



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Spokane Area Workforce Development Council

Spokane County

For the period July 1, 2014 through June 30, 2015

Published February 25, 2016

Report No. 1016193





Washington State Auditor's Office

February 25, 2016

Spokane Area Workforce Development Council
Spokane, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Spokane Area Workforce Development Council Spokane County July 1, 2014 through June 30, 2015

The results of our audit of the Spokane Area Workforce Development Council are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements of the governmental activities and each major fund.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
17.258	WIA/WIOA Adult Program
17.259	WIA/WIOA Youth Activities
17.278	WIA/WIOA Dislocated Worker Formula Grants

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

The Council did not qualify as a low-risk auditee under OMB Circular A-133.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Spokane Area Workforce Development Council
Spokane County
July 1, 2014 through June 30, 2015**

Spokane Area Workforce Development Council
Spokane, 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 Spokane Area Workforce Development Council, Spokane County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 11, 2016. As discussed in Note 11 to the financial statements, during the year ended June 30, 2015, the Council implemented Governmental Accounting Standards Board *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 11, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Spokane Area Workforce Development Council
Spokane County
July 1, 2014 through June 30, 2015**

Spokane Area Workforce Development Council
Spokane, Washington

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

We have audited the compliance of the Spokane Area Workforce Development Council, Spokane County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The Council's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "T" and "K".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 11, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane Area Workforce Development Council Spokane County July 1, 2014 through June 30, 2015

Spokane Area Workforce Development Council
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Spokane Area Workforce Development Council, Spokane County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Spokane Area Workforce Development Council, as of June 30, 2015, 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.

Matters of Emphasis

As discussed in Note 11 to the financial statements, in 2015, the Council adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 22, budgetary comparison information on page 42 and pension trust fund information on pages 43 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency

with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 11, 2016

FINANCIAL SECTION

Spokane Area Workforce Development Council Spokane County July 1, 2014 through June 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet –Governmental Fund – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Fund – 2015

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance
of the Governmental Fund to the Statement of Activities – Governmental Funds –
2015

Notes to Financial Statements-2015

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS – 2015

Schedule of Employer Contributions – PERS 1, 2/3 – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ending June 30, 2015

The management of the Spokane Area Workforce Development Council (Council) is pleased to provide the users of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2015 (FY15). We encourage users 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.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. These audited financial statements cover the twelve months ending June 30, 2015. The Council was created by Spokane County and the City of Spokane to provide worksource services starting July 1, 2013. The Council operates on a fiscal year from July 1 to June 30. The most recent prior year's financials are provided for comparison purposes.

The basic financial statements are comprised of the following components:

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

Government-wide Financial Statements

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

The statement of activities presents information showing how the Council's net position changed for the twelve months ended June 30, 2015. 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. The Council uses a single fund, the general fund, to ensure and demonstrate compliance with finance-related requirements and to provide management with information for controlling spending activities.

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

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ending June 30, 2015

fund is considered to be a major fund based on criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 34.

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

Notes to Financial Statements

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

Budgetary Comparison and Schedule and Related Note

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

A Budgetary comparison schedule provides the following types of information:

1. The original budget – the first complete legally appropriated budget for the fiscal year.
2. The final budget – the original budget adjusted for all formally adopted changes applicable for the fiscal year.
3. Actual inflows, outflows, and balances.

A note to the budgetary comparison schedule is also provided.

CONDENSED COMPARATIVE FINANCIAL DATA

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. The Council's liabilities exceeded assets by \$97,164 at June 30, 2015 as compared to the prior year when assets exceeded liabilities by \$161,979. This large reversal is due to the new GASB 68 requirement that local governments that participate in one or more of the state's cost-sharing multiple employer pension plans must present their proportionate share of the present value of the net pension liability attributed to current and past employees. This liability as calculated by the State of Washington Department of Retirement Systems was \$280,155. Without GASB 68 the net position would reflect a balance of \$270,497 which more accurately represents the financial condition of the Council.

In 2013, the Washington State Employment Security Department, as pass-through funding agency of WIA grants, approved the Council's use of a funded compensated absences plan. As of June 30, 2015, the general leave liability and net position restricted for compensated absences is approximately \$40,742. Another portion of net position is the investment in capital assets of approximately \$96,786. These assets

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ending June 30, 2015

are not available for future spending. The balance of net position can be used to finance normal Council operations without constraints established by enabling legislation or other legal requirements.

