

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY  
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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Workforce Development Council Snohomish County  
Everett, Washington

We have audited the accompanying statement of financial position of Workforce Development Council Snohomish County (the County or the Organization), a nonprofit organization, as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2010 financial statements, and in the report dated January 6, 2011, Francis & Company, PLLC expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workforce Development Council Snohomish County as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2011, on our consideration of the Organization'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Larson Allen LLP". The signature is written in a cursive, flowing style.

**LarsonAllen LLP**

Bellevue, Washington  
October 14, 2011

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 429,769	\$ 138,457
Grants and accounts receivable	1,076,024	1,399,820
Prepays	47,765	24,927
Cash held in trust	55,516	123,564
Restricted Cash	25,000	25,000
<b>Total current assets</b>	<b>1,634,074</b>	<b>1,711,768</b>
<b>NONCURRENT ASSETS</b>		
Furniture and equipment	34,236	34,236
Accumulated depreciation	(20,451)	(15,154)
<b>Net property and equipment</b>	<b>13,785</b>	<b>19,082</b>
Security deposits	25,000	25,000
<b>Total noncurrent assets</b>	<b>38,785</b>	<b>44,082</b>
<b>Total assets</b>	<b>\$ 1,672,859</b>	<b>\$ 1,755,850</b>
<b>LIABILITIES AND NET ASSETS</b>		
Line of credit payable	\$ 90,131	\$ 24,110
Bank draft payable	121,553	0
Accounts payable	686,630	1,321,403
Accrued liabilities	126,604	121,005
Taxes payable	23,225	25,514
Refundable advances	55,516	123,564
Contingency payable	340,804	340,804
<b>Total liabilities</b>	<b>1,444,463</b>	<b>1,531,980</b>
<b>NET ASSETS</b>		
Unrestricted net assets	(244,007)	(330,002)
Temporarily restricted net assets	472,403	129,452
<b>Total net assets</b>	<b>228,396</b>	<b>(200,550)</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,672,859</b>	<b>\$ 1,755,850</b>

See accompanying notes to financial statements.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	Unrestricted	Temporarily Restricted	2011	2010
<b>PUBLIC SUPPORT AND REVENUE</b>				
Grants	\$ 7,496,859	\$ 819,926	<b>\$ 8,316,785</b>	\$ 7,619,177
Program income	1,500		<b>1,500</b>	39,131
Other revenue	39,433	1,795	<b>41,228</b>	14,345
Total public support and revenue	7,537,792	821,721	<b>8,359,513</b>	7,672,653
Net assets released from restrictions	478,770	(478,770)	-	-
Total public support and revenue	8,016,562	342,951	<b>8,359,513</b>	7,672,653
<b>EXPENSES</b>				
Program expenses	7,385,057		<b>7,385,057</b>	6,925,079
Management and general	545,510		<b>545,510</b>	768,018
Total expenses	7,930,567		<b>7,930,567</b>	7,693,097
<b>INCREASE (DECREASE) IN NET ASSETS</b>	85,995	342,951	<b>428,946</b>	(20,444)
<b>NET ASSETS, BEGINNING OF YEAR</b>	(330,002)	129,452	<b>(200,550)</b>	(180,106)
<b>NET ASSETS, END OF YEAR</b>	\$ (244,007)	\$ 472,403	<b>\$ 228,396</b>	\$ (200,550)

See accompanying notes to financial statements.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	Program Services	Management & General	2011	2010
<b>PAYROLL AND RELATED EXPENSES</b>				
Salaries and wages	\$ 1,026,479	\$ 332,855	<b>\$ 1,359,334</b>	\$ 1,325,383
Payroll taxes and benefits	256,579	84,345	<b>340,924</b>	326,960
Total payroll expenses	1,283,058	417,200	<b>1,700,258</b>	1,652,343
<b>OTHER EXPENSES</b>				
Subcontractor expenses	5,364,132	0	<b>5,364,132</b>	5,354,687
Professional service expenses	341,166	27,440	<b>368,606</b>	151,089
Website	0	0	<b>0</b>	60
Rent & utilities	131,236	40,606	<b>171,842</b>	161,655
Communication & outreach	6,705	1,044	<b>7,749</b>	14,033
Travel, training & meetings	95,386	10,028	<b>105,414</b>	120,037
Small equipment / software	11,893	3,608	<b>15,501</b>	15,236
Supplies	8,717	2,494	<b>11,211</b>	17,636
Rental & maintenance of equipment	32,294	8,860	<b>41,154</b>	44,147
Telephone	18,710	5,591	<b>24,301</b>	36,751
Maintenance & janitorial	45,078	15,114	<b>60,192</b>	66,780
Printing	286	98	<b>384</b>	5,562
Dues & subscriptions	30,809	3,145	<b>33,954</b>	27,976
Insurance	8,229	2,820	<b>11,049</b>	10,323
Postage & shipping	2,025	515	<b>2,540</b>	2,027
Other	422	6,560	<b>6,982</b>	7,457
Total other expenses	6,097,088	127,923	<b>6,225,011</b>	6,035,456
Total expenses before depreciation	7,380,146	545,123	<b>7,925,269</b>	7,687,799
Depreciation	4,911	387	<b>5,298</b>	5,298
<b>Total expenses 2011</b>	<b>\$ 7,385,057</b>	<b>\$ 545,510</b>	<b>\$ 7,930,567</b>	-
Total expenses 2010	\$ 6,925,079	\$ 768,018		\$ 7,693,097

