



State of West Virginia  
 Department of Administration  
 Purchasing Division  
 2019 Washington Street East  
 Post Office Box 50130  
 Charleston, WV 25305-0130

# Solicitation

NUMBER
WWV14869

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
BETH COLLINS
304-558-2157

RFQ COPY

TYPE NAME/ADDRESS HERE

VENDOR

SHIP TO

WORKFORCE WEST VIRGINIA  
 OFFICE OF ADMIN. SUPPORT-5302  
 112 CALIFORNIA AVENUE  
 CHARLESTON, WV  
 25305-0112      304-558-2631

DATE PRINTED
06/26/2014

BID OPENING DATE: 07/10/2014

BID OPENING TIME 1:30PM

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
ADDENDUM NO.01						
THIS ADDENDUM IS ISSUED TO MODIFY THE ORIGINAL SOLICITATION PER THE ATTACHED DOCUMENTATION.						
0001	1	LS		946-20		
AUDITING SERVICES						
***** THIS IS THE END OF RFQ WWV14869 ***** TOTAL:						

SIGNATURE		TELEPHONE		DATE
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE		

WHEN RESPONDING TO SOLICITATION, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

**SOLICITATION NUMBER: WWV14869**  
**Addendum Number: 01**

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The purpose of this addendum is to modify the solicitation identified as (“Solicitation”) to reflect the change(s) identified and described below.

**Applicable Addendum Category:**

- Modify bid opening date and time
- Modify specifications of product or service being sought
- Attachment of vendor questions and responses
- Attachment of pre-bid sign-in sheet
- Correction of error
- Other

**Description of Modification to Solicitation:**

This addendum is issued to provide answers to vendor submitted questions.

This addendum is issued to provide exhibits and attachments to clarify and provide further information of vendor submitted questions.

This addendum is to also correct an error of the year should not be 2013 and should be 2014 as per attachments of this addendum.

The bid date will remain the same of July 10, 2014 at 1:30 PM, EST.

**Additional Documentation:** Documentation related to this Addendum (if any) has been included herewith as Attachment A and is specifically incorporated herein by reference.

**Terms and Conditions:**

1. All provisions of the Solicitation and other addenda not modified herein shall remain in full force and effect.
2. Vendor should acknowledge receipt of all addenda issued for this Solicitation by completing an Addendum Acknowledgment, a copy of which is included herewith. Failure to acknowledge addenda may result in bid disqualification. The addendum acknowledgement should be submitted with the bid to expedite document processing.

# ATTACHMENT A

**WWV 14869****Addendum I - Vendor Questions and Answers**

**Q. 1** Page 18, Specifications 1. Purpose and scope: indicates that: The West Virginia Purchasing Division is soliciting bids on behalf of WorkForce West Virginia to establish a contract with a certified public account firm to audit agency financial statement to the fiscal year ending June 30, 2013. Should this instance and all others in the RFQ indicate for the year ending June 30, 2014?

**A 1. In this instance and all others in the RFQ the year ending date should be June 30, 2014.**

**Q 2.** Please provide a summary of the hours billed and the total amount paid for the same scope of services in the prior year.

**A 2 A total of four hundred (400) hours were submitted as an estimate for award purposes only, actual award was not based on hourly rate but overall lowest bid meeting all mandatory requirements. These estimated hours included classifications of: Engagement Partner, Audit Manager, Audit Supervisor , Staff Auditor, IT Auditor, other support/clerical.**

**Invoicing was not submitted for hours worked but rather on the completion of each phase as described in the deliverables schedule as well as pricing sheet.**

**Q 3.** May we have a copy of the prior year audited financial statements?

**A 3. Please see the attached Exhibit C.**

**Q 4.** Please explicitly define, what is meant by this being an open ended contract and how this relates to a contract to provide audit services? Upon review of the Request for Quotation (RFQ) it does not appear to be open ended.

**A 4.** As shown in item 5 on page 6 of the INSTRUCTIONS TO VENDORS SUBMITTING BID a RFQ is considered an open end contract “when quantities listed in the solicitation are approximations only, based on estimates supplied by the Agency. It is understood and agreed that the Contract shall cover quantities actually ordered for delivery during the term of the Contract, whether more or less than the quantities shown”. In this case the request for estimated hours would fall under the open end definition.

**Q 5.** On page 18, under the “specifications” heading, it states that “the audit include all WorkForce West Virginia Programs, could you please define what is meant by programs? Does this include regional investment board’s?”

**A 5.** The audit will not include regional investment boards, for programs that will be included in the financial services being procured will include those shown on the attached Exhibit D.

**Q 6.** Does the WorkForce West Virginia require an OMB Xircular A-133 audit?

**A 6.** Yes

**Q 7.** What date will the WorkForce West Virginia be ready for the successful auditor to begin fieldwork?

**A 7.** August 20, 2014

**Q 8.** It is referenced numerous times that this is an audit for year ending June 20, 103, is this correct?

**A 8.** No, the audit will be for year ending June 30, 2014.

**Q 9.**When in the last time an RFQ for WorkForce WV was issued?

**A 9. The last RFQ for financial services was awarded in 2010 and included two one year renewals. The last allowed renewal expired December 14, 2013.**

**Q 10.** According to Schedule B, Delivery Schedule” the final signed version of the reports are not to be submitted to FARS until October 22, 2014. This appears to be after the historical FARS Final Deadline of on or around October 15<sup>th</sup>. It was also noted that the unsigned draft is to be submitted to FARS on September 3<sup>rd</sup>, which is also outside of the historical FARS draft **deadline of on or around September 15.**

**A 10. See the attached amended Exhibit B.**

**Q 11.** Would you please provide the total hours incurred and fee charged by the prior year auditor.

**A 11.** Please see response to Q 2 concerning total hours incurred. In reference to prior year audit charges a **FOIA** request may be submitted to Diane Holly at [Diane.M.Holly@wv.gov](mailto:Diane.M.Holly@wv.gov) for **WWV 11869.**

**Q 12.** Item 1 under the specifications section on age 18 of the RFQ as well as Item 2.1 and 3.1 on page 19 refer to the audit of agency financial statements for the year ending June 30, 2013. Is 2013 to be re-audited or does the RFQ require the audit of financial statements for the year ending June 30, 2014 with the option of two renewals?

**A 12. No, year ending 2013 is not to be re-audited. The audit being requested is for year ending June 20, 2014.**

**Q 13.** The State of WV early implemented GASB 65 for the year ended June 30, 2013. However, the financial statement notes for the year ended June 30, 2013 state that WorkForce WV has not evaluated the impact of GASB 65. Will WorkForce WV implement GASB65 for the year ended June 30, 2014? Or does GASB 65 have no effect on WorkForce WV?

**A 13. GASB 65 has already been implemented.**

**Q 14.** Item 3.1.1.21 requires identification of supervisory and management personnel and states that all personnel must hold a license to practice as a Certified Public Accountant in West Virginia. Is this requirement intended to apply to all personnel assigned to the engagement or does it apply only to management and supervisory personnel assigned to the engagement?

**A 14. This requirement is as stated for supervisory and management personnel only.**

**Q 15.** The state of WV is implementing a new EFP software effective July 2014 referred to as OASIS. Will WorkForce be transitioning to this new system for financial reporting purposes? If yes, please provide information on the activities expected to be affected by the implementation of the new software and any potential issues that may arise from the conversion.

**A 15. While WorkForce West Virginia is transitioning to the OASIS System, it will not have an impact on this audit. All financial statements required for this audit will remain available in our current FIMs system.**

**Q 16.** We are interested in bidding on Workforce WV's annual financial statement audit. In order to accurately prepare our proposal and provide our best price we would like to see a copy of the 2013 audited financial statements. Could you please send me a copy of those statements?

**A 16. Please see attached Exhibit C.**

**STATE OF WEST VIRGINIA  
WORKFORCE WEST VIRGINIA WWV14869  
EXHIBIT B**

**DELIVERY SCHEDULE**

<b>DELIVERABLES</b>	
Entrance Conference	<b>Before July 31, 2014</b>
Detailed audit plan	<b>August 14, 2014</b>
Field work to begin	<b>August 20, 2014</b>
Draft of WORKFORCE West Virginia Reports and financial statements for review	<b>August 27, 2014</b>
Revised draft with all requested changes and modifications of WorkForce West Virginia reports and financial statements for review	<b>September 4, 2014</b>
Draft submitted to the Financial Accounting and Reporting Section (FARS) of the WV Department of Administration with copies to Executive Director of WORKFORCE West Virginia and Director of FAM	<b>September 15, 2014</b>
Unsigned final draft with all modifications to WORKFORCE West Virginia management for final review	<b>October 14, 2014</b>
Final signed report submitted to WORKFORCE West Virginia and FARS	<b>October 20, 2014</b>



**WORKFORCE WEST VIRGINIA**  
**(A Division of the State of West Virginia)**  
Management's Discussion and Analysis (MD & A),  
Basic Financial Statements,  
Required Supplementary Information, and  
Other Financial Information

June 30, 2013

(With Independent Auditors' Report Thereon)

## WORKFORCE WEST VIRGINIA

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WORKFORCE WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(In Thousands Unless Otherwise Noted)

The management of WORKFORCE West Virginia (Division), a Division of the West Virginia Department of Commerce, State of West Virginia, provides this *Management's Discussion and Analysis* of the Division's financial standing for the readers of the audited financial statements. As of June 30, 2013, WORKFORCE West Virginia consisted of four primary operating Divisions: the One Stop Operations Division (OS); the WIA Dislocated Worker and Employment Services Division (DWES); the Unemployment Compensation Division (UC); and the Research Information and Analysis Division (RIA).