The following table reflects the condensed Government-Wide Statement of Net Position of the Council:

Governmental Activities	Year ended June 30, 2015	Year ended June 30, 2014
Assets:		
Cash & Cash Equivalents	\$ 256,889	\$ 198,154
Receivables	300,099	359,167
Prepaid Expenses	4,163	10,685
Capital Assets (net of depreciation)	96,786	7,487
Total Assets	657,937	575,493
Deferred Outflows of Resources:		
Pension- PERS	36,748	-0-
Total Deferred Outflows of Resources	36,748	-0-
Liabilities:		
Accounts Payable	272,676	327,744
Accrued Wages & Benefits Payable	22,738	46,497
Long Term Liabilities –		
Compensated Absences	40,742	39,273
Unearned Revenue	51,284	-0-
Net Pension Liability	280,155	-0-
Total Liabilities	667,595	413,514
Deferred Inflows of Resources:		
Pension- PERS	124,254	-0-
Total Deferred Inflows of Resources	124,254	-0-
Net Position:		
Net investment in Capital Assets	96,786	7,487
Restricted for Compensated Absences	40,742	39,273
Unrestricted	(234,692)	115,219
Total Net Position	\$ (97,164)	\$ 161,979

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ending June 30, 2015

Statement of Activities

As with the Statement of Net Position, the Statement of Activities for the current year includes the new GASB 68 requirement that local governments that participate in one or more of the state's cost-sharing multiple employer pension plans must present their proportionate share of the present value of the net pension expense attributed to current and past employees. This expense as calculated by the State of Washington Department of Retirement Systems was \$367,661 which resulted in the large negative change in net position for the current year. The following table summarizes the Council's overall operating results for the years ended June 30, 2015 and 2014:

	Year Ending June 30, 2015	Year Ending June 30, 2014
Governmental Activities:		
Operating Grants and Contributions	\$4,200,957	\$4,076,852
Capital Grants & Contributions	-0-	9,359
Program Expenses	4,460,278	4,084,328
Changes in Governmental Activities	<u>(259,321)</u>	<u>1,883</u>
General Revenues:		
Unrestricted Investment Earnings	178	248
Extraordinary Item: Non-revenue Start-Up		
Funds from Other Government	<u>-0-</u>	<u>159,848</u>
Total General Revenues and Extraordinary Items	178	160,096
Change in Net Position	(259,143)	161,979
Net Position – Beginning	<u>161,979</u>	<u>-0-</u>
Net Position- Ending	<u><u>\$(97,164)</u></u>	<u><u>\$161,979</u></u>

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Council's capitalized assets consist of software and leasehold improvements equal to the Council's share of the buildout for the Worksource Spokane services center downsize move. This downsizing resulted in a substantial savings to future lease payments. The capital asset schedule can be found in the Notes to the Financial Statements. The organization does not have any debt, plans to take on debt, nor commitments for capital expenditures. The Council will be reviewing their future capital asset needs in conjunction with the updating of their Strategic and Operations Plans.

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ending June 30, 2015

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As the preceding analysis indicates, this was the second full year of operations from July 1, 2014 to June 30, 2015. The ending net position of \$(97,164) is comprised of net investment in capital assets of \$96,786, restricted assets for compensated absences of \$40,742, and unrestricted assets of \$(234,692).

FUND ANALYSIS

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Council has only one fund: the general fund, a governmental fund.

The following represents general fund revenues for the years ending June 30, 2015 and 2014:

	Year Ending June 30, 2015	Year Ending June 30, 2014
Intergovernmental Revenues	\$4,108,295	\$4,063,259
Contributions and Donations	143,946	13,593
Interest Earnings	178	248
Total Revenues	\$4,252,419	\$4,077,100

The following represents general fund expenditures for the years ended June 30, 2015 and 2014:

	Year Ending June 30, 2015	Year Ending June 30, 2014
Salaries and Wages	\$384,438	\$426,698
Personnel Benefits	133,863	143,895
Capital Outlays	95,205	-0-
Supplies	60,478	32,981
Services	2,505,577	2,416,016
Intergovernmental Services	1,013,512	1,015,130
Total Expenditures	\$4,193,073	\$4,034,720

The Council received Non-Revenue start-up funding from another government included in the general fund classified as an extraordinary item in the amount of \$159,848 for the year ended June 30, 2014.