See accompanying notes to financial statements.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 428,946	\$ (20,444)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,298	5,298
Decrease (increase) in grants receivable	323,795	(658,834)
Decrease in security deposit	0	25,000
(Increase) in prepaids	(22,838)	(23,185)
Decrease in cash held in trust	68,048	27,296
(Decrease) increase in accounts payable	(634,774)	655,787
Increase in accrued liabilities	5,600	2,044
(Decrease) increase in taxes payable	(2,289)	13,887
(Decrease) in deferred revenue	0	(207,831)
(Decrease) in refundable advances	(68,048)	(27,296)
Net cash provided by (used in) operating activities	<b>103,738</b>	<b>(208,278)</b>
<b>CASH FLOWS FINANCING ACTIVITIES</b>		
Checks drawn in excess of cash in bank	121,553	0
Charges (payments) from line of credit	66,021	(12,170)
Net cash provided by (used in) financing activities	<b>187,574</b>	<b>(12,170)</b>
Net Increase (decrease) in cash and cash equivalents	<b>291,312</b>	<b>(220,448)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>163,457</b>	<b>383,905</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 454,769</b>	<b>\$ 163,457</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	\$ 2,024	\$ 2,128
Cash and cash equivalents	\$ 429,769	\$ 138,457
Restricted cash	<u>\$ 25,000</u>	<u>\$ 25,000</u>
	<b>\$ 454,769</b>	<b>\$ 163,457</b>

See accompanying notes to financial statements.



**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 1      DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Description of Organization**

On March 17, 2007, Snohomish County Workforce Development Council amended its articles of incorporation to change the name of the corporation to Workforce Development Council Snohomish County (the Council). The Council is a not-for-profit organization that began operations in 2000 and is funded primarily through federal grants. The Council oversees the implementation of Federal Workforce Investment Act Title IB (WIA) programs as the administrative entity over the Work Source Snohomish County System. The Workforce Investment Act is a federal law that consolidates federal employment and training programs into a single, universal Workforce Investment System. This includes programs administered by the state Employment Security Department (ESD) for youth employment and training, adult employment and training and dislocated worker services. This workforce development system is designed and overseen by a local business-led Workforce Investment Board; Workforce Development Council Snohomish County is that board.

Workforce Development Council Snohomish County's Board is appointed by the Snohomish County Executive and the Council, and is certified by the Governor every two years. A majority of the Board of Workforce Development Council Snohomish County is comprised of representatives of the local business community. Along with the County Executive, the Council Board sets policy for the portion of the statewide workforce investment system within Snohomish County. The Local Board, in cooperation with the County Executive, appoints a youth council as a subgroup of the Local Board and coordinates workforce and youth plans, and activities with the youth council.

The Council is charged with:

- Designing a comprehensive delivery structure of employment and training services into a single integrated system to meet the needs of businesses and job seekers.
- Certifying and setting standards for workforce training providers.
- Overseeing the operation of the "one-stop" centers, affiliates, and self-service sites.
- Building strategic partnerships which facilitate coordinated resource sharing to address economic development, human capital development, and community competitiveness issues.

The Council is responsible for building a comprehensive network of service portals for the 19 mandated programs identified in the Workforce Investment Act, and encouraging the voluntary participation of other non-mandated but logical partners to provide a customer focused employment and training assistance system. The Council sets standards for these portals and selects the agencies which will operate within them to meet customer needs. For the business customer, the Council is charged with identifying labor market trends, proposing strategies to meet "skills-gap" needs, and seeking responsive solutions.

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 1      DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**Financial Statement Presentation**

In accordance with the FASB ASC topic 958 (formerly SFAS No. 117) Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," the Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the year ended June 30, 2011, the net assets of the Council are classified as follows:

Unrestricted net assets are available without restriction for the support of the Council's operations.

