

AGENDA
CAREERSOURCE ESCAROSA
BOARD OF DIRECTORS
THURSDAY, DECEMBER 21, 2017
11:30 A.M.

LOCATION: Santa Rosa Economic Alliance
6495 Caroline Street
Milton, Florida 32570

CALL-IN: 888-670-3525 | PASSCODE: 4063513219

- I. Call Meeting to Order Steve Rhodes
Chairman
- II. Call for Public Comment
- III. Internal Audit Review Kristen R. McAllister, CPA, CGFM
Warren Averett CPAs and Advisors
- IV. Approval of Minutes – November 9, 2017
- V. Reading of Public Disclosures..... Janay Sims
- VI. Item(s) for Consideration Steve Rhodes

 Action Items
 Financial Statements, October 31, 2017..... Sharon Pitts
- VII. Director’s Report
- VIII. Other Business
- IX. Adjournment

NEXT BOARD MEETING – APRIL 20, 2017 | LOCATION: TBD

**CAREERSOURCE ESCAROSA
BOARD OF DIRECTORS
DECEMBER 21, 2017
PUBLIC COMMENT SIGN-UP SHEET**

| Agenda Item | Name & Organization |
|--|--------------------------------|
| Internal Audit Review | |
| Financial Statements, October 31, 2017 | |

If you would like to make a public comment on any of the above items, you will need to: 1) sign your name and identify the organization (if applicable) you are with under the item you wish to speak, and 2) forward the completed form to Janay Sims at jsims@careersourceescarosa.com at your earliest convenience, or present prior to the Board Meeting.

December 21, 2017

To the Board of Directors
Workforce Escarosa, Inc. dba CareerSource Escarosa
3670–B North L Street
Pensacola, Florida 32502

We have audited the financial statements of the governmental activities and the General Fund of Workforce Escarosa, Inc. dba CareerSource Escarosa (CareerSource Escarosa) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 21, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 25, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CareerSource Escarosa are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by CareerSource Escarosa during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CareerSource Escarosa's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CareerSource Escarosa's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of CareerSource Escarosa and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Warren Averett, LLC
Pensacola, Florida

**WORKFORCE ESCAROSA, INC. DBA
CAREERSOURCE ESCAROSA**

FINANCIAL STATEMENTS

JUNE 30, 2017

DRAFT

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Workforce Escarosa, Inc. dba CareerSource Escarosa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Workforce Escarosa, Inc. dba CareerSource Escarosa (CareerSource Escarosa) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CareerSource Escarosa's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of CareerSource Escarosa as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of CareerSource Escarosa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CareerSource Escarosa's internal control over financial reporting and compliance.

Pensacola, Florida
December 21, 2017

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

General Information

Management is pleased to offer the following assessment of the operations of CareerSource Escarosa for the fiscal year ended June 30, 2017.

Financial Highlights

The assets of CareerSource Escarosa exceeded its liabilities at June 30, 2017, by \$12,941.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CareerSource Escarosa's basic financial statements. CareerSource Escarosa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of CareerSource Escarosa's finances in a manner similar to private-sector business. The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities.

The statement of net position presents information on all of CareerSource Escarosa's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CareerSource Escarosa is improving or deteriorating.

The statement of activities presents information showing how the organization's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The basic government-wide financial statements can be found on pages 6 – 7 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. CareerSource Escarosa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. CareerSource Escarosa maintains one governmental fund, which is the General Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating an organization's near-term financing requirements.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 8 – 9 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 – 16 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a Schedule of Expenditures of Federal Awards which can be found on pages 17 – 19 of this report. This schedule lists all Federal grants awarded to CareerSource Escarosa and the related expenditures for the fiscal year ended June 30, 2017.

Government-Wide Financial Analysis

CareerSource Escarosa's net position increased by \$5,023 during the fiscal year. At the end of the current fiscal year, the CareerSource Escarosa is able to report a positive balance in net position. The same situation held true for the prior fiscal year. CareerSource Escarosa's program revenues decreased by approximately \$819,000 from 2016 program revenues. The primary cause of this decrease was due to decreases in funding allocations and changes to the allotments in the individual tuition assistance program.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|--|------------|------------|
| ASSETS | | |
| Current and other asset | \$ 553,833 | \$ 458,875 |
| Total assets | 553,833 | 458,875 |
| LIABILITIES | | |
| Accounts payable, accrued expenses, and unearned revenue | 540,892 | 450,957 |
| Total liabilities | 540,892 | 450,957 |
| Net Position | | |
| Unrestricted | 12,941 | 7,918 |
| TOTAL NET POSITION | \$ 12,941 | \$ 7,918 |