BUDGET VARIANCES IN THE GENERAL FUND

The original budget reflects the preliminary budget adopted prior to the start of the fiscal year. The final budget is the original budget adjusted by all changes applicable for the fiscal year.

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Management's Discussion and Analysis
Year Ending June 30, 2015

Both the revenue and expenditures came in under budget. The revenue variance is directly related to the under-expenditure of cost-reimbursement grants. Under-expenditures mainly occurred on the subcontract and participant side. This is partially due to FY15 under-expenditures, and partially due to anticipating a shift of spending forward into FY16.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Workforce Investment Act Reauthorization

The Council currently operates primarily under the authorization of Title 1B of the Workforce Investment Act of 1998 (Public Law 105-220, 112 Stat. 936, 29 U.S.C. §2801).

President Barack Obama signed the Workforce Innovation and Opportunity Act (WIOA) into law on July 22, 2014. WIOA is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. Congress passed the Act by a wide bipartisan majority; it is the first legislative reform in 15 years of the public workforce system.

Every year the key programs that form the pillars of WIOA help tens of millions of job seekers and workers to connect to good jobs and acquire the skills and credentials needed to obtain them. The enactment of WIOA provides opportunity for reforms to ensure the American Job Center system is job-driven—responding to the needs of employers and preparing workers for jobs that are available now and in the future.

WIOA supersedes the Workforce Investment Act of 1998 and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973. In general, the Act takes effect on July 1, 2015, the first full program year after enactment, unless otherwise noted. The U.S. Department of Labor (DOL) will issue further guidance on the timeframes for implementation of these changes and proposed regulations reflecting the changes in WIOA soon after enactment.

The Council has and will continue to direct significant resources and staff time into ensuring that this organization is compliant with the new regulations.

Funding Factors

The Council ended the Fiscal Year (July 1, 2014 – June 30, 2015) earning less revenue than budgeted for WIA Formula programs. These funds are carried forward and are available to use in the next fiscal year. Discretionary grants are added throughout the year and help supplement WIA/WIOA formula funds. The Council continues to increase the percentage non WIA/WIOA funding through grant writing and community outreach activities. The Council has been successful in being awarded consecutive non WIA/WIOA grants based on its reputation for meeting and exceeding program performance requirements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Council's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Chief Executive Officer, Spokane Area Workforce Development Council, 2000 N. Greene Street, Spokane, WA 99217.

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	256,889
Receivables	300,099
Prepaid Expenses	4,163
Capital Assets (net of accumulated depreciation)	<u>96,786</u>
TOTAL ASSETS	<u><u>657,937</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension -PERS	<u>36,748</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>36,748</u></u>
 LIABILITIES	
Accounts Payable	272,676
Accrued Wages and Benefits Payable	22,738
Compensated Absences	40,742
Unearned Revenue	51,284
Net Pension Liability	<u>280,155</u>
TOTAL LIABILITIES	<u><u>667,595</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Pension- PERS	<u>124,254</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>124,254</u></u>
 NET POSITION	
Investment in Capital Assets	96,786
Restricted for Compensated Absences	40,742
Unrestricted	<u>(234,692)</u>
TOTAL NET POSITION	<u><u>(97,164)</u></u>

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

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Statement of Activities
Year Ending June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Employment Opportunity	\$ 4,460,278	\$ 4,200,957	\$ -	\$ (259,321)
Total Governmental Activities	<u>\$ 4,460,278</u>	<u>\$ 4,200,957</u>	<u>\$ -</u>	<u>\$ (259,321)</u>
General Revenues				
Unrestricted Interest Income				<u>178</u>
Total General Revenues				<u>178</u>
Change in Net Position				<u>(259,143)</u>
Net Position - Beginning of Year				161,979
Net Position - End of Year				<u>\$ (97,164)</u>