This narrative overview and analysis of the financial activities for the Division is for the fiscal year ended on June 30, 2013. Please read it in conjunction with the Division's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### Division Wide Highlights:

The assets of the Division exceeded the liabilities for the fiscal year ended June 30, 2013 by \$139 million as compared to \$159 million for the fiscal year ended June 30, 2012.

#### Fund Level Highlights:

At the close of the fiscal year, the governmental activities of the Division reported a net fund balance deficit of \$6.4 million as compared to \$7.9 million for the fiscal year ended June 30, 2012. The decrease in this deficit is mainly due to the cumulative effect adjustment of implementation of Governmental Accounting Standards Board (GASB) Statement No. 45.

The business-type activities reported a net position of \$145 million for the Unemployment Compensation Trust Fund at June 30, 2013 as compared to \$167 million at June 30, 2012. The decrease in net position is mainly due to reduced Unemployment Compensation benefits for fiscal year ended June 30, 2013.

More detailed information regarding these funds and their activities is contained in Footnote 1 to the audited financial statements, which follow.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and *other financial information*. The basic financial statements include two kinds of statements that present different views of the Division.

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Division's overall financial status.
- The remaining statements are *fund* financial statements that focus on *individual* parts of the Division's government, reporting the Division's operations in *more* detail than the government-wide statements.
  - The *government fund* statements tell how *general government* services like education were financed in the *short term* as well as what remains for future spending. For the Division, this consists primarily of federally funded workforce development programs.
  - *Proprietary fund* statements offer short and long-term financial information about the activities the government operates like businesses. For the Division, this consists of the Unemployment Compensation Trust Program.

WORKFORCE WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(In Thousands Unless Otherwise Noted)

➤ *Fiduciary fund* statements provide information about the financial relationships - like the retirement plan for the Division's employees - in which the State acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong. The Division has no fiduciary funds.

- The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

### GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Division as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the reporting entity's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Division's *net position* and how they have changed. Net position - the difference between the Division's assets and liabilities - are one way to measure the Division's financial health or *position*.

- Overtime, increases or decreases in the Division's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Division, one needs to consider additional non-financial factors such as changes in the Division's revenue sources and the condition of the Division's assets.

The government-wide financial statements of the State are divided into three categories:

- *Governmental activities* - These are the activities that are necessary for the government to function and meet its intended purpose. They are generally funded through a tax. For the Division, this consists primarily of federally funded workforce development programs.
- *Business-type activities* - The Division charges fees to customers to help it cover the costs of certain services it provides. For the Division, this consists of the Unemployment Compensation Trust Program.
- *Component Units* - The State includes other entities in its report such as West Virginia Housing Development, Parkways, Economic Development and Tourism Authority and Higher Education. These "component units" are important because the State is financially accountable for them. The Division has no component units. However, the Division exists within the State of West Virginia, and is considered part of the primary government in the State of West Virginia Comprehensive Annual Financial Report.

WORKFORCE WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(In Thousands Unless Otherwise Noted)

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Division's most significant *funds* - not the Division as a whole. Funds are accounting devices that the governmental agencies use to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The State Legislature establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Division has two kinds of funds:

- *Governmental funds* - Most of the Division's basic services are included in the governmental general fund, which focuses on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Division's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them. For the Division, this fund consists primarily of federally funded workforce development programs.
- *Proprietary funds* - Services for which the Division charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. For the Division, this consists of the Unemployment Compensation Trust Fund.

WORKFORCE WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(In Thousands Unless Otherwise Noted)

**FINANCIAL ANALYSIS OF THE DIVISION AS A WHOLE**

**Net Position**

\$

The Division's *combined* net position (governmental and business-type) totaled \$139 million at the end of 2013, compared to \$159 million at the end of the previous year. (See table below).

**Statements of Net Position  
(Expressed In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government		% of Change
	2012	2013	2012	2013	2012	2013	2012-2013
Current and other assets	\$ 1,526	\$ 1,840	\$ 202,661	\$ 182,342	\$ 204,187	\$ 184,182	(9.80%)
Capital assets	1,261	1,133	-	-	1,261	1,133	(10.15%)
Total assets	<u>2,787</u>	<u>2,973</u>	<u>202,661</u>	<u>182,342</u>	<u>205,448</u>	<u>185,315</u>	(9.80%)
Long-term debt outstanding	370	371	-	-	370	371	0.27%
Other liabilities	10,320	9,043	36,014	37,338	46,334	46,381	0.10%
Total liabilities	<u>10,690</u>	<u>9,414</u>	<u>36,014</u>	<u>37,338</u>	<u>46,704</u>	<u>46,752</u>	0.10%
Net Position (Deficit):							
Net investment in capital assets	1,261	1,133	-	-	1,261	1,133	(10.15%)
Restricted	161	69	166,647	145,004	166,808	145,073	(13.03%)
Unrestricted (deficit)	(9,324)	(7,643)	-	-	(9,324)	(7,643)	18.03%
Total net position (deficit)	<u>(\$7,902)</u>	<u>\$ (6,441)</u>	<u>\$ 166,647</u>	<u>\$ 145,004</u>	<u>\$ 158,745</u>	<u>\$ 138,563</u>	(12.71%)

The total net position deficit of the Division's governmental activities decreased 18.49% to \$6.4 million. This is primarily due to the cumulative effect of implementation of GASB Statement No. 45, and a liability with the USDOL due to cash on hand.

The total net position of the Division's business-type activities decreased 12.99% to \$145 million. This is primarily due to the decreased cost of unemployment payments.

WORKFORCE WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(In Thousands Unless Otherwise Noted)

**Changes in net position**

The Division's total revenues decreased by 9.93% to \$410 million (See table below). 12.38% of the Division's revenues come from federal grant programs aimed at workforce analysis and development. Other revenue comes from fees charged for services to employers by the Unemployment Compensation programs and investment earnings.

The total cost of all programs and services was \$431 million. The Division's expenses can be categorized into two categories: general governmental and direct benefits. General government expenses include all costs associated with operation of the Division and its programs, which includes administration and federal grant expenses incurred for employment training, statistics and support. Direct benefits consist of unemployment insurance benefits and comprised 88% of the total expenses of the Division for the fiscal year ended June 30, 2013.

	Change in Net Position (Deficit) (Expressed in Thousands)						% of Change Primary Government
	Governmental Activities		Business-type Activities		Total Primary Government		
	2012	2013	2012	2013	2012	2013	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ -	\$ -	\$ 400,238	\$ 356,531	\$ 400,238	\$ 356,531	(10.92%)
Federal grants	52,140	50,821	-	-	52,140	50,821	(2.53%)
General revenues:							
Investment earnings	-	-	3,265	3,025	3,265	3,025	(7.35%)
Total revenues	<u>52,140</u>	<u>50,821</u>	<u>403,503</u>	<u>359,556</u>	<u>455,643</u>	<u>410,377</u>	<u>(9.93%)</u>
<b>Expenses</b>							
Program expenses:							
General government	54,917	50,319	-	-	54,917	50,319	(8.37%)
Unemployment Compensation Trust	-	-	365,325	380,240	365,325	380,240	4.08%
Total expenses	<u>54,917</u>	<u>50,319</u>	<u>365,325</u>	<u>380,240</u>	<u>420,242</u>	<u>430,559</u>	<u>2.46%</u>
Increase (decrease) in net position before transfers	(2,777)	502	38,178	(20,684)	35,401	(20,182)	(157.01%)
Transfers and other revenues	<u>2,245</u>	<u>959</u>	<u>(2,245)</u>	<u>(959)</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
Increase (decrease) in net Position	(532)	1,461	35,933	(21,643)	35,401	(20,182)	(157.01%)
Beginning net Position (deficit)	<u>(7,370)</u>	<u>(7,902)</u>	<u>130,714</u>	<u>166,647</u>	<u>123,344</u>	<u>158,745</u>	<u>28.70%</u>
Ending net Position (deficit)	<u>\$ (7,902)</u>	<u>\$ (6,441)</u>	<u>\$ 166,647</u>	<u>\$ 145,004</u>	<u>\$ 158,745</u>	<u>\$ 138,563</u>	<u>(12.71%)</u>

**WORKFORCE WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(In Thousands Unless Otherwise Noted)**

**Business-type Activities**

For the Unemployment Compensation Trust Program, the Regular Unemployment Benefits expenditures increased \$15 million as compared with last year. As for revenue, the Regular Unemployment revenue categories decreased by \$44 million.

**FINANCIAL ANALYSIS OF THE DIVISION'S FUNDS**

**Governmental Funds**

The focus of the Division's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Division's financing requirements.

The general fund is the chief operating fund of the Division's federal program activities. At the end of the current fiscal year, the Division's governmental fund reported an ending fund balance of (\$6.4) million, a decreased deficit of \$1.5 million from prior year.

**Proprietary Funds**

The Unemployment Compensation (UC) Program has a total of 82 measurements. West Virginia met the eighteen Federal standards for measurement year ending March, 2013. In addition, the State of West Virginia's Unemployment Compensation Program was designated as one of only nine states that achieved a perfect score from the Department of Labor on the State Performance UI Core Measurements Score Card. These performance measurements cover timeliness, quality, and accuracy of each state's Benefit and Tax operations.