Temporarily restricted net assets are restricted by the donor to be used for certain purposes by the Council. Temporarily restricted net assets as of June 30, 2011 were purpose restricted as follows:

Gates Foundation	<u>\$472,403</u>
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Permanently restricted net assets represent endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations. The Council had no permanently restricted net assets as of June 30, 2011.

**Revenue Recognition**

The Council recognizes revenue from federal grant contracts when eligible costs are incurred; revenue from performance-based contracts is recognized when performance is completed. Excess revenue over expense for performance contracts and cash advances are recorded as temporarily restricted. Cost reimbursement overdraws are recorded as deferred revenue.

**Cash Equivalents**

For cash flow purposes, highly liquid investments with an original maturity of less than three months are considered cash equivalents.

**Grants and Accounts Receivable**

Grants and accounts receivable represent revenue and contracts for the current period that have been recorded, but not received. The Council uses the allowance method to account for uncollectible receivables. No allowance for uncollectible accounts is reported since management considers the balance in grants receivable to be fully collectible.

**Furniture, Equipment and Depreciation**

Furniture and equipment acquisitions in excess of \$5,000 are capitalized at cost. Depreciation is recorded using the straight-line method. The estimated useful lives of the furniture and equipment is five to seven years.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 1      DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**Federal Income Tax**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal income tax in the accompanying financial statements. The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 740, Income Taxes (Topic 740) for the year ended June 30, 2010. Topic 740 clarifies the accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. The Organization is no longer subject to tax examinations by tax authorities for the years before 2007.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets, and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct identifiable expenses are charged to programs and supporting services.

Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies or allocated to specific grants based upon the number of people served by the various programs. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council.

**Restricted and Unrestricted Support**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the restriction. When the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets (cash advances) are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative Totals**

Certain reclassifications have been made to the 2010 financials to conform with the current year presentation, with no effect on previously reported the previously reported change in net assets.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 1**      **DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Subsequent events**

Subsequent events have been evaluated through October 14, 2011, which is the date the financial statements were available to be issued.

**NOTE 2**      **BANK DRAFTS PAYABLE**

Bank draft payable of \$121,553 as of June 30, 2011 reflects checks released as of June 29, 2011. However, the draw requests were not received until early July.

**NOTE 3**      **CONCENTRATION OF CREDIT RISK**

The Council's programs are funded primarily by the United States Department of Labor (USDOL). The majority of the Council's support and receivables are from government grants.

**NOTE 4**      **LINE OF CREDIT**

During the year ended June 30, 2011, the Council paid off the unsecured line of credit from Washington Federal Savings.

The Council has obtained a new unsecured line of credit from Opus Bank (formally known as Cascade Bank) with a limit amount of \$100,000. Interest at the prevailing prime rate (3.25% at June 30, 2011) is payable monthly, beginning August 30, 2011. As of June 30, 2011, the total outstanding balance was \$90,131.

**NOTE 5**      **COMPENSATED ABSENCES PAYABLE**

The Council's employees earn 15 to 25 days of vacation per year based on the employees' length of service. Unused vacation can be accrued up to 240 hours. Accrued vacation is payable to terminating employees at 100 percent of the amount accrued.

**NOTE 6**      **REFUNDABLE ADVANCES**

During the year ended June 30, 2010, the Assets for Independence program ended. All remaining federal funds were returned to the grantor. Cash held in trust and refundable advances consists only of contributions from donors for the program. As of June 30, 2011, total cash held in trust and refundable advances to be returned were comprised of the following:

Conditional contributions from donors	<u>\$55,516</u>
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**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 7**      **RELATED PARTY TRANSACTIONS**

The Council recognized grant funds totaling \$6,017,092 year ended June 30, 2011 from the Employment Security Department (ESD). ESD is also a subrecipient of \$96,478 in federal funds passed through from the Council. Amounts due from the ESD and payable to the ESD as of June 30, 2011 were \$650,379 and \$6,442, respectively.

The Council recognized grant funds totaling \$35,168 during the year ended June 30, 2011 from Edmonds Community College (EDCC). EDCC is also a subrecipient of \$901,032 in federal funds passed through from the Council. Amounts due from the EDCC and payable to the EDCC as of June 30, 2011 were \$8,750 and \$44,503, respectively.

The Council recognized grant funds totaling \$34,761 during the year ended June 30, 2011 from Everett Community College (EVCC). EVCC is also a subrecipient of \$316,761 in federal funds passed through from the Council. Amounts due from the EVCC and payable to the EVCC as of June 30, 2011 were \$22,178 and \$124,166, respectively.