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

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL

Balance Sheet

Governmental Fund

For the Year Ending June 30, 2015

	GENERAL FUND
	#001
ASSETS	
Cash and Cash Equivalents	\$ 256,889
Receivables	300,099
TOTAL ASSETS	<u>556,988</u>
LIABILITIES	
Accounts Payable	272,676
Accrued Wages and Benefits Payable	22,738
TOTAL LIABILITIES	<u>295,414</u>
FUND BALANCE	
Restricted-Compensated Absences	40,742
Unassigned	220,832
TOTAL FUND BALANCE	<u>261,574</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 556,988</u>

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

FUND BALANCE - GOVERNMENTAL FUND	\$ 261,574
Prepaid accounts used in governmental activities are not financial resources and therefore are not reported in the fund.	4,163
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	96,786
Deferred pension outflows are not financial resources in the current period and are therefore not reported in the fund.	36,748
Compensated absence liabilities are not due and payable in the current period and therefore are not reported in the fund.	(40,742)
Unearned revenue was received and available for use in the current period and therefore is not reported in the fund.	(51,284)
Net pension liabilities are not due and payable in the current period and therefore are not reported in the fund.	(280,155)
Deferred pension inflows are not financial commitments in the current period and are therefore not reported in the fund.	(124,254)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (97,164)</u>

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

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ending June 30, 2015

	GENERAL FUND
	#001
REVENUES	
Intergovernmental Revenues	\$ 4,108,295
Contributions and Donations	143,946
Interest earnings	178
TOTAL REVENUES	<u>4,252,419</u>
EXPENDITURES	
Current:	
Employment Opportunity	
Salaries & Wages	384,438
Personnel Benefits	133,863
Capital Outlays	95,205
Supplies	60,478
Services	2,505,577
Intergovernmental Services	1,013,512
TOTAL EXPENDITURES	<u>4,193,073</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>59,346</u>
NET CHANGE IN FUND BALANCE	59,346
FUND BALANCE - BEGINNING	<u>202,228</u>
FUND BALANCE - ENDING	<u>\$ 261,574</u>

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

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Reconciliation of the Statement of Revenues, Expenditures and Changes
in the Fund Balances Governmental Fund
For the Year Ending June 30, 2015

NET CHANGES IN FUND BALANCE - GENERAL FUND	\$ 59,346
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Amounts reported for governmental activities in the statement of activities are different because:

The entity-wide statement of activities reports capital outlay as depreciation expense over the life of the asset. This is the amount by which the value of capital assets exceeded depreciation in the current period.

\$89,299

Contractual termination benefits which required current financial resources in governmental funds but were not expenses on the entity-wide statement of activities as they were accrued in the prior year.

\$19,148

Unearned revenue was received and available for use in the current period and therefore is not reported in the fund.

(\$51,284)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:

Compensated absences	(\$1,469)
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Pension expense	(\$367,661)
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Dues & Subscriptions	(\$6,522)
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CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (259,143)</u>
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The notes to the financial statements are an integral part of this financial statement.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Spokane Area Workforce Development Council (Council) 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 accounting policies are described below.

A. Reporting Entity

The Council began operations as a stand-alone entity on July 1, 2013.

On June 21, 2013, in accordance with the Workforce Investment Act (WIA) of 1998, P.L. 105-220, U.S.C. section 2801 et. Seq., the Spokane County (County) and the City of Spokane (City) entered into an interlocal agreement, forming the Spokane Area Consortium (Consortium) to oversee workforce activities and authorizing the establishment of the Spokane Area Workforce Development Council (Council). In accordance with RCW 39.34.030(3)(b), the Council was incorporated as a Washington non-profit corporation. The Internal Revenue Service issued a determination of tax exempt status to the Council under section 501(c)(3) of the Internal Revenue Code and a further determination of Public Charity Status under section 170(b)(1)(A)(vi) of the Internal Revenue Code.

In accordance with Section 117(d)(3)(B) of the WIA and the Interlocal Cooperation Act of 1967 (RCW 39.34), the Council was designated as the local grant recipient and local fiscal agent.

The Council is operated by a twenty-nine-member board of directors (Board). The City and County, acting through the Consortium appoint one representative each, which may include an alternate, to sit on the board of directors, and appoint the remaining members of the board of directors pursuant to nomination and appointment processes established under the WIA and in accordance with Council bylaws. The Consortium approves or rejects the Board's recommendation for employment or termination of the Council's Chief Executive Officer.