West Virginia's operational proper payment rate for unemployment benefits was 95.21% during Calendar Year 2012 which is substantially above the National Average Rate of 87.67%.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original general fund budget of the Division was not amended during the year ending June 30, 2013 except for a slight change in revenues. The most significant budget versus actual variances include:

- Expenditure schedules are budgeted at an increased amount for a number of reasons including:
  - Some of the grants received by the Division are adjusted based upon workloads. As the economy worsens, workloads increase and additional funds are received; therefore, additional amounts are budgeted in case additional grant funds are received.
  - Additional funds are budgeted in case grants are received in the event of natural disasters.
  - The Division operates the Trade Readjustment Assistance Program (TRA) which provides retraining services to workers who find themselves unemployed due to competition from foreign trade. In addition to the annual grant received from the United States Department of Labor to fund this program, the Division may receive additional grants to serve special groups laid off by large employers. These National Emergency grants have amounted to as much as \$23 million in past years. The Division budgets additional funds each year in case these major layoffs occur and National Emergency grants are received.
  - As disclosed above, some additional amounts, such as personal services, are budgeted in case grant funds are received for natural disasters and/or the economy worsens which results in an increase in the Division's workload.



WORKFORCE WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(In Thousands Unless Otherwise Noted)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2013, the Division had invested \$1,133 in capital assets that consist entirely of office furniture and equipment. (See table below). This amount represents a net decrease of \$128 or 10.2% from last year.

Capital Assets (Equipment) at Year-end  
(Expressed in Thousands)  
(Net of Depreciation)

	Governmental Activities		Total Percentage Change
	2012	2013	2012-2013
Governmental Activities	\$ 1,261	\$ 1,133	10.2%

The 10.2% decrease in capital assets from 2012 to 2013 is due to the retirement of modular unit assets. More detailed information is presented in Note 1 to the financial statements.

**Long-term Debt**

At year end, the Division had \$371 in the long-term portion of compensated absences, an increase of 0.2% as shown in the table below. More detailed information is presented in Notes 1 and 4 to the financial statements.

Outstanding Long-Term Debt at Year-end  
(Expressed in Thousands)

	Governmental Activities		Total Percentage Change
	2012	2013	2012-2013
Compensated absences	\$ 370	\$ 371	0.2%

**WORKFORCE WEST VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(In Thousands Unless Otherwise Noted)**

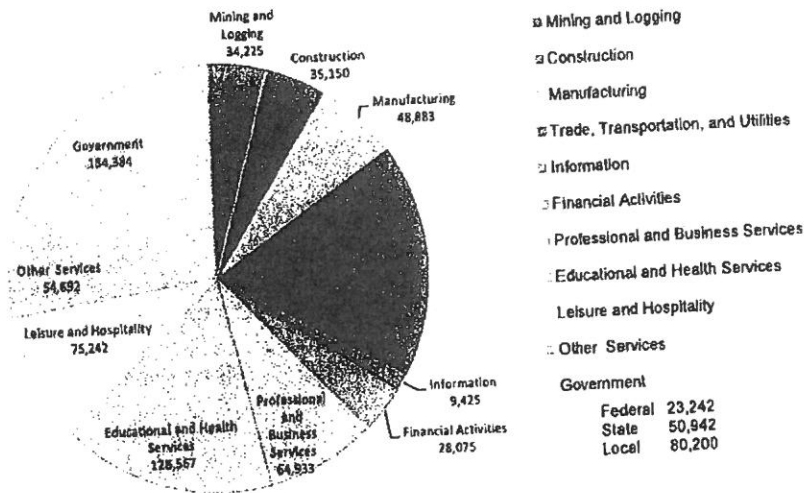
**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

These indicators were taken into account when adopting the Division's budget for 2013.

<u>Industry</u>	<u># of Jobs</u>
Mining and Logging	34,225
Construction	35,150
Manufacturing	48,883
Trade, Transportation, and Utilities	135,700
Information	9,425
Financial Activities	28,075
Professional and Business Services	64,933
Educational and Health Services	126,567
Leisure and Hospitality	75,242
Other Services	54,692
Government	154,384
<b>Total Employment</b>	<u><u>767,276</u></u>

The following chart shown includes projected information for fiscal year 2013.

**Employment by Major Industry**



**CONTACTING THE DIVISION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Division's finances and to demonstrate the Division's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact WORKFORCE West Virginia, 112 California Avenue, Charleston, WV 25305.

BASIC FINANCIAL STATEMENTS

WORKFORCE WEST VIRGINIA  
STATEMENT OF NET POSITION (DEFICIT)  
JUNE 30, 2013  
(In Thousands)

	Primary Government		
	Governmental Activities	Business - type Activities	Total
	General Fund	Unemployment Compensation Trust	
<b>Assets</b>			
Current assets:	\$ 1,624	\$ 119,515	\$ 121,139
Cash and cash equivalents			
Receivables, net:		59,780	59,780
Unemployment taxes (Note 1f)	136	-	136
Other	-	2,348	2,348
Due from other governments	39	699	738
Due from other funds - primary government	41	-	41
Inventories	1,840	182,342	184,182
Total current assets			1,133
Noncurrent assets:	1,133	-	1,133
Capital assets, net	1,133	-	1,133
Total noncurrent assets	2,973	182,342	185,315
Total assets			
<b>Liabilities</b>			
Current liabilities:	204	-	204
Accounts payable	6,588	-	6,588
WV Retiree Health Benefit Trust (RHBT) payable (OPEB)	787	1,937	2,724
Accrued expenses and other liabilities	622	4,522	5,144
Due to other governments	-	30,879	30,879
Unemployment Compensation benefits payable	842	-	842
Compensated absences due within one year	9,043	37,338	46,381
Total current liabilities			371
Noncurrent liabilities:	371	-	371
Compensated absences due in more than one year	371	-	371
Total noncurrent liabilities	9,414	37,338	46,752
Total liabilities			
<b>Net position (deficit)</b>			
Net position (deficit):	1,133	-	1,133
Net Investment in capital assets			
Restricted for:	69	145,004	145,073
Restricted	(7,643)	-	(7,643)
Unrestricted (deficit)	(6,441)	145,004	138,563
Total net position (deficit)			

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013  
(In Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 50,152	\$ -	\$ 50,821	\$ 669	\$ -	\$ 669
Unallocated depreciation	167	-	-	(167)	-	(167)
Total governmental activities	50,319	-	50,821	502	-	502
Business-type activities:						
Unemployment Compensation Trust	380,240	-	356,531	-	(23,709)	(23,709)
Total business-type activities	380,240	-	356,531	-	(23,709)	(23,709)
Total primary government	\$ 430,559	\$ -	\$ 407,352	\$ 502	(23,709)	(23,207)
General Revenues:						
Investment earnings				-	3,025	3,025
Fund balance transfers				959	(959)	-
Change in net position (deficit)				1,461	(21,643)	(20,182)
Net position (deficit) - beginning				(7,902)	166,647	158,745
Net position (deficit) - ending				\$ (6,441)	\$ 145,004	\$ 138,563

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2013  
(In Thousands)

	Governmental Activities
	General Fund
Assets:	
Cash and cash equivalents	\$ 1,624
Due from other funds - primary government	39
Accounts Receivable - other	136
Inventories	41
Total assets	\$ 1,840
Liabilities and Fund Balance (Deficiency):	
Liabilities:	\$ 204
Accounts payable	6,588
RHBT Payable (OPEB)	622
Due to other government	1,629
Accrued expenditures and other liabilities	9,043
Total liabilities	9,043
Fund balance (Deficiency):	41
Non-spendable for inventories	28
Assigned	(7,272)
Unassigned deficiency	(7,203)
Total fund balance (deficiency)	\$ 1,840
Total liabilities and fund balance (deficiency)	\$ (7,203)
Total fund balance (deficiency)	\$ (7,203)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,133
Long term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	(371)
Net position (deficit) of governmental activities	\$ (6,441)

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIENCY)  
 GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands)

	Governmental Activities
	General Fund
Revenues:	
Grants	\$ 50,821
	50,821
Expenditures:	
Employment training, statistics, and support	50,190
Excess (deficiency) of revenues over expenditures	631
Other financing sources and uses, including transfers	
Transfer in from the Unemployment Compensation Trust Fund	959
Net change in fund balance	1,590
Fund balance (deficiency) - beginning	(8,793)
Fund balance (deficiency) - ending	\$ (7,203)
Net change in fund balance (deficiency) – total governmental funds	\$ 1,590
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.	(130)
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. This is the amount by which expenditures exceeded expense for long term compensated absences.	1
Change in Net Position of Governmental Activities	\$ 1,461

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013  
(In Thousands)

	Business-type Activities - Enterprise Fund Unemployment Compensation Trust
<b>Assets:</b>	
<b>Current assets:</b>	\$ 119,515
Cash and cash equivalents	
Receivables, net:	59,780
Unemployment Compensation premiums	2,348
Due from other governments	699
Due from other funds - primary government	182,342
Total current assets	\$ 182,342
Total assets	
<b>Liabilities and Fund Balance:</b>	
<b>Current liabilities:</b>	\$ 1,937
Accrued expenses and other liabilities	4,522
Due to other governments	30,879
Unemployment Compensation benefits payable	37,338
Total current liabilities	37,338
Total liabilities	
<b>Net Position:</b>	
Restricted for:	145,004
Benefit payments	145,004
Total Net Position	\$ 182,342
Total liabilities and Net Position	

