b>3,645,676</b>	<b>-</b>	<b>3,645,676</b>	<b>2,325,188</b>	
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF	Reentry Employment Opportunities	17.270	-	-	247,166	247,166	76,081	2
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	6102-7542-02	736,003	-	736,003	573,014	2,3
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	6102-7572-03	116,434	-	116,434	10,000	2,3

The accompanying notes are an integral part of this schedule.



**Pacific Mountain Workforce Development Council  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023**

Expenditures								
Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
EMPLOYMENT AND TRAINING ADMINISTRATION, LABOR, DEPARTMENT OF (via Washington State Employment Security)	COVID 19 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	6102-7580-69	259,362	-	259,362	113,716	2,3
			<b>Total ALN 17.277:</b>	<b>1,111,799</b>	<b>-</b>	<b>1,111,799</b>	<b>696,729</b>	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington Thurston County)	CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	32021001000010 000	872,973	-	872,973	-	2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington Thurston County)	CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	32022001000000 000	6,585	-	6,585	-	2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington Thurston County)	CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	20-6541C-276	469,705	-	469,705	-	2
			<b>Total ALN 21.027:</b>	<b>1,349,263</b>	<b>-</b>	<b>1,349,263</b>	<b>-</b>	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via Washington DCYF)	Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	2112-22750	104,334	-	104,334	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Occupational Safety and Health Program	93.262		-	140	140	-	2

The accompanying notes are an integral part of this schedule.

**Pacific Mountain Workforce Development Council  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Temporary Assistance for Needy Families	93.558	S22-32710-010	43,334	-	43,334	-	2,3
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Temporary Assistance for Needy Families	93.558	S23-32710-404	14,981	-	14,981	-	2,3
<b>Total ALN 93.558:</b>				<b>58,315</b>	<b>-</b>	<b>58,315</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>7,179,328</b>	<b>247,306</b>	<b>7,426,634</b>	<b>3,097,998</b>	

The accompanying notes 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, 2023**

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 – FEDERAL DE MINIMIS INDIRECT COST RATE

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

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, 2023, \$504,461 in indirect program costs and \$133,802 in indirect admin costs were allocated to programs based on \$1,785,794 direct labor costs. PacMtn has an approved provisional indirect cost rate of 37.28% from the U.S. Department of Labor. This rate is used for planning purposes and amounts charged are based on actuals.

NOTE 4 – 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. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER  
UNIFORM GUIDANCE**

**Pacific Mountain Workforce Development Council  
July 1, 2022 through June 30, 2023**

This schedule presents the corrective action planned by the Council for findings reported in this report 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).

<b>Finding ref number:</b> 2023-001	<b>Finding caption:</b> The Council did not have adequate internal controls ensuring accurate reporting of its financial statements.
<b>Name, address, and telephone of Council contact person:</b> Melody Pajaro, Finance Director 201 5th Avenue SW Olympia, WA 98501 (206) 910-3174	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>PacMtn will establish a system to not only address current material weaknesses resulting from the audit regarding GASB 87 but also to find and prevent future changes in GASB (Governmental Accounting Standards Board) rules. PacMtn will establish a robust process for ongoing compliance and regulatory monitoring by implementing the following:</i> <ol style="list-style-type: none"> <li><b>1. Stay Informed:</b> <i>Designate CFO to be responsible for monitoring updates and changes to GASB rules. Subscribe to GASB newsletters, participate in training sessions, and actively engage with professional organizations to stay informed about upcoming changes.</i></li> <li><b>2. Increase Capacity:</b> <i>PacMtn will increase the capacity of the finance and accounting department, by increasing the FTE count.</i></li> <li><b>3. Regular Training and Education:</b> <i>Provide regular training and educational programs to ensure that staff are aware of GASB rules and understand their implications for financial reporting. This includes initial training for new hires and ongoing education for existing staff.</i></li> <li><b>4. Update Policies and Procedures:</b> <i>Review and update policies and procedures</i></li> </ol>	

*related to GASB compliance to reflect changes in standards and regulations. Ensure that documented processes are aligned with current best practices and incorporate any new requirements.*

5. **Internal Controls Review:** *Conduct periodic reviews of internal controls related to GASB compliance to identify weaknesses or areas for improvement. This may involve performing risk assessments, testing controls, and implementing remedial actions as needed.*
6. **Engage External Experts:** *Seek guidance from external experts such as auditors, consultants, or legal advisors with expertise in GASB compliance. Tap into their knowledge and experience to ensure that your organization remains up-to-date with regulatory requirements.*
7. **Monitor Industry Trends:** *Stay abreast of industry trends and developments in governmental accounting and financial reporting. Attend conferences, webinars, and seminars to learn about emerging issues and best practices in GASB compliance.*

**Anticipated date to complete the corrective action:** 06/30/2024 and ongoing

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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