B. Government-Wide and Fund Financial Statements

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

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. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for the general fund, a governmental fund.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing 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 liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Council.

The Council reports one major governmental fund:

The general (or current expense) fund is the Council's operating fund. It accounts for all financial resources of the general government.

Amounts reported as program revenues include 1) charges to customers, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for the general fund on the modified accrual basis of accounting. Appropriations for the general fund lapse at year-end.

The budget is adopted at the fund level in the general (current expense) fund, and the budget constitutes the legal authority for expenditures at that level.

Grant and contract revenues are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

2. Amending the Budget

The Chief Executive Officer is authorized to transfer budgeted amounts between object classes; however, any revisions that substantially alter the total expenditures of the general fund, or that affect salary ranges or other conditions of employment must be approved by the Board.

When the Council's Board determines that it is in the best interest of the Council to increase or decrease the appropriation for the general fund, the Board shall provide the Consortium with a copy of the proposed budget amendment for comment. The Board approves budget amendment resolutions with a simple majority during public meetings.

3. Excess of Expenditures over Appropriations

Expenditures did not exceed appropriations in the general fund.

4. Budgetary Comparison Schedule

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

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits.

The Council may place demand deposits only with banks and savings and loan institutions approved as qualified depositories by the Washington State Public Deposit Protection Commission (WSPDPC). Qualified public depositories are limited to banks operating within Washington State, which have executed a Deposit Pledge Agreement with the WSPDPC. Under Washington State statute, members of the WSPDPC, a multiple financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

It is the Council's policy to invest all temporary cash surpluses. At June 30, 2015, the Council was holding \$161,633 in short-term residual investments of surplus cash on deposit with Umpqua bank. This amount is classified on the balance sheet as cash and cash equivalents.

The amounts reported as cash and cash equivalents also include compensating absences maintained with certain banks in lieu of payments for services rendered in the amount of \$40,742.

2. Receivables

Receivables consist of amounts owed from government agencies, and private organizations for goods and services, including amounts owed for which billings had not been prepared, as of June 30, 2015.

3. Capital Assets See Note 4

Capital assets, which consist of intangible assets (e.g. software) and leasehold improvements, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset and have a cost of \$15,000 or more.

The costs for normal maintenance and repairs are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method, over the following estimated useful lives:

Assets	Months
Software	60
Leasehold Improvements	118

4. Compensated Absences

The liability for compensated absences consists of absences for which employees will be paid. For the Council, this consists of vacation leave. All vacation pay is accrued when earned in the government-wide financial statements.

Employees accrue vacation leave by reason of tenure based upon a prescribed formula which allows an employee to accumulate up to 45 days of accrued leave. Payments are payable upon separation from service. Council policy provides employees with paid sick leave. However, accrued sick leave is not payable upon separation from service and therefore no accruals are made for sick leave.

The Washington State Employment Security Department, as a pass-through funding agency of the WIA grants, instructed Council to begin a funded compensated absences plan at inception of the new entity.

5. Unearned Revenue

The Council received funding from private non-federal sources before the related expenditures were incurred. Those advance funds have been recorded as unearned revenues in the amount of \$51,284.

6. Net Pension Liability

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

7. Other Accrued Liabilities

These accounts consist of accrued wages and employee benefits.

8. Fund Balance Classifications

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

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

- Assigned fund balance: amounts a government intends to use for a specific purpose. Intent can be expressed by the governing board or by an official to whom the governing body delegates the authority.
- Unassigned fund balance: amounts that are available for any purpose; positive amounts are reported only in the general fund.

9. Fund Balance Details

The government considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed and assigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

A. Governmental Fund Balance Sheet

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

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

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

Note 3 – Deposits and Investments

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

Note 4 – Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

Governmental Activities	Beginning Balance 7/1/2014	Increases	Decreases	Ending Balance 6/30/2015
Capital assets, being depreciated:				
Intangible assets	\$9,359	\$0	\$0	\$9,359
Leasehold Improvements	\$0	\$95,205	\$0	\$95,205
Total capital assets, being depreciated	\$9,359	\$95,205	\$0	\$104,564
Less accumulated depreciation for:				
Intangible assets	\$1,872	\$1,872	\$0	\$3,744
Leasehold Improvements	\$0	\$4,034	\$0	\$4,034
Total accumulated depreciation	\$1,872	\$5,906	\$0	\$7,778
Governmental activities capital assets, net	\$7,487	\$89,299	\$0	\$96,786