The Accompanying Notes Are An Integral  
Part Of These Financial Statements



WORKFORCE WEST VIRGINIA  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands)

	<u>Business-type Activities - Enterprise Fund Unemployment Compensation Trust</u>
Operating revenues:	
Unemployment Compensation premiums	\$ 356,531
Total operating revenues	<u>356,531</u>
Operating expenses:	
Unemployment insurance benefits	<u>380,240</u>
Total operating expenses	<u>380,240</u>
Operating income (loss)	<u>(23,709)</u>
Nonoperating revenues:	
Investment earnings	<u>3,025</u>
Total nonoperating revenues (expenses)	<u>3,025</u>
Income (loss) before transfers	(20,684)
Transfer out to general fund	<u>(959)</u>
Decrease in net position	(21,643)
Total net position - beginning	<u>166,647</u>
Total net position - ending	<u>\$ 145,004</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

WORKFORCE WEST VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013  
(In Thousands)

	Business-type Activities - Enterprise Fund Unemployment Compensation Trust
Cash flows from operating activities:	
Received from employers	\$ 135,273
Received from federal and local agencies	219,515
Payments to claimants and providers	(378,015)
Net cash provided (used) by operating activities	<u>(23,227)</u>
Cash flows from non-capital financing activities:	
Transfers to other funds	(959)
Net cash provided (used) by non-capital financing activities	<u>(959)</u>
Cash flows from investing activities:	
Investment earnings	3,025
Net cash provided (used) by investing activities	<u>3,025</u>
Net increase (decrease) in cash and cash equivalents	(21,161)
Cash and cash equivalents - beginning	<u>140,676</u>
Cash and cash equivalents - ending	<u>\$ 119,515</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (23,709)
Net change in assets and liabilities:	
Unemployment compensation premiums receivable	(519)
Due from other governments	(167)
Due from other funds - primary government	(156)
Accrued expenses and other liabilities	131
Due to other governments	(36)
Unemployment Compensation benefits payable	1,229
Net cash provided (used) by operating activities	<u>\$ (23,227)</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

**(1) Summary of Significant Accounting Policies**

**(a) Financial Reporting Entity**

WORKFORCE West Virginia (Division) is a Division of the West Virginia Department of Commerce and as of June 30, 2013, consisted of four primary operating Divisions: the One Stop Operations Division (OS); the WIA Dislocated Worker and Employment Services Division (ES); the Unemployment Compensation Division (UC); and the Research, Information and Analysis Division (RIA).

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the West Virginia Department of Commerce and of the State of West Virginia that is attributable to the transactions of WORKFORCE West Virginia. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Commerce or the State of West Virginia as of June 30, 2013 and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. The Division is reported as part of the primary government in the State of West Virginia Comprehensive Annual Financial Report.

The General Fund of the Division includes funds received from the United States Department of Labor (USDOL) for Employment Services, Unemployment Compensation and Labor Statistics. These funds allow for operating local offices throughout the State of West Virginia to serve those seeking and providing employment. Most local offices were historically identified as "Job Service," and conduct employment outreach, interviewing, testing, counseling and referral to placement, training and other services designed to ready individuals for employment.

The UC provides temporary income as partial compensation to unemployed workers. The Division has direct responsibility for operation of this program. This program is administered under the oversight of USDOL, which establishes guidelines and funds administrative costs from monies collected under provisions of the Federal Unemployment Tax Act. Both ES and UC are federal mandated partners in the one stop delivery system.

**(b) Basis of Presentation**

The accompanying financial statements of the Division have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**USE OF ESTIMATES** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** - The government-wide financial statements (the statement of net position and the statement of activities) report information of all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of inter-fund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The Division has no component units or fiduciary activities.

WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units, if applicable. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** - 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.

**FUND FINANCIAL STATEMENTS** - The 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 Division considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Significant revenues subject to accrual include business unemployment taxes, federal grants, federal reimbursements, and other reimbursements for use of materials and services.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The following summarizes the major governmental funds that are presented in the accompanying financial statements:

- **General Fund** - The General Fund is the general operating fund of the Division. It is used to account for all financial resources obtained and spent for those services normally provided by the Division that are not accounted for in other funds, including the administrative services related to the Unemployment Compensation System (see below), and the operation of various federal programs funded by USDOL.

WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

**(1) Summary of Significant Accounting Policies (Continued)**

- Enterprise Funds - Enterprise funds are used to account for the operations of state agencies providing goods or services to the general public on a user-charge basis, and for any activity whose principal revenue sources meet any of the following criteria: debt backed solely by fees and charges; legal requirement to recover cost; and policy decision to recover cost. Based upon these criteria state unemployment compensation funds should be reported in enterprise funds.

The Division reports the following enterprise fund: The UC Trust Fund is used to account for the operations of the UC Division, which is responsible for providing temporary income as partial compensation to unemployed workers.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include business unemployment taxes, federal grants, federal reimbursements, and other reimbursements for use of materials and services. Revenues from federal grants are recognized when the related expenditures have been incurred. Expenditures under the modified accrual basis of accounting are recognized when the related fund liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

In accordance with OMB Circular A-87, all allowable indirect costs related to USDOL for the Division are allocated to federal grants in compliance with the applicable federal cost principles. The basis for this allocation is the percentage of salary dollars paid by each federal grant in comparison to the total salary dollars paid by all of the Division's federal grants.

**(c) Budgetary Data**

All financial operations of the Division, except for benefits and direct claims costs of the UC Division are subject to a non-appropriated budget review and approval process in which the Division submits a financial plan for approval in a manner authorized by statute. Pursuant to West Virginia Code §5A-2-12, the Division submits a detailed budgetary schedule of general administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The budgetary schedule is prepared on the cash basis. The cash basis is modified at year-end to allow for payment of invoices up to 31 days after year-end for goods or services received prior to year-end. Appropriated budgeted expenditures, which lapse 31 days after the end of the fiscal year, are incorporated into the Division's overall financial plan, which includes revenue estimates developed by the Division and the State's executive branch. Expenditures are budgeted using natural categories of activity including specific categories as well as for special items. Any revisions that alter budgeted expenditures for the expenditure categories for each Division as a whole must be approved by the State Legislature. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund along with the reconciliation of budgetary information to GAAP is included in the Required Supplementary Information.

WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

(d) **Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with outside financial institutions or amounts on deposit in the State Treasurer's Office (STO) or State Auditor's Office. Balances are recorded at fair value or amortized cost which approximates fair value. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

In addition, the Division's UC Trust Fund maintains a deposit account in the Federal Unemployment Insurance Trust Fund of the United States Treasury, and utilizes commercial banks for depositing amounts disbursed for unemployment benefit payments. All such funds are generally available to the Division with overnight notice, and are considered cash equivalents.

(e) **Inventory**

Inventory consists of supplies used in the normal course of business and is valued at the lower of cost or market using the first in first out method.

(f) **Revenue and Receivables**

The Division has one primary source of revenue for each fund type. The general fund's activities are supported by federal grants primarily on a reimbursement basis. Expenditures in excess of receipts are recorded as "due from other governments".

Revenue in the UC Trust Fund represents employer contributions for unemployment insurance. The Division recognizes as revenue and taxes receivable amounts due for periods ending on or before the balance sheet date, together with an allowance for estimated uncollectible employer contributions. When collected, these funds are held in trust until expended to pay unemployment benefits. The amounts on the financial statement are reported net of an allowance for doubtful accounts of \$3,067.

WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

(g) **Capital Assets**

Capital assets, which consist primarily of office furniture and equipment of the Division, are reported in the applicable governmental or business-type activities columns in the statement of net assets of the government-wide financial statements. In accordance with the capitalization policy adopted by the Division for financial reporting, assets costing in excess of five thousand dollars are capitalized. 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. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Depreciation is computed for these assets using the straight-line method over the estimated economic useful lives ranging from 3-20 years. Total depreciation expense relating to the Division approximated \$167 for the fiscal year ended June 30, 2013. Accumulated depreciation relating to the capital assets approximated \$397 at June 30, 2013. Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets:				
Governmental activities				
Office furniture and equipment	\$ 1,536	\$ 39	\$ (45)	\$ 1,530
Accumulated depreciation	<u>(275)</u>	<u>(167)</u>	<u>45</u>	<u>(397)</u>
Governmental activities capital assets, net	<u>\$ 1,261</u>	<u>\$ (128)</u>	<u>\$ -</u>	<u>\$ 1,133</u>

(h) **Other Operating Revenue**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Balances classified as operating revenues and expenses are those which comprise the Division's ongoing operations. Principal operating revenues are charges to customers for use of the services. Principal operating expenses are the costs of providing the goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses, if any, are classified as non-operating in the financial statements.

(i) **Retirement Benefits**

The Division's employees are covered by the West Virginia Public Employees Retirement System (PERS), a multi-employer cost-sharing defined benefit pension plan. PERS covers substantially all employees of the Division.

WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

(j) **Net Position and Fund Balance**

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Division or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Such constraints limit the Division's ability to use the resources to pay current liabilities.

**FUND BALANCE** – As required by GASB 54, the Division displays fund balance in five components. If applicable: nonspendable, restricted, committed, assigned and unassigned.

