

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2012

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2012**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
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	14
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	16
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS	18
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
CORRECTIVE ACTION PLAN	23
SCHEDULE OF PRIOR AUDIT FINDINGS	24

INDEPENDENT AUDITORS' REPORT

Board of Directors
Workforce Development Council Snohomish County
Everett, Washington

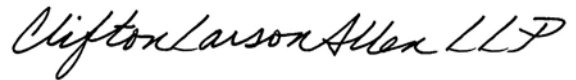
We have audited the accompanying statement of financial position of Workforce Development Council Snohomish County (a nonprofit organization) as of June 30 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 2012, 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 15, 2012 on our consideration of Workforce Development Council Snohomish County'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 basic financial statements. The 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 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 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 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 basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Bellevue, Washington
October 15, 2012

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 1)	\$ 602,673	\$ 429,769
Grants and Accounts Receivable (Notes 1 and 6)	1,108,912	1,076,024
Prepays	39,184	47,765
Cash Held in Trust	-	55,516
Restricted Cash	20,800	25,000
Total Current Assets	1,771,569	1,634,074
NONCURRENT ASSETS		
Leasehold Improvements (Note 1)	353,511	-
Furniture and Equipment (Note 1)	34,236	34,236
Less: Accumulated Depreciation (Note 1)	(78,776)	(20,451)
Net Property and Equipment	308,971	13,785
Security Deposits	30,200	25,000
Total Noncurrent Assets	339,171	38,785
Total Assets	\$ 2,110,740	\$ 1,672,859
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit Payable (Note 4)	\$ 91,111	\$ 90,131
Bank Draft Payable (Note 2)	24,521	121,553
Accounts Payable (Note 6)	841,428	686,630
Accrued Liabilities	161,466	126,604
Taxes Payable	35,463	23,225
Refundable Advances	-	55,516
Contingency Payable (Note 8)	340,804	340,804
Total Current Liabilities	1,494,793	1,444,463
NET ASSETS		
Unrestricted Net Assets	56,166	(244,007)
Temporarily Restricted Net Assets	559,781	472,403
Total Net Assets	615,947	228,396
Total Liabilities and Net Assets	\$ 2,110,740	\$ 1,672,859

See accompanying Notes to Financial Statements.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011**

	Unrestricted	Temporarily Restricted	2012	2011
PUBLIC SUPPORT AND REVENUE				
Grants	\$ 7,956,953	\$ 813,850	\$ 8,770,803	\$ 8,316,785
Program Income	62	1,650	1,712	1,500
Other Revenue	51,039	3,764	54,803	41,228
Total Public Support and Revenue	<u>8,008,054</u>	<u>819,264</u>	<u>8,827,318</u>	<u>8,359,513</u>
NET ASSETS RELEASED FROM RESTRICTIONS	731,886	(731,886)	-	-
EXPENSES				
Program Services	7,981,160	-	7,981,160	7,385,057
Management and General	458,607	-	458,607	545,510
Total Expenses	<u>8,439,767</u>	<u>-</u>	<u>8,439,767</u>	<u>7,930,567</u>
CHANGE IN NET ASSETS	300,173	87,378	387,551	428,946
Net Assets - Beginning of Year	<u>(244,007)</u>	<u>472,403</u>	<u>228,396</u>	<u>(200,550)</u>
NET ASSETS - END OF YEAR	<u>\$ 56,166</u>	<u>\$ 559,781</u>	<u>\$ 615,947</u>	<u>\$ 228,396</u>