The Council entered into transactions with the employers of several of its Board members in the normal course of performing its functions. The following payments were made to such related parties during the year ended June 30 2011:

Subrecipients	\$ 1,459,691
Vendors	\$ 141,063

The Council maintains its bank accounts and line of credit at a bank where a Board member is employed. Corporate credit cards with an available balance of \$50,000 are maintained with the same financial institution. The balance is paid in full monthly.

**NOTE 8**      **OPERATING LEASES**

The Council has six operating lease agreements; three for worksource space, one for office space, one for Internet Protocol (IP) communication system, and one for copy machines.

Cancellation of one of the worksource space leases can occur anytime or in the event of a reduction of federal funding to support the premises with a 60 day notice. Two of the worksource space leases are month-to-month with and can be cancelled with a 30 day notice.

Cancellation of office space lease can occur any time with six months' notice if the Council loses 20 percent of its federal funding. Early termination will result in the Council being liable for the costs of tenant improvements of \$187,000 and commissions of \$71,534. The contingency for total costs of \$258,534 are reduced over a term of 79 months on a straight line basis commencing March 2007. The contingency as of June 30, 2011 is \$91,644.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 8**      **OPERATING LEASES (continued)**

The future minimum rental payments under these leases for each of the next four years are as follows:

2012	249,937
2013	241,819
2014	<u>59,226</u>
	<u>\$550,982</u>

Rent expense was \$259,947 for the year ended June 30, 2011, respectively.

The Council entered into an agreement with Economic Development Council to sublease 3,096 square feet of its facility. The agreement ends September 30, 2013. Rental receipts for the sublease were \$64,065 for the year ended June 30, 2011, which offsets office rent and utilities expense.

The Council entered into an agreement with Department of Social and Health Services to sublease 274 square feet of the Organization's space. The agreement ends on December 31, 2011. Rental receipts for the sublease were \$7,467 for the year ended June 30, 2011, which offsets rent and utilities expense.

**NOTE 9**      **CONTINGENCIES**

During the year ended June 30, 2009, the US Department of Labor (USDOL) issued a final ruling disallowing prior period expenditures of \$300,000 and \$40,804. In 2010, the Employment Security Department, Snohomish County, and the Council submitted a request to the US Department of Labor to waive the contingent debt. The total contingent liability recorded as of June 30, 2011 remains at \$340,804.

**NOTE 10**      **PENSION PLAN**

The Council sponsors a defined contribution pension plan (the Plan) covering all employees over the age of 21 with three months of service. Under the provisions of the Plan, employees can elect to have a portion of their salaries withheld and contributed to the Plan. The Council makes a base contribution amounting to five percent of each employee's base compensation to the Plan. In addition, the Plan allows the Council to make discretionary contributions. No discretionary contributions were made for the year ended June 30, 2011. Employees can elect to defer a maximum \$15,000 a year. Contributions and costs expensed by the Council totaled \$67,549 for the year ended June 30, 2011.

**NOTE 11**      **SUBSEQUENT EVENT**

The Council entered into an agreement with St. Vincent De Paul to lease a new worksource space effective July 1, 2011. The Council is responsible for the tenant improvements for this site totaling approximately \$420,000.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 12      COMPARATIVE INFORMATION**

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

## **SINGLE AUDIT**



**AUDITORS' SECTION**

**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**

Board of Directors  
Workforce Development Council Snohomish County  
Everett, Washington

We have audited the financial statements of Workforce Development Council Snohomish County as of and for the year ended June 30, 2011, and have issued our report thereon dated October 11, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Workforce Development Council Snohomish County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Workforce Development Council Snohomish County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Workforce Development Council Snohomish County's financial statements are free of 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 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*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Larson Allen LLP".

**LarsonAllen LLP**

Bellevue, Washington  
October 14, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

Board of Directors  
Workforce Development Council Snohomish County  
Everett, Washington

**Compliance**

We have audited Workforce Development Council Snohomish County (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2011. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 Organization'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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

## Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Organization'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.

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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**LarsonAllen LLP**

Bellevue, Washington  
October 14, 2011

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ yes  X  no
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ yes  X  no

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?  X  yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.274	Youth Build
17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
17.258	WIA Adult Programs
17.259	WIA Youth Programs
17.278	WIA Dislocated Worker Programs

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

Dollar threshold used to distinguish  
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

Finding 2011 -1: Cash Management

Program Information:

This finding relates to all Federal programs.

Criteria:

In accordance with OMB Circular A-133, grant recipients must follow procedures to minimize the time elapsing between the transfer of funds and disbursement. A reasonable time period is commonly described as 72 hours.