**NONSPENDABLE FUND BALANCE** – Nonspendable fund balance includes amounts that cannot be spent because they are (a) either not in spendable form or (b) legally or contractually required to be maintained intact.

**RESTRICTED FUND BALANCE** – Restricted fund balances should be reported when constraints place on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**COMMITTED FUND BALANCE** – Committed fund balances should be reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the Division, this decision-making authority is the West Virginia State Legislature.

**ASSIGNED FUND BALANCE** – Assigned fund balances should be reported for amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances at the Division are approved by the WORKFORCE Executive Management Team.

**UNASSIGNED FUND BALANCE** – Unassigned fund balance is the residual classification for the Division's general fund and includes all spendable amounts not contained in the other classifications.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Division has the authority to deviate from this policy if it is in the best interest of the Division.

At June 30, 2013, the General Fund had an assigned fund balance for encumbrances of \$28 that are composed of contracts for vendors' services and subrecipients who provide Rapid Response, State Set Aside, National Emergency Grant, Navigator, and other WORKFORCE services. Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at fiscal year-end.



WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies (Continued)

(k) Compensated absences

Effective July 1, 2007, the Division adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement provided standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2007, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the "State"). Effective July 1, 2007, the Division was required to participate in this multiple employer cost-sharing plan the West Virginia Retiree Health Benefit Trust Fund (RHBT), sponsored by the State of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting RHBT, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or <http://www.wvpeia.com>.

This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Full-time employees earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

The estimated expense and expense incurred for the vacation leave, or OPEB benefits are recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net assets.

Legislation requires the RHBT to determine through an actuarial study, the ARC (Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers including the Division who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residue funds held in trust for future OPEB costs. Based on the actuarial study completed, the annual required contribution rates were determined for the fiscal year ended June 30, 2013. The OPEB expense for fiscal year 2013 based upon actuarial determined amounts is \$255 per current employee per month which was the annual required contribution. The total OPEB expense for fiscal year 2013 was \$938. The amount accrued as the RHBT liability is \$6,588 at June 30, 2013.

WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

The total OPEB expense relating to retirees was \$218 during fiscal year 2013. As of the year ended June 30, 2013, there were 92 individuals receiving these benefits. Retirees receiving benefits increased 12.20% compared to 2012 financials.

(I) **Recent Statements Issued By GASB**

For 2013, the Division implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. The implementation of GASB 63 had no material effect on the financial statements of the Division.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* which will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for fiscal year 2014, and management has not yet determined the financial statement impact of the pronouncement.

(2) **Deposits**

The composition of cash and cash equivalents were as follows at June 30, 2013:

	Amortized Cost	Estimated Fair Value
Cash on deposit with State Treasurer / State Auditor's Office	\$ 1,440	\$ 1,440
Cash in bank	462	462
Cash in U.S. Treasury	<u>119,237</u>	<u>119,237</u>
	<u>\$ 121,139</u>	<u>\$ 121,139</u>

At June 30, 2013, the carrying value of amounts on deposit with the U.S. Treasury in the Federal Unemployment Insurance Trust Fund approximated \$119,237 while \$462 of deposits were held in commercial bank accounts that are utilized for collection of unemployment taxes and benefit payments. Substantially all of the Division's deposits in commercial bank accounts are collateralized by securities held by the pledging financial institution, but not in the Division's name.

WORKFORCE WEST VIRGINIA  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (In Thousands, Unless Otherwise Noted)

**(3) Leases**

The Division has various lease agreements for its current central office buildings and various hearing and field offices throughout West Virginia. The Division also leases a small number of vehicles.

All State agencies are required to have language in their lease agreements which allow termination by either party with 30 days notice. The Division has entered into several such agreements. The Division plans to honor the original terms of all such agreements and, therefore, has provided disclosure of these "operating" leases as though they were non-cancelable. These leases are classified as operating leases with the lease payments recorded as rent expense as they become payable. Contingent rentals on operating leases for certain equipment are determined based on usage of the equipment. In addition, certain operating leases for office space include rent escalation provisions based on increases in the lessor's real property taxes over taxes paid in a base year and annual renewal options.

Future minimum rentals under operating leases for the Division at June 30, 2013 are as follows:

Rentals due in fiscal year:

2014	\$	2,449
2015		2,077
2016		765
2017		440
2018		366
Thereafter		646
Total minimum lease payments	\$	6,743

Rental expense for the minimum rentals under operating leases for the year ended June 30, 2013 was \$2,270.

**(4) Compensated Absences and Other Post Employment Benefits**

The liability for compensated absences is generally liquidated in the fund for which the liability is recorded. Changes in compensated absences balances and other post employment benefits are as follows:

	<u>Beginning Balance</u>	<u>Additions/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
Compensated absences	\$ 1,232	\$ (19)	\$ 1,213	\$ 842
RHBT payable (OPEB)	6,504	84	6,588	-
	\$ 7,736	\$ 65	\$ 7,801	\$ 842

The Division's obligation for accrued vacation leave time includes leave time and related costs expected to be paid to employees in the future and are determined using wage levels in effect at the date the obligation is calculated. Also included in this amount is the Division's unfunded obligation arising in connection with legislation to fund portions of employee post retirement health insurance costs for retired employees.

Upon retirement, an employee may apply unused sick leave or annual leave, or both to reduce their future insurance premiums paid to the West Virginia Public Employees Insurance Division or to obtain a greater benefit under the West Virginia Public Employees Retirement System.

WORKFORCE WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(In Thousands, Unless Otherwise Noted)

(5) Pension Plan

(a) Plan Description

The Division contributes to the West Virginia Public Employees Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Employees who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death, and disability benefits to plan members and beneficiaries. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report can be obtained by writing to CPRB, Capitol Complex, Building 5, Room 1000, Charleston, WV 25305.

(b) Funding Policy

The PERS funding policy has been established by action of the State Legislature. State statute requires plan members to contribute 4.5% of their annual covered salary. Effective July 1, 2012, employer contribution rates were 14.0% of the member's annual earnings. This is a combined contribution of 18.5%. Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. The contribution requirements of plan members and the Division are established and may be amended by the PERS Board of Trustees. The Division's contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were \$1,884, \$2,088, and \$1,822, respectively, equal to the required contributions for each year.

(6) Related Party Transactions

During the course of operations, the Division enters into transactions with other agencies of the State of West Virginia. These transactions consist of normal Division/employer transactions or fees for services paid to other State enterprise or internal service funds, as set forth below:

	General Fund	Unemployment Compensation Trust
Employer premiums revenue from other State agencies	\$ -	\$ 2,365
Employee benefits and other costs paid to other State agencies	\$ 3,398	\$ -

WORKFORCE WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(In Thousands, Unless Otherwise Noted)

(6) **Related Party Transactions (Continued)**

Due from other State Agencies:

	<u>General Fund</u>	<u>Unemployment Compensation Trust</u>
West Virginia Department of Health and Human Resources,		
Bureau of Child Support	\$ -	\$ -
Supreme Court of Appeals	-	38
Rehabilitation Services	-	-
Motor Vehicles	-	6
WV Department of Highways	-	46
Health & Human Resources	-	72
Natural Resources	-	35
Lakin State Hospital	-	11
William R. Sharpe Jr. Hospital	-	5
Attorney General's Office	-	16
Environmental Protection	-	5
Regional Jail	-	89
Mt. Olive	-	14
Division of Juvenile Services	-	22
State Colleges	-	166
Others	<u>\$ -</u>	<u>\$174</u>
Total	<u>\$ -</u>	<u>\$699</u>

(7) **Commitments and Contingencies**

(a) **Risk Management**

The Division is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia established the Board of Risk and Insurance Management (BRIM) and the Public Employees Insurance Agency (PEIA) to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, liability and property damage in the amount of \$1,000 per occurrence. There have been no settlements that have exceeded this coverage in the last three years. PEIA is also a public entity risk pool and provides coverage for employee and dependent health, life and prescription drug insurance.

Through its participation in the PEIA, the Division has obtained health, life and prescription drug coverage for all its employees. The Division, through a third-party insurer has obtained coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and a third-party insurer, the Division has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

WORKFORCE WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(In Thousands, Unless Otherwise Noted)

**(7) Commitments and Contingencies (Continued)**

These entities issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to these specific entities.

**(b) Other Risks**

During the normal course of operations, the Division incurs certain routine claims. The Legal Counsel for the Division has evaluated the potential loss for these claims and believes that the insurance coverage provided by WVBRIM is adequate to cover any potential losses from these claims.

The Division participates in several federal programs which are subject to audit by the federal awarding agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal awarding agency cannot be determined at this time. The Division records these disallowed audit adjustments for questioned costs in the period the audit is finalized.

**(8) Deficit Funding Plan**

The Division has taken significant steps to improve fiscal accountability and monitoring of the local workforce investment boards. Procedures have been put into place to ensure that charges to programs are allowable and proper and that grant obligations do not exceed the current grant funds available. In addition, the Division has issued fiscal guidelines for the local Workforce Investment Boards and has conducted fiscal training with their key fiscal personnel.