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>2012</u>	<u>2011</u>
PAYROLL AND RELATED EXPENSES				
Salaries and Wages	\$ 1,233,409	\$ 279,957	\$ 1,513,366	\$ 1,359,334
Payroll Taxes and Benefits (Note 9)	<u>320,344</u>	<u>73,125</u>	<u>393,469</u>	<u>340,924</u>
Total Payroll Expenses	<u>1,553,753</u>	<u>353,082</u>	<u>1,906,835</u>	<u>1,700,258</u>
OTHER EXPENSES				
Subcontractor Expenses	5,795,363	470	5,795,833	5,364,132
Professional Services Expenses	101,810	21,818	123,628	368,606
Rent and Utilities	110,887	33,049	143,936	171,842
Communication and Outreach	7,830	384	8,214	7,749
Travel, Training, and Meetings	137,427	8,757	146,184	105,414
Small Equipment/Software	50,966	2,671	53,637	15,501
Supplies	22,219	4,195	26,414	11,211
Rental and Maintenance of Equipment	30,915	7,566	38,481	41,154
Telephone	21,427	4,796	26,223	24,301
Maintenance and Janitorial	45,314	11,780	57,094	60,192
Printing	4,848	-	4,848	384
Dues and Subscriptions	26,009	1,356	27,365	33,954
Insurance	9,996	3,049	13,045	11,049
Postage and Shipping	2,316	352	2,668	2,540
Other	2,143	4,895	7,038	6,982
Total Other Expenses	<u>6,369,470</u>	<u>105,138</u>	<u>6,464,902</u>	<u>6,225,011</u>
Total Expenses Before Depreciation	<u>7,923,223</u>	<u>458,220</u>	<u>8,381,443</u>	<u>7,925,269</u>
Depreciation	57,937	387	58,324	5,298
Total Expenses 2012	<u>\$ 7,981,160</u>	<u>\$ 458,607</u>	<u>\$ 8,439,767</u>	<u>\$ -</u>
Total Expenses 2011	<u>\$ 7,385,057</u>	<u>\$ 545,510</u>	<u>\$ -</u>	<u>\$ 7,930,567</u>

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 387,551	\$ 428,946
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	58,325	5,298
(Increase) Decrease in:		
Grants Receivable	(32,888)	323,795
Security Deposit	(5,200)	-
Prepays	8,581	(22,838)
Cash Held in Trust	55,516	68,048
Increase (Decrease) in:		
Accounts Payable	154,798	(634,774)
Accrued Liabilities	34,862	5,600
Taxes Payable	12,238	(2,289)
Refundable Advances	(55,516)	(68,048)
Net Cash Provided by Operating Activities	618,267	103,738
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Leasehold Improvements	(353,511)	-
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) Bank Drafts Payable	(97,032)	121,553
(Payments) Charges from Line of Credit	980	66,021
Net Cash (Used) Provided by Financing Activities	(96,052)	187,574
 NET INCREASE IN CASH AND CASH EQUIVALENTS	168,704	291,312
 Cash and Cash Equivalents - Beginning of Year	454,769	163,457
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 623,473	\$ 454,769
 SUPPLEMENTAL DISCLOSURE		
 Cash Paid for Interest	\$ 2,813	\$ 2,024
 Cash and Cash Equivalents	\$ 602,673	\$ 429,769
Restricted Cash	20,800	25,000
	\$ 623,473	\$ 454,769

See accompanying Notes to Financial Statements.

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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.

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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, 2012, 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, 2012 were purpose restricted as follows:

Building Changes - Flex Fund	\$ 270,982
Gates Foundation	262,129
Evertrust Foundation	17,000
Bank of America	9,250
MDR - Youthbuild	420
Total Temporarily Restricted	\$ 559,781

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, 2012.

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 and Cash Equivalents

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

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Leasehold Improvements, 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. Leasehold improvements are depreciated over the lesser of the term of the lease or the life of the asset/improvement. During the year ended June 30, 2012, the Council capitalized \$353,511 for leasehold improvements at the Monroe worksorce location. This cost will be depreciated over the life of the lease or five years. During the year ended June 30, 2012, the Council recognized depreciation costs as follows:

Leasehold Improvements	\$ 53,027
Furniture	3,873
Equipment	1,424
Total Depreciation Expense	\$ 58,324

Federal Income Tax

The Council 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 Council adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 740, Income Taxes (Topic 740) for the year ended June 30, 2012. Topic 740 clarifies the accounting for uncertainty in income taxes. Management evaluated the Council's tax positions and concluded that the Council had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. The Council is no longer subject to tax examinations by tax authorities for the years before 2009.

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 nets 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.

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Comparative totals for 2011, shown on the financial statements are not presented in accordance with generally accepted accounting principles. These summary totals are presented for comparative purposes only.

Subsequent Events

Subsequent events have been evaluated through October 15, 2012, which is the date the financial statements were available to be issued.

NOTE 2 BANK DRAFTS PAYABLE

Bank draft payable of \$24,521 as of June 30, 2012 reflects checks released as of June 29, 2012, However, the deposits were not made or 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.

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 LINE OF CREDIT

During the year ended June 30, 2012, the Council renewed an unsecured line of credit from Opus Bank with a limit amount of \$100,000. Interest at the prevailing prime rate (3.25 percent at June 30, 2012) is payable monthly, beginning October 1, 2011. As of June 30, 2012, the total outstanding balance was \$91,111.