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Economic Environment	\$5,906
Total Depreciation – Governmental Activities	\$5,906

Note 5 – Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 280,155
Pension assets	\$ -0-
Deferred outflows of resources	\$ 36,748
Deferred inflows of resources	\$ 124,254
Pension expense/expenditures	\$ 367,661

State Sponsored Pension Plans

Substantially all Council full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2014-2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
July 2014 through June 2015	9.21%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The Council's actual contributions to the plan were \$16,311 for the fiscal year ended June 30, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for

retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
July 2014 through June 2015	9.21%	4.92%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The Council's actual contributions to the plan were \$20,437 for the fiscal year ended June 30, 2015.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2014 with a valuation date of June 30, 2013. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement

date of June 30, 2014. Plan liabilities were rolled forward from June 30, 2013, to June 30, 2014, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the table below. The inflation component used to create the table is 2.7% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	.80 %
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
	100%	

Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 182,880	\$ 184,727	\$ 186,574
PERS 2/3	\$ 94,474	\$ 95,428	\$ 96,383
SERS 2/3	\$ -0-	\$ -0-	\$ -0-
PSERS 2	\$ -0-	\$ -0-	\$ -0-
LEOFF 1	\$ -0-	\$ -0-	\$ -0-
LEOFF 2	\$ -0-	\$ -0-	\$ -0-
	\$ -0-	\$ -0-	\$ -0-

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, 2015, the Council reported a total pension liability of \$280,155 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 184,727
PERS 2/3	\$ 95,428

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	% 0	% .003667	% .003667
PERS 2/3	% 0	% .004721	% .004721

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2014. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2014, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2014, the state of Washington contributed 39.52 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.48 percent of employer contributions.

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

Pension Expense

For the fiscal year ended June 30, 2015, the Council recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 191,515
PERS 2/3	\$ 176,146
SERS 2/3	\$ -0-
PSERS 2	\$ -0-
LEOFF 1	\$ -0-
LEOFF 2	\$ -0-
TOTAL	\$ 367,661

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -0-	\$ -0-
Net difference between projected and actual investment earnings on pension plan investments	\$ -0-	\$ 23,099
Changes of assumptions	\$ -0-	\$ -0-
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -0-	\$ -0-
Contributions subsequent to the measurement date	\$ 16,311	\$ -0-
TOTAL	\$ 16,311	\$ 23,099

PERS 2/3	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-	\$ 101,155
Changes of assumptions	\$ -0-	\$ -0-
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -0-	\$ -0-
Contributions subsequent to the measurement date	\$ 20,437	\$ -0-
TOTAL	\$ 20,437	\$ 101,155

Deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	PERS 1
2016	\$ -0-
2017	\$ -0-
2018	\$ -0-
2019	\$ -0-
2020	\$ -0-
Thereafter	\$ -0-

Year ended June 30:	PERS 2
2016	\$ -0-
2017	\$ -0-
2018	\$ -0-
2019	\$ -0-
2020	\$ -0-
Thereafter	\$ -0-

Note 6 – Risk Management

The Council has obtained insurance through Philadelphia and The Hartford insurance companies. The insurance policies cover the Council for equipment (at replacement cost), general liability, employee dishonesty, travel/accident liability, directors and officers liability, and fiduciary liability.

The Council enforces several human resource policies designed to limit exposure to litigation in employment practices. The Worker's Compensation fund covers on-the-job injuries to employees.