The Division is continuing to improve its budgetary process and is looking at various methods to control expenses; including, but not limited to, budget cutbacks, closing of offices, and the reorganization of various job responsibilities within the Division. In addition, the Division is developing a more comprehensive oversight program to monitor the seven subrecipient Workforce Investment Boards in an effort to reduce non-allowable expenditures. Furthermore, management intends to perform a comprehensive review of the workforce investment board structure to determine if a more cost effective structure that delivers the same level of client service can be implemented.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

**WORKFORCE WEST VIRGINIA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND  
YEAR ENDED JUNE 30, 2013  
(in Dollars)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1			\$ 1,061,368	\$ (21,883,225)
Resources (Inflows)	\$ 22,441,693	\$ 22,644,593	\$ 46,057,177	\$ (15,384,318)
Beginning Balance 7/1/12	\$ 51,441,496	\$ 51,441,496	\$ 47,118,648	\$ (36,967,544)
2013 FY Gross Revenue and Appropriations	\$ 53,883,089	\$ 54,086,089		
Amounts Available For Appropriation			\$ 14,710,178	\$ 2,293,231
Charges To Appropriations (Outflows):	\$ 17,003,409	\$ 17,003,409	\$ -	\$ -
001-Personal Services (With Payroll Deductions)	\$ -	\$ -	\$ -	\$ 14,881
002-Personal Services (Without Payroll Deductions)	\$ -	\$ 389,260	\$ 354,070	\$ -
003-Payroll Reimbursements	\$ 369,260	\$ -	\$ -	\$ -
004-Annual Increment	\$ -	\$ -	\$ 94,275	\$ 21,188
Employee Benefits:	\$ 115,463	\$ 115,463	\$ 1,098,284	\$ 270,511
010-Personnel Division & Public Employees Insurance	\$ 1,386,775	\$ 1,386,775	\$ 1,639,523	\$ (273,664)
011-Social Security Matching	\$ 1,365,859	\$ 1,365,859	\$ -	\$ -
012-Public Employees' Insurance	\$ -	\$ -	\$ 60,729	\$ 21,953
013-Other Health Insurance	\$ 82,682	\$ 82,682	\$ 42,895	\$ 3,103
014-Workers Compensation	\$ 45,998	\$ 45,998	\$ 1,956,188	\$ 468,504
015-Unemployment Compensation	\$ 2,424,650	\$ 2,424,650	\$ -	\$ -
016-Pension & Retirement	\$ -	\$ -	\$ -	\$ 7,460
Current Expenses:	\$ 475,883	\$ 475,883	\$ 468,423	\$ (61,854)
020-Office Expenses	\$ 108,603	\$ 108,603	\$ 170,587	\$ 181,699
021-Printing and Binding	\$ 2,452,570	\$ 2,462,870	\$ 2,270,871	\$ (17,467)
022-Rental Expense	\$ 11,005	\$ 11,005	\$ 28,472	\$ 33,940
023-Utilities	\$ 799,261	\$ 799,261	\$ 768,321	\$ 437,524
024-Telecommunications	\$ 1,422,209	\$ 1,422,209	\$ 984,655	\$ 808,123
025-Contractual and Professional	\$ 509,123	\$ 509,123	\$ -	\$ (37,738)
026-Travel	\$ 1,452,658	\$ 1,452,658	\$ 16,019	\$ 15,729
027-Computer Services	\$ 31,748	\$ 31,748	\$ -	\$ 68,848
028-Vehicle Rental	\$ 68,848	\$ 68,848	\$ 39,650	\$ (9,826)
030-Rentals (Machine and Miscellaneous)	\$ 29,024	\$ 29,024	\$ 55,804	\$ 31,187
031-Association Dues and Professional Memberships	\$ 87,991	\$ 87,991	\$ -	\$ -
032-Fire, Auto, Bond, and Other Insurance	\$ -	\$ -	\$ 7,802	\$ (5,558)
033-Food Clothing	\$ 2,034	\$ 2,034	\$ 56,148	\$ 16,245
034-Clothing, Household and Recreational Supplies	\$ 71,393	\$ 71,393	\$ 8,325	\$ (8,943)
035-Advertising and Promotional	\$ 2,382	\$ 2,382	\$ 636	\$ 9,042
036-Vehicle Operating Expense	\$ 9,078	\$ 9,078	\$ -	\$ 375,588
037-Research, Educational and Medical Supplies	\$ 375,588	\$ 375,588	\$ 14,262	\$ (3,458)
038-Routine Maintenance Contracts	\$ 10,824	\$ 10,824	\$ 34,432	\$ 11,476
041-Cellular Charges	\$ 46,908	\$ 46,908	\$ 4,000	\$ 1,813
042-Hospitality	\$ 5,813	\$ 5,813	\$ 21,408	\$ (3,366)
043-Educational Training (Stipends)	\$ 18,043	\$ 18,043	\$ -	\$ 1,454
044-Energy Exp Mir Veh/Air	\$ 1,464	\$ 1,464	\$ 40,119	\$ (1,804)
045-Farm Expense	\$ 38,315	\$ 38,315	\$ 1	\$ (1)
047-Energy Expense Utilities	\$ -	\$ -	\$ 13,124	\$ 30,191
048-Discharge & Parole Allow	\$ 43,315	\$ 43,315	\$ 74,110	\$ (34,144)
051-Miscellaneous	\$ 39,956	\$ 39,956	\$ 1,088,849	\$ 170,129
052-Training and Development	\$ 1,256,978	\$ 1,256,978	\$ -	\$ 1,495,157
053-Postal and Freight	\$ 1,495,157	\$ 1,495,157	\$ 2,700	\$ (2,700)
054-Computer Supplies	\$ -	\$ -	\$ 140,548	\$ 856,573
056-Attorney Legal Service Payments	\$ -	\$ 797,121	\$ -	\$ -
057-Attorney Reimbursable Expenses	\$ 797,121	\$ -	\$ -	\$ 3,326
058-Miscellaneous Equipment Purchases	\$ -	\$ 3,558	\$ 233	\$ 1,073
059-Student Activities	\$ 3,558	\$ 1,073	\$ -	\$ 17,568
061-Office & Communication Equipment Repairs	\$ 1,073	\$ 17,568	\$ 209	\$ (50)
062-Research, Educational, & Medical Equipment Repairs	\$ 17,568	\$ 163	\$ 3,206	\$ (3,206)
063-Building & Household Equipment Repairs	\$ 153	\$ -	\$ -	\$ 4,074
064-Routine Maintenance Of Buildings	\$ -	\$ 4,074	\$ 1,160	\$ 51,792
065-Vehicle Repairs	\$ 4,074	\$ 52,852	\$ 17,278	\$ 37,716
066-Routine Maintenance of Grounds	\$ 52,852	\$ 54,994	\$ -	\$ -
068-Other Repairs and Alterations	\$ 54,994	\$ -	\$ -	\$ (5,810)
070-Office and Communication Equipment	\$ -	\$ -	\$ 5,810	\$ -
071-Medical Equipment	\$ -	\$ -	\$ -	\$ -
073-Household Equipment and Furnishings	\$ -	\$ -	\$ -	\$ 150,514
074-Building Equipment	\$ -	\$ 150,514	\$ -	\$ 818,344
075-Vehicles	\$ 150,514	\$ 818,344	\$ 589	\$ (889)
077-Books and Periodicals	\$ 818,344	\$ -	\$ -	\$ -
078-Other Capital Equipment	\$ -	\$ -	\$ -	\$ -
080-Payment Of Taxes	\$ -	\$ -	\$ -	\$ 66
081-Payment Of Claims	\$ -	\$ 66	\$ 66	\$ -
083-Grants, Awards, Scholarships, and Loans	\$ 66	\$ -	\$ -	\$ 2,979
088-Bank Costs	\$ -	\$ 2,979	\$ -	\$ 85
092-Building Construction	\$ 2,979	\$ 65	\$ 65	\$ 785,682
096-Other Interest and Penalties	\$ 65	\$ 840,000	\$ -	\$ -
099-Natural Disaster Grants	\$ 840,000	\$ -	\$ -	\$ 19,826,798
100-Fund Transfers	\$ -	\$ -	\$ -	\$ (13,277,700)
101-Legislative Direct Transfer	\$ 19,826,798	\$ 19,826,798	\$ 15,599,207	\$ 1,100
124-Cost Allocation Adjustment/Settlement	\$ 2,421,507	\$ 2,421,507	\$ -	\$ (59,732)
128-Federal Subrecipient Disbursement	\$ 1,100	\$ 1,100	\$ 88,732	\$ -
143-Building Improvements	\$ -	\$ -	\$ -	\$ (9,019)
166-Medical Service Payments	\$ -	\$ -	\$ 991,967	\$ -
167-Leasehold Improvements	\$ 982,948	\$ 982,948	\$ -	\$ -
160-OPEB Expense	\$ -	\$ -	\$ -	\$ (479,284)
170-Computer Equipment	\$ -	\$ -	\$ 479,284	\$ (53,156)
171-Computer Software	\$ -	\$ -	\$ 53,156	\$ (87,847)
331-Other Travel	\$ -	\$ -	\$ 87,847	\$ (237,967)
343-Other Rentals	\$ -	\$ -	\$ 237,967	\$ (80,103)
350-Comm Equip Maint Contract	\$ -	\$ -	\$ 80,103	\$ (304,026)
351-Other Maintenance Contracts	\$ -	\$ -	\$ 304,026	\$ -
350-Software Licenses	\$ -	\$ -	\$ -	\$ 13,791,701
361-Other Computer Supplies	\$ -	\$ -	\$ -	\$ -
Total Charges To Appropriations	\$ 24,268,168	\$ 24,471,168	\$ 1,285,326	\$ (23,175,843)
Budgetary Fund Balance, June 30, 2013				