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 RELATED-PARTY TRANSACTIONS

The Council recognized grant funds totaling \$6,141,129 during the year ended June 30, 2012 from the Employment Security Department (ESD). ESD is also a subrecipient of \$270,768 in federal funds passed through from the Council. Amounts due from the ESD and payable to the ESD as of June 30, 2012 were \$588,093 and \$70,090, respectively.

The Council recognized grant funds totaling \$150,877 during the year ended June 30, 2012 from Edmonds Community College (EDCC). EDCC is also a subrecipient of \$833,388 in federal funds passed through from the Council. Amounts due from the EDCC and payable to the EDCC as of June 30, 2011 were \$31,533 and \$63,069, respectively.

The Council recognized grant funds totaling \$132,573 during the year ended June 30, 2012 from Everett Community College (EVCC). EVCC is also a subrecipient of in \$364,449 federal funds passed through from the Council. Amounts due from the EVCC and payable to the EVCC as of June 30, 2011 were \$65,367 and \$36,175, 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 2012:

Subrecipients	\$ 1,747,375
Vendors	627,101

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.

The Council pays rent to the company where a new Board member is employed. The Council paid \$304,035 in payments to the landlord during the year ended June 30, 2012.

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 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.

The Council entered into an agreement with St. Vincent De Paul to lease a new worksource space effective July 1, 2011. The annual lease payments are \$1 per year and the Council was responsible for paying the tenant improvements for this site totaling \$387,746.

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 after January 2009 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, 2012 is \$49,089.

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

Year Ending June 30,	Amount
2013	\$ 282,002
2014	99,409
2015	40,183
Total	\$ 421,594

Rent expense for facility lease and equipment were \$228,335 and \$34,798 for the year ended June 30, 2012, respectively.

During 2008, 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 \$83,420 for the year ended June 30, 2012, which offset office rent, maintenance and utilities expenses.

During the year ended June 30, 2012, the Council entered into an agreement with Department of Social and Health Services to sublease 274 square feet of the worksource space. The agreement ends on December 31, 2012. Rental receipts for the sublease were \$4,355 for the year ended June 30, 2012, which offset worksource rent and utilities expense.

WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 CONTINGENCIES

In 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, 2012 remains at \$340,804. A mitigation involving all parties is currently scheduled for October 2012.

NOTE 9 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, 2012. Employees can elect to defer a maximum \$15,000 a year. Contributions and costs expensed by the Council totaled \$68,004 for the year ended June 30, 2012.

NOTE 10 SUBSEQUENT EVENTS

FASB ASC 855-10-50-1 (formerly Paragraph 12 of SFAS No. 165) requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. As such, subsequent events for the Council have been evaluated through October 15, 2012, the date these financial statements were able to be issued.

In May 2012, the Council entered into an agreement with Mountlake Investments, LLC to lease a new worksource space effective July 1, 2012.

**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, 2012, and have issued our report thereon dated October 15, 2012. 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.



CliftonLarsonAllen LLP

Bellevue, Washington
October 15, 2012

**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, 2012. 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, 2012.

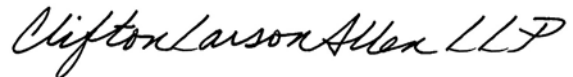
Internal Control over Compliance

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.



CliftonLarsonAllen LLP

Bellevue, Washington
October 15, 2012

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

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 none reported

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 none reported

Type of auditors' report issued on major programs?

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

_____ yes X no

Identification of major programs:

CFDA Number(s)

84.116
17.279

17.275

17.258
17.259
17.278

Name of Federal Program or Cluster

Fund for the Improvement of Postsecondary Education
Jobs for the Future
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA
WIA Cluster
WIA Adult Programs
WIA Youth Programs
WIA Dislocated Worker programs