Note 7 – Leases

The Council leases an office building and other equipment under non-cancelable operating leases. The total cost for such leases was \$107,214 for the year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

Year ending June 30	Amount
2015-2016	\$ 86,794
2016-2017	88,095
2017-2018	38,605
2018-2019	1,044
2019-Beyond	-0-
Total	\$214,538

The Council sub-leases out a portion of its office building under a non-cancelable operating lease. Total income for this lease was \$19,670 for the year ended June 30, 2015. All income is reported as a reduction to lease expense. The future minimum lease income for this lease is as follows:

Year ending June 30	Amount
2015-2016	\$20,365
2016-2017	20,888
2017-2018	8,795
2018-2019	-0-
2019-Beyond	-0-
Total	\$50,048

Note 8 – Changes in Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 7/1/2014	Additions	Reductions	Ending Balance 6/30/2015	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 39,273	\$ 1,469	\$-0-	\$ 40,742	\$40,742
Unearned Revenue	-0-	51,284	-0-	51,284	51,284
Net Pension Liability	-0-	280,155	-0-	280,155	-0-
Governmental activity long-term liabilities:	<u>\$ 39,273</u>	<u>\$332,908</u>	<u>\$-0-</u>	<u>\$372,181</u>	<u>\$92,026</u>

For the governmental activities, compensated absences are liquidated by the general fund.

Note 9 – Contingencies and Litigations

The Council has recorded in its financial statements all material liabilities and there are no contingent liabilities to record.

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

Note 10- Related Party Transactions

The Council's 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 is required to abstain from any discussion and voting concerning the matter. Board and staff members must publically disclose all such associations for inclusion in the meeting minutes. Staff and board members adhere to internal administrative policies regarding the code of ethics and conflicts of interest. During FY15, the Council did not enter into any related-party transactions.

Note 11- Accounting and Reporting Changes

Effective June 15, 2014, the Council, in accordance with Governmental Accounting Standards Board Statement 68, Accounting and Financial Reporting for Pensions, recognizes pension liabilities, deferred outflows and inflows of resources for its defined benefit pensions. The fund balance break-out into these categories is shown in the Statement of Net Position. Pension expense adjustments are reflected in the Statement of Activities.

SPOKANE AREA WORKFORCE DEVELOPMENT COUNCIL
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over/(Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental Revenues	4,138,332	4,363,627	4,108,295	(255,332)
Contributions and Donations	12,500	131,686	143,946	12,260
Interest Earnings	-	-	178	178
TOTAL REVENUES	<u>4,150,832</u>	<u>4,495,313</u>	<u>4,252,419</u>	<u>(242,894)</u>
EXPENDITURES				
Salaries & Wages	421,422	381,600	384,438	(2,838)
Personnel Benefits	160,236	139,546	133,863	5,683
Capital Outlays	-	-	95,205	(95,205)
Supplies	33,900	87,030	60,478	26,552
Services	3,535,274	3,887,137	3,519,089	368,048
TOTAL EXPENDITURES	<u>4,150,832</u>	<u>4,495,313</u>	<u>4,193,073</u>	<u>302,240</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>59,346</u>	<u>59,346</u>
FUND BALANCE, BEGINNING OF YEAR	<u>202,228</u>	<u>202,228</u>	<u>202,228</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>202,228</u>	<u>202,228</u>	<u>261,574</u>	<u>59,346</u>

Note to Required Supplementary Information

Note 1 Basis of Accounting:

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

REQUIRED SUPPLEMENTARY INFORMATION

Spokane Area Workforce Development Council
Schedule of Proportionate Share of the Net Pension Liability
PERS
As of June 30, 2015
Last 10 Fiscal Years

		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
PERS 1 Employer's proportion of the net pension liability (asset)	%	0.003667%									
PERS 1 Employer's proportionate share of the net pension liability	\$	184,727									
PERS 2/3 Employer's proportion of the net pension liability (asset)	%	0.004721%									
PERS 2/3 Employer's proportionate share of the net pension liability	\$	95,428									
TOTAL	\$	280,155									
Employer's covered employee payroll	\$	406,946									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	68.84%									
PERS 1 Plan fiduciary net position as a percentage of the total pension liability	%	61.19%									
PERS 2/3 Plan fiduciary net position as a percentage of the total pension liability	%	93.29%									

Notes to Schedule:

Beginning in fiscal year 2015, under GASB No. 68, local governments that participate in one or more of the state's cost-sharing, multiple employer pensions Plans (PERS, SERS, PSERS, TRS, and LEOFF) must present as RSI:

- Schedule of Proportionate Share of the Net Pension Liability

REQUIRED SUPPLEMENTARY INFORMATION

Spokane Area Workforce Development Council
Schedule of Employer Contributions
PERS 1, 2/ 3
As of June 30, 2015
Last 10 Fiscal Years