WORKFORCE WEST VIRGINIA  
 NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND  
 YEAR ENDED JUNE 30, 2013  
 (in Thousands)

**(1) Budget and Actual Comparison**

The Division's General Fund has a legislatively approved budget. However, certain monies reported within the General Fund in accordance with accounting principles generally accepted in the United States of America (GAAP), are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these amounts have not been reported in the Division's Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund. A reconciliation of the net change in fund balance for the year ended June 30, 2013, on the budgetary basis to the GAAP basis for the General Fund follows:

Net change in fund balance - budgetary basis	(234)
Basis of accounting differences (budgetary to GAAP)	403
Unbudgeted funds	462
Transfers	<u>959</u>
Net change in fund balance - GAAP basis	<u><u>1,590</u></u>

OTHER FINANCIAL INFORMATION

WORKFORCE WEST VIRGINIA  
OTHER FINANCIAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
Fund 3450 Administration and Service  
Year Ended June 30, 2013  
(In Dollars)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/12	8,924,872	8,924,872	205,008	(8,719,864)
2013 FY Gross Revenue	31,456,499	31,456,499	27,182,416	(4,264,083)
Amounts Available For Appropriation	40,381,371	40,381,371	27,389,424	(12,983,947)
Charges To Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	15,468,246	15,468,246	13,468,853	1,999,293
002-Personal Services (Without Payroll Deductions)	-	-	-	-
003-Payroll Reimbursements	-	-	-	-
004-Annual Increment	353,680	353,680	335,672	18,008
Employee Benefits:				
010-Personnel Division & Public Employees Insurance	108,713	108,713	86,780	21,933
011-Social Security Matching	1,210,377	1,210,377	1,004,475	205,902
012-Public Employees' Insurance	1,274,367	1,274,367	1,527,463	(253,096)
013-Other Health Insurance	-	-	-	-
014-Workers Compensation	74,059	74,059	51,447	22,612
015-Unemployment Compensation	42,263	42,263	40,306	1,957
016-Pension & Retirement	2,215,069	2,215,069	1,789,718	421,351
Current Expenses:				
020-Office Expenses	449,326	449,326	414,537	34,789
021-Printing and Binding	83,225	83,225	133,631	(50,406)
022-Rental Expense	1,853,979	1,853,979	2,077,238	(223,259)
023-Utilities	5,629	5,629	27,803	(22,174)
024-Telecommunications	408,225	408,225	698,005	(289,780)
025-Contractual and Professional	691,594	691,594	748,719	(57,125)
026-Travel	358,570	358,570	-	358,570
027-Computer Services	1,397,776	1,397,776	1,396,375	1,401
028-Vehicle Rental	30,090	30,090	13,924	16,166
030-Rentals (Machine and Miscellaneous)	65,884	65,884	-	65,884
031-Association Dues and Professional Memberships	29,024	29,024	36,026	(7,002)
032-Fire, Auto, Bond, and Other Insurance	69,973	69,973	49,040	20,933
033-Food Clothing	-	-	-	-
034-Clothing, Household and Recreational Supplies	1,939	1,939	7,198	(5,259)
035-Advertising and Promotional	67,498	67,498	12,037	55,461
036-Vehicle Operating Expense	2,128	2,128	7,740	(5,612)
037-Resrch/Educ & Medical Su	-	-	636	(636)
038-Routine Maintenance Contracts	360,810	360,810	-	360,810
041-Cellular Charges	8,864	8,864	11,718	(2,854)
042-Hospitality	35,152	35,152	27,048	8,104
043-Educational Training (Stipends)	5,394	5,394	3,831	1,563
044-Energy Exp Mir Veh/Air	18,029	18,029	18,719	(690)
047-Energy Expense Utilities	37,714	37,714	39,687	(1,973)
048-Discharge & Parole Allow	-	-	1	(1)
051-Miscellaneous	43,004	43,004	11,446	31,558
052-Training and Development	14,675	14,675	70,352	(55,677)
053-Postal and Freight	1,247,549	1,247,549	1,068,547	179,002
054-Computer Supplies	897,944	897,944	-	897,944
056-Attorney Legal Service Payments	-	-	2,700	(2,700)
058-Miscellaneous Equipment Purchases	88,796	88,796	81,595	7,201
061-Office & Communication Equipment Repairs	1,794	1,794	223	1,571
063-Building & Household Equipment Repairs	17,556	17,556	(27)	17,583
064-Routine Maintenance Of Buildings	145	145	162	(17)
065-Vehicle Repairs	-	-	3,093	(3,093)
068-Other Repairs and Alterations	33,986	33,986	1,156	32,830
070-Office and Communication Equipment	49,044	49,044	16,565	32,479
073-Household Equipment and Furnishings	-	-	5,290	(5,290)
077-Books and Periodicals	150,614	150,614	-	150,614
078-Other Capital Equipment	818,278	818,278	-	818,278
080-Payment Of Taxes	-	-	689	(689)
088-Bank Costs	65	65	-	65
086-Other Interest and Penalties	2,960	2,960	186	2,774
089-Natural Disaster Grants	33	33	12	21
100-Fund Transfers	420,000	420,000	-	420,000
124-Cost Allocation Adjustment/Settlement	14,619	14,619	-	14,619
160-OPEB Expense	928,840	928,840	914,401	14,439
331- Other Travel	-	-	423,042	(423,042)
343-Other Rentals	-	-	50,329	(50,329)
350-Comm Equip Maint Contract	-	-	76,012	(76,012)
351-Other Maintenance Contracts	-	-	203,444	(203,444)
360-Software Licenses	-	-	74,337	(74,337)
361-Other Computer Supplies	-	-	257,802	(257,802)
Total Charges To Appropriations	31,457,499	31,457,499	27,284,183	4,163,316
Budgetary Fund Balance, June 30, 2013	8,923,872	8,923,872	103,241	(8,820,631)

**WORKFORCE WEST VIRGINIA**  
**OTHER FINANCIAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**Fund 8835 Consolidated Federal Funds**  
**Year Ended June 30, 2013**  
**(In Dollars)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/11	1,025,314	1,028,314	333	(1,027,981)
2012 FY Gross Revenue	5,012,657	5,012,657	270,223	(4,742,434)
Amounts Available for Appropriation	<u>6,037,971</u>	<u>6,040,971</u>	<u>270,557</u>	<u>(5,770,414)</u>
Charges to Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	207,537	207,537	45,233	162,304
Employee Benefits				
010-Personnel Division & Public Employees Insurance			342	(342)
011-Social Security Matching	15,117	15,117	3,267	11,850
012-Public Employees' Insurance	31,976	31,976	4,131	27,845
014-Workers Compensation	3,689	3,689	434	3,255
015-Unemployment Compensation	3,735	3,735	227	3,508
016-Pension & Retirement	36,897	36,897	6,216	30,681
Current Expenses				
020-Office Expenses	2,189	2,189	-	2,189
022-Rental Expense	526,177	526,177	118,986	407,191
023-Utilities	5,344	5,344	443	4,901
024-Telecommunications	377,174	377,174	51,838	325,336
025-Contractual and Professional	524,480	524,480	-	524,480
026-Travel	108,488	108,488	-	108,488
032-Fire, Auto, Bond, and Other Insurance	14,506	14,506	3,075	11,431
037-Research, Educational and Medical Supplies	9,499	9,499	-	9,499
053-Postal and Freight			20	(20)
054-Computer Supplies	587,214	587,214	-	587,214
058-Miscellaneous Equipment Purchases	706,858	706,858	718	706,140
061-Office & Communication Equipment Repairs	1,761	1,761	-	1,761
064-Routine Maintenance Of Buildings			47	(47)
066- Routine Maintenance of Grounds	4,074	4,074	-	4,074
068-Other Repairs and Alterations	18,367	18,367	-	18,367
160-OPEB Expense			2,766	(2,766)
331-Other Travel			7,259	(7,259)
343-Other Rentals			914	(914)
361-Other Computer Supplies			23,277	(23,277)
Total Charges To Appropriations	<u>3,185,082</u>	<u>3,185,082</u>	<u>269,195</u>	<u>2,915,887</u>
Budgetary Fund Balance, June 30, 2013	<u>2,852,889</u>	<u>2,855,889</u>	<u>1,362</u>	<u>(2,854,527)</u>

**WORKFORCE WEST VIRGINIA**  
**OTHER FINANCIAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**Fund 3451 Interest on Employers Delinquent Contributions Fund**  
**Year Ended June 30, 2013**  
**(In Dollars)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/11	-	-	\$ 744,567	\$ 744,567
2012 FY Gross Revenue	420,000	420,000	354,999	(65,001)
Amounts Available For Appropriation	<u>420,000</u>	<u>420,000</u>	<u>1,099,566</u>	<u>679,566</u>
Charges To Appropriations (Outflows):				
100-Fund Transfers	420,000	420,000	54,418	365,582
Total Charges To Appropriations	<u>420,000</u>	<u>420,000</u>	<u>54,418</u>	<u>365,582</u>
Budgetary Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,045,148</u>	<u>\$ 1,045,148</u>