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS

None

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice:			
Pass-Through Program From:			
Snohomish County Superior Court			
Family Drug Treatment Court	16.585	SS 04-11	\$ 3,540
Total Snohomish County Superior Court			<u>3,540</u>
Total U.S. Department of Justice			<u>3,540</u>
U.S. Department of Labor:			
Direct Programs:			
Youth Build	17.274		13,866
PY11 Youth Build	17.274		331,379
Total Direct Programs			<u>345,245</u>
Pass-Through Programs From:			
Washington State Employment Security Department:			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program	17.258 **	6104-1101	445,378
WIA Adult Program	17.258 **	6104-1102	1,009,369
WIA Adult Program	17.258 **	6104-7101	94,083
WIA Youth Activities	17.259 **	6104-7000	71,551
WIA Youth Activities	17.259 **	6104-7001	1,034,888
WIA Dislocated Workers	17.278**	6104-7200	3,300
WIA Dislocated Workers	17.278**	6104-1201	715,316
WIA Dislocated Workers	17.278**	6104-7201	306,200
WIA Dislocated Workers	17.278**	6104-1202	1,310,215
WIA Governor's 10% - Aerospace ITA's	17.258/17.259/17.278 **	6104-7620-14	179,677
WIA Governor's 10% - WATR Training	17.258/17.259/17.278 **	6104-7620-16	472,600
WIA Governor's 5% Reserve	17.258/17.259/17.278 **	6104-7400-04	90,499
WIA Governor's 5% Reserve - Rapid Response	17.258/17.259/17.278 **	6104-7501-11	31,759
WIA Cluster Administration	17.258/17.259/17.278 **	6104-1301	64,988
WIA Cluster Administration	17.258/17.259/17.278 **	6104-7301	186,737
WIA Cluster Administration	17.258/17.259/17.278 **	6104-1302	117,980
Total Workforce Investment Act (WIA) Cluster			<u>6,134,540</u>
National Emergency Grant	17.277	6104-7522-02	2,991
Disability Employment Initiative	17.207	K2103	3,598
Total Washington State Employment Security Department			<u>6,141,129</u>

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
Pass-Through Program From:			
Jobs for the Future			
Greenways Initiative	17.279**	IF-21926-11-60-A-25	188,844
Washington State Workforce Training and Education Coordinating Board:			
State Energy Sector Project (ARRA)	17.275 **	IAA776-10	432,676
Workforce Development Council Seattle-King County:			
Sound Energy Efficiency Development (ARRA)	17.275**	T9SNO-437-SEE	164,765
Everett Community College:			
Air Washington	17.282	1213-00111A	3,826
Healthcare Education to Career Opportunities (CBJT)	17.269	1011-0185CA	128,747
Total Everett Community College			<u>132,573</u>
Total U.S. Department of Labor			<u>7,405,232</u>
U.S. Department of Education:			
Direct Program:			
Fund for the Improvement of Postsecondary Education	84.116**		194,932
Total Direct Program			<u>194,932</u>
Total U.S. Department of Education			<u>194,932</u>
U.S. Department of Health & Human Services:			
Pass-Through Program From:			
Edmonds Community College:			
Creating Access to Careers in Healthcare	93.093	90FX0025-01	24,761
PY11 Creating Access to Careers in Healthcare	93.093	90FX0025-002-00	126,116
Total Edmonds Community College			<u>150,877</u>
Total U.S. Department of Health & Human Services			<u>150,877</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,754,581</u></u>

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Note 1

The schedule of expenditures of federal awards is prepared 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.

Note 2

The Workforce Investment Act (WIA) funds under three separate CFDA numbers (17.258, 17.259 and 17.278). Each CFDA number targets a specific population, i.e. adult, youth and dislocated workers. Amounts followed by an * are available to all WIA programs. It is not possible to identify amounts used by each CFDA number, therefore the total amount is shown as CFDA number 17.278.

Note 3

The following table shows the total amounts expended and amounts passed through to subrecipients by CFDA numbers.

CFDA #	Expended	Pass Through to Subrecipients
17.274	345,245	226,876
17.258	1,548,830	1,188,624
17.259	1,106,439	1,106,439
17.278	3,106,265	2,578,451
17.279	188,844	181,653
17.275	597,441	455,779
17.269	128,747	13,607
84.116	194,932	155,215
Total	<u>\$ 7,216,743</u>	<u>\$ 5,906,644</u>

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
CORRECTIVE ACTION PLAN
JUNE 30, 2012**

The current year Schedule of Audit Findings reported no matters in Section II – Financial Statement Findings nor in Section III – Federal Award Findings and Questioned Costs. Therefore, no corrective action plan is necessary nor has one been prepared.

**WORKFORCE DEVELOPMENT COUNCIL SNOHOMISH COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding 2011-1 resolved during fiscal year 2012.