		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractually required contributions (Includes Admin Fee)	\$	37,480									
Contributions in relation to the contractually required contributions (Includes Admin Fee)	\$	(37,480)									
Contribution deficiency (excess)	\$	<u>0</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Covered Employer Payroll	\$	406,946									
Contributions as a percentage of covered employee payroll	%	9.21%									

Notes to Schedule:

Beginning in fiscal year 2015, under GASB No. 68, local governments that participate in one or more of the state's cost-sharing, multiple employer pensions Plans (PERS, SERS, PSERS, TRS, and LEOF) must present as RSI:

- Schedule of Employer Contributions

Spokane Area Workforce Development Council
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Other Programs							
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	6112-7564-02	195,365	-	195,365	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	6112-7533-02	89,016	-	89,016	3,4
	Total CFDA 17.277:			284,381	-	284,381	
Employment Training Administration, Department Of Labor (via Spokane Community College)	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	706000	115,552	-	115,552	3,4
Employment Training Administration, Department Of Labor (via Spokane Community College)	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	706500	46,655	-	46,655	3,4
	Total CFDA 17.282:			162,207	-	162,207	
WIA Cluster							
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-1104	229,754	-	229,754	3,4

The accompanying notes are an integral part of this schedule.

Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-7104	67,353	-	67,353	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-1105	681,225	-	681,225	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-1304	88,583	-	88,583	2,3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-7304	5,617	-	5,617	2,3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-1305	3,186	-	3,186	2,3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-7403-05	6,378	-	6,378	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-7403-04	2,500	-	2,500	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Adult Program	17.258	6112-7624-03	17,953	-	17,953	3,4
Total CFDA 17.258:				1,102,549	-	1,102,549	
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	WIA/WIOA Youth Activities	17.259	6112-7003	327,940	-	327,940	2,3,4

Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.259	6112-7004	715,553	-	715,553	2,3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.259	6112-7304	95,483	-	95,483	2,3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.259	6112-7403-05	6,379	-	6,379	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.259	6112-7624-03	19,150	-	19,150	3,4
Total CFDA 17.259:			1,164,505	-	1,164,505	
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	6112-1204	323,292	-	323,292	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	6112-7204	122,478	-	122,478	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	6112-1205	490,285	-	490,285	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	6112-1304	88,584	-	88,584	2,3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	6112-7304	11,233	-	11,233	2,3,4

The accompanying notes are an integral part of this schedule.

Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	WIA/WIOA Dislocated Worker Formula Grants	6112-1305	3,186	-	3,186	2,3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	WIA/WIOA Dislocated Worker Formula Grants	6112-7403-05	6,378	-	6,378	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	WIA/WIOA Dislocated Worker Formula Grants	6112-7403-04	2,500	-	2,500	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	WIA/WIOA Dislocated Worker Formula Grants	6112-7624-03	22,741	-	22,741	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	WIA/WIOA Dislocated Worker Formula Grants	6112-7503-11	147,272	-	147,272	3,4
Employment Training Administration, Department Of Labor (via Washington State Employment Security)	17.278	WIA/WIOA Dislocated Worker Formula Grants	6112-7503-14	95,167	-	95,167	3,4
Total CFDA 17.278:				1,313,116	-	1,313,116	
Total WIA Cluster:				3,580,170	-	3,580,170	
Total Federal Awards Expended:				4,026,758	-	4,026,758	

Spokane Area Workforce Development Council
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM INCOME

The Council uses the additive method to report program income. This method requires the grantee to use the gross amount of program income earned as an offset against the expenditures before requesting additional grant funding.

NOTE 3 – INDIRECT COSTS

The Council allocates indirect costs pro-rata to programs each month based on the direct labor hours incurred by programs during the month. During the year ended June 30, 2015, \$264,312 was allocated to U.S. Department of Labor programs based on 9,258 total direct labor hours.

NOTE 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

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

CFDA #	Program	Amount
17.258	WIA Adult Program	\$843,768
17.278	WIA Dislocated Worker Formula Grants	\$1,016,893
17.259	WIA Youth Activities	\$851,547
17.277	Workforce Investment Act (WIA) National Emergency Grants	\$242,607
17.282	Trade Adjustments Assistance Community College and Career Training (TAACCT) Grants	\$145,288
	TOTAL	\$3,100,103

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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