**WORKFORCE WEST VIRGINIA  
OTHER FINANCIAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
Fund 8749 Workforce Investment Act  
Year Ended June 30, 2013  
(In Dollars)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/12	12,491,407	12,691,407	111,460	(12,579,947)
2013 FY Gross Revenue	24,552,340	24,552,340	18,239,538	(6,312,802)
Amounts Available For Appropriation	37,043,747	37,243,747	18,350,998	(18,892,749)
Charges To Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	1,327,626	1,327,626	1,195,877	131,749
004-Annual Increment	15,580	15,580	18,707	(3,127)
Employee Benefits:				
010-Personnel Division & Public Employees Insurance	6,750	6,750	7,153	(403)
011-Social Security Matching	141,281	141,281	88,515	52,766
012-Public Employees' Insurance	59,516	59,516	107,916	(48,400)
014-Workers Compensation	4,934	4,934	8,848	(3,914)
015-Unemployment Compensation			2,360	(2,360)
016-Pension & Retirement	172,724	172,724	156,237	16,487
Current Expenses:				
020-Office Expenses	24,368	24,368	53,467	(29,099)
021-Printing and Binding	25,378	25,378	36,956	(11,578)
022-Rental Expense	72,414	72,414	74,638	(2,224)
023-Utilities	32	32	227	(195)
024-Telecommunications	13,862	13,862	15,476	(1,614)
025-Contractual and Professional	206,135	206,135	185,964	20,171
026-Travel	41,065	41,065	-	41,065
027-Computer Services	54,882	54,882	75,698	(20,816)
029-Vehicle Rental	1,658	1,658	1,872	(214)
030-Rentals (Machine and Miscellaneous)	2,964	2,964	-	2,964
031-Association Dues and Professional Memberships			2,624	(2,624)
032-Fire, Auto, Bond, and Other Insurance	3,512	3,512	4,689	(1,177)
034-Clothing, Household and Recreational Supplies	95	95	280	(185)
035-Advertising and Promotional	3,895	3,895	43,111	(39,216)
036-Vehicle Operating Expense	254	254	584	(330)
037-Resrch/Educ & Medical Su	179	179	-	179
038-Routine Maintenance Contracts	14,778	14,778	-	14,778
041-Cellular Charges	1,960	1,960	2,562	(602)
042-Hospitality	10,756	10,756	7,384	3,372
043-Educational Training (Stipends)	519	519	169	350
044- Energy Exp Mtr Veh/Air	14	14	2,500	(2,486)
045-Farm Expense	1,454	1,454	-	1,454
047- Energy Expense Utilities	601	601	433	168
051-Miscellaneous	311	311	1,678	(1,367)
052-Training and Development	25,291	25,291	3,758	21,533
053-Postal and Freight	9,429	9,429	18,283	(8,854)
054-Computer Supplies	9,999	9,999	-	9,999
058-Miscellaneous Equipment Purchases	1,467	1,467	21,431	(19,964)
061-Office & Communication Equipment Repairs	3	3	9	(6)
062-Research, Educational, & Medical Equipment Repairs	1,073	1,073	-	1,073
063-Building & Household Equipment Repairs	12	12	27	(15)
064-Routine Maintenance Of Buildings	8	8	-	8
065-Vehicle Repairs			114	(114)
066-Other Repairs and Alterations	599	599	4	595
070-Office and Communication Equipment	5,950	5,950	713	5,237
073-Household Equipment and Furnishings			525	(525)
078-Other Capital Equipment	66	66	-	66
089-Bank Costs	1	1	-	1
096-Other Interest and Penalties	19	19	(186)	205
099-Natural Disaster Grants	32	32	(12)	44
124-Cost Allocation Adjustment/Settlement	19,812,179	19,812,179	-	19,812,179
128-Federal Subrecipient Disbursement	2,421,507	2,421,507	15,699,207	(13,277,700)
143-Building Improvements	1,100	1,100	-	1,100
156- Medical Service Payments			58,732	(58,732)
160-WV OPEB Contribution	54,108	54,108	74,796	(20,688)
331-Other Travel			42,128	(42,128)
343-Other Rentals			1,913	(1,913)
350-Comm equip Maint contract			11,834	(11,834)
351-Other Maintenance Contracts			10,523	(10,523)
360-Software Licenses			967	(967)
361-Other Computer Supplies			20,177	(20,177)
Total Charges To Appropriations	24,552,340	24,552,340	18,060,869	6,491,471
Budgetary Fund Balance, June 30, 2013	12,491,407	12,691,407	290,129	(12,401,278)

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INTERNAL CONTROL AND COMPLIANCE REPORT



## Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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### Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

The Commissioner  
WORKFORCE West Virginia  
Charleston, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities and each major fund of WORKFORCE West Virginia (the Division), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements and have issued our report thereon dated October 14, 2013, wherein we noted the WORKFORCE implemented GASB Statement No. 63.

#### Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Division's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Division's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Division's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



### Compliance and Other Matters

As part of reasonably assuring whether the Division's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Government Auditing Standards.

### Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Division's internal control or on compliance. This report is an integral part of an audit performed under Government Auditing Standards in considering the Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
October 14, 2013



## Balestra, Harr & Scherer, CPAs, Inc.

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Members of the Governing Board  
WORKFORCE West Virginia  
Charleston, West Virginia

In accordance with Government Auditing Standards, applicable to financial audits, we have audited the financial statements of the WORKFORCE West Virginia (the Division) as of and for the year ended June 30, 2013, and have issued our report thereon dated October 14, 2013.

Government Auditing Standards also require that we describe the scope of our testing of compliance with laws and regulations and internal controls and report any irregularities, illegal acts, other material noncompliance and significant deficiencies in internal controls. We have issued the required report dated October 14, 2013 for the year ended June 30, 2013.

We are submitting for your consideration the following comment on the Division's compliance with applicable laws and regulations and on its internal controls. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or significant internal control deficiencies, we believe represent matters for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your government. If you have any questions or concerns regarding these comments, please do not hesitate to contact us.

### Recommendations

1. The trial balances of the Division did not agree to the financial statements in all instances by insignificant amounts.

The Division should ensure that the trial balances agree to the financial statements.

2. The financial statements and footnotes to the financial statements contained several errors due mainly to the implementation of GASB Statement No. 63.

The Division should ensure that all new GASB Statements are properly implemented.

This report is intended solely for the information and use of management, the Governing Board, and Federal and State oversight agencies. We intend it for no one other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
October 14, 2013

bhs

Circleville

Ironton

Piketon

Wheelersburg

Worthington

## WorkForce WV Programs

## EXHIBIT D WWV14869

Acronym	Program Description
AS&T	Admin Serv & Tech
CES	CES BLS
LAUS	LAUS BLS
OES	OES BLS
ES202	ES-202 BLS
MLS	MLS BLS
OSHS	OSHS BLS
ESLAB	ES Labor Cert
HSING	ES AG Reimb Hsing
WGSVY	ES AG Wage Survey
TAA	TAA Admin
WOTC	ES WOTC
HCTC	TAA Healthcare Initiative
ES10%	ES 10% Plan
LVER	LVER Vets
DVOP	DVOP Vets
ES90%	ES 90% Plan
EUC	Emergency Unemp Comp
UC	UC Reg Grant
QC	UC Qual Control
LMI	LMI

UCTRA UC Trade

RG6CM Region 6 Case Mgmt.

RG6EL Region 6 Eligibility

RRADM Rapid Response Overhead

WIA WIA Admin

MACC MACC

UIAS UI Admin Stimulus

NEG National Emergency Grant

NEG FY13 Severe Storm

REA Re-Employment and Eligibility

TAACM TAA Case Management

GRNGT Green Grant

BBND Broadband Grant

LEERS LERS - VOW PY11

CHILD Child Sup. Reim. ES

AFDC AFDC-Food Reim. ES

SIDES SIDES Phase I

SIDES SIDES Phase II

SIDES SIDES Expansion

IVR Interactive Voice Response

BTR Benefit-Tax Rewrite

WRKKYS WorkKeys

EUCREA Emerg Unempl Comp - REA

NEG-COAL NEG - Coal (WARN)

NEG-HSANDY NEG - Hurricane Sandy

CCOH Cost Center Overhead

----- P&I

630 Reed Act - ES

622 Reed Act - UI

SIDES SIDES MESSAGING

IVR IT SYSTEMS IVR

VOIP IT SYSTEMS VOIP

IPAP IP ADDRESS PREVENT

MERIT MERIT STAFF

**ADDENDUM ACKNOWLEDGEMENT FORM**  
**SOLICITATION NO.: WWV14869**

**Instructions:** Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

**Acknowledgment:** I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

**Addendum Numbers Received:**

(Check the box next to each addendum received)

- |   |  |
|---|--|
| <input type="checkbox"/> Addendum No. 1 | <input type="checkbox"/> Addendum No. 6  |
| <input type="checkbox"/> Addendum No. 2 | <input type="checkbox"/> Addendum No. 7  |
| <input type="checkbox"/> Addendum No. 3 | <input type="checkbox"/> Addendum No. 8  |
| <input type="checkbox"/> Addendum No. 4 | <input type="checkbox"/> Addendum No. 9  |
| <input type="checkbox"/> Addendum No. 5 | <input type="checkbox"/> Addendum No. 10 |

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

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Company

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Authorized Signature

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Date

NOTE: This addendum acknowledgment should be submitted with the bid to expedite document processing.  
 Revised 6/8/2012