Condition:

The Council submitted a draw request based upon future expenditures of subrecipients, this resulted in the organization receiving more funds from the drawdown request than it could disburse within a reasonable amount of time.

Cause:

The Council was aware of the requirement, but made an organizational decision to drawdown funds in advance based upon future invoices that it was to receive from subrecipients in order to keep operations running during an impending governmental shut down. If the shut down occurred, the Council would not have adequate funds to provide to subrecipients.

Effect:

The Council did not comply with the cash management requirement of disbursing funds within a reasonable time period after receiving the transfer.

Questioned Costs:

No questioned costs to report.

Recommendation:

We recommend that the Council develop a contingency plan to address possible funding shortfalls in the event a government shutdown threat occurs.

View of Responsible Officials and Corrective Action Plan:

See corrective action plan.

**AUDITEE'S SECTION**



**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Labor:</b>			
Direct Programs:			
Youth Build	17.274		\$ 313,758
<b>Total Direct Programs</b>			<b>313,758</b>
Workforce Investment Act (WIA) Cluster:			
Pass-Through Programs From:			
Washington State Employment Security Department:			
WIA Adult Program	17.258 **	6104-1100	437,507
WIA Adult Program	17.258 **	6104-7400	199,643
WIA Adult Program	17.258 **	6104-1101	717,536
WIA Adult Program (ARRA)	17.258 **	6104-4618	62,278
WIA Youth Activities	17.259 **	6104-7009	5,893
WIA Youth Activities	17.259 **	6104-7010	948,135
WIA Youth Activities (ARRA)	17.259 **	6104-4608	54,949
WIA Dislocated Workers	17.278**	6104-1200	1,034,398
WIA Dislocated Workers	17.278**	6104-1201	572,669
WIA Dislocated Workers	17.278**	6104-7209	13,108
WIA Dislocated Workers	17.278**	6104-7209	407,577
WIA Dislocated Workers (ARRA)	17.278**	6104-4628	210,185
WIA Governor's 10% - Local Demand Training	17.258/17.259/17.278 **	6104-7629-15	94,718
WIA Governor's 5% Reserve	17.258/17.259/17.278 **	6104-7400-04	14,767
WIA Governor's 10% Reserve (ARRA)	17.258/17.259/17.278 **	6104-4668-02	683,429
WIA Governor's 5% Reserve (ARRA)	17.258/17.259/17.278 **	6104-4648-03	83,073
WIA Cluster Administration	17.258/17.259/17.278 **	6104-1300	31,961
WIA Cluster Administration	17.258/17.259/17.278 **	6104-1301	207,332
WIA Cluster Administration	17.258/17.259/17.278 **	6104-7300	125,941
WIA Cluster Administration (ARRA)	17.258/17.259/17.278 **	6104-4638	111,827
<b>Total Washington State Employment Security Department</b>			<b>6,016,926</b>
Pass-Through Program From:			
Washington State Workforce Training and Education Coordinating Board:			
State Energy Sector Project (ARRA)	17.275	IAA776-10	339,464
Workforce Development Council Seattle-King County			
Sound Energy Efficiency Development (ARRA)	17.275	T9SNO-437-SEE	434,156
Everett Community College			
Community Based Job Training Grants	17.269	SGA-DFA-PY-05-11	6,187
Healthcare Education to Career Opportunities (CBJT)	17.269	1011-0185CA	28,575
<b>Total Everett Community College</b>			<b>34,761</b>
<b>Total U.S. Department of Labor</b>			<b>7,139,065</b>

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Number</i>	<i>Federal Expenditures</i>
<b>U.S. Department of Education:</b>			
Direct Program:			
Fund for the Improvement of Postsecondary Education	84.116		270,291
<b>Total Direct Program</b>			<b>270,291</b>
Pass-Through Programs From:			
Washington State Department of Health & Human Services			
Department of Vocational Rehabilitation - Project Hire (ARRA)	84.390	0912-70088	111,709
<b>Total U.S. Department of Education</b>			<b>382,000</b>
<b>U.S. Department of Health &amp; Human Services:</b>			
Direct Program:			
Assets for Independence Demonstration Program	93.602		352
<b>Total Direct Program</b>			<b>352</b>
Pass-Through Program From:			
Edmonds Community College			
Creating Access to Careers in Healthcare	93.093	90FX0025-01	35,168
<b>Total U.S. Department of Health &amp; Human Services</b>			<b>35,520</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 7,556,585</b>

Note A: This Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY  
CORRECTIVE ACTION PLAN**

The Council will establish a fiscal contingency plan that will address future potential government shutdowns or other types of unforeseen emergencies.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS**

No matters were reported.