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017**

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|--|--------------|--------------|
| REVENUES | | |
| Program revenues: | | |
| Operating grants and contributions | \$ 4,870,225 | \$ 5,689,351 |
| General revenues: | | |
| Other revenue | 4,965 | 4,032 |
| Total revenues | 4,875,190 | 5,693,383 |
| EXPENSES | | |
| Training, retraining, readjustment | 4,870,167 | 5,691,022 |
| CHANGE IN NET POSITION | 5,023 | 2,361 |
| NET POSITION, BEGINNING OF YEAR | 7,918 | 5,557 |
| NET POSITION, END OF YEAR | \$ 12,941 | \$ 7,918 |

Request for Information

This report is designed to provide a general overview of CareerSource Escarosa's finances for all those with an interest. Questions concerning any of the information in this report or requests for additional information should be addressed as follows:

CareerSource Escarosa, Inc.
3670-B North L St.
Pensacola, Florida 32505

BASIC FINANCIAL STATEMENTS

DRAFT

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
STATEMENT OF NET POSITION
JUNE 30, 2017

| | Governmental Activities |
|---------------------------------------|------------------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 318,877 |
| Grant and contract receivables | 193,624 |
| Prepays | <u>41,332</u> |
| TOTAL ASSETS | <u>553,833</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable and accrued expenses | 316,714 |
| Unearned revenue | <u>224,178</u> |
| TOTAL LIABILITIES | <u>540,892</u> |
| NET POSITION | |
| Unrestricted | <u>12,941</u> |
| TOTAL NET POSITION | <u><u>\$ 12,941</u></u> |

See notes to the financial statements.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Expenses</u> | <u>Program Revenues</u> | <u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u> |
|--|---------------------|---|--|
| Functions/Programs | | <u>Operating Grants and Contributions</u> | |
| Governmental activities: | | | |
| Training, retraining and readjustment | \$ 4,870,167 | \$ 4,870,225 | \$ 58 |
| Total governmental activities | <u>\$ 4,870,167</u> | <u>\$ 4,870,225</u> | 58 |
| General revenues: | | | |
| Other | | | <u>4,965</u> |
| CHANGE IN NET POSITION | | | 5,023 |
| NET POSITION, BEGINNING OF YEAR | | | <u>7,918</u> |
| NET POSITION, END OF YEAR | | | <u><u>\$ 12,941</u></u> |

See notes to the financial statements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
BALANCE SHEET – GENERAL FUND
JUNE 30, 2017

ASSETS

| | |
|--------------------------------|---------------|
| Cash and cash equivalents | \$ 318,877 |
| Grant and contract receivables | 193,624 |
| Prepaid items | <u>41,332</u> |

TOTAL ASSETS

\$ 553,833

LIABILITIES AND FUND BALANCE

Liabilities

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 265,837 |
| Unearned revenue | <u>224,178</u> |

Total liabilities 490,015

Fund Balance

| | |
|--------------|---------------|
| Nonspendable | 41,332 |
| Unassigned | <u>22,486</u> |

Total fund balance 63,818

TOTAL LIABILITIES AND FUND BALANCE

\$ 553,833

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

| | |
|---|-----------|
| Fund balance for governmental fund - General Fund | \$ 63,818 |
|---|-----------|

Amounts reported for governmental activities in the statement of net position are different because accrued leave liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.

(50,877)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 12,941

See notes to the financial statements.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES

| | |
|----------------------|--------------|
| Grants and contracts | \$ 4,870,225 |
| Other revenues | 4,965 |
| Total revenues | 4,875,190 |

EXPENDITURES

| | |
|----------------------------|-----------|
| Current | |
| Program services | 4,383,158 |
| Administrative and general | 485,762 |
| Total expenditures | 4,868,920 |

NET CHANGE IN FUND BALANCE 6,270

FUND BALANCE, BEGINNING OF YEAR 57,548

FUND BALANCE, END OF YEAR \$ 63,818

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

Net change in fund balance for General Fund \$ 6,270

Amounts reported for governmental activities in the statement of activities are different because 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.

Change in long-term compensated absences (1,247)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,023

See notes to the financial statements.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

CareerSource Escarosa was formed in 1996 as a Florida not-for-profit corporation to develop workforce skills to meet current and future demands in Escambia and Santa Rosa Counties. Workforce development prepares individuals for work through secondary and post-secondary education, employer-sponsored training for incumbent workers, and special public programs for the poor and unemployed. CareerSource Escarosa receives its funding from federal and state grants passed primarily through the Florida Department of Economic Opportunity.

The following is a summary of the more significant accounting policies and practices of CareerSource Escarosa which affect significant elements of the accompanying financial statements:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of CareerSource Escarosa. Governmental activities are normally supported by intergovernmental revenues, and other nonexchange transactions.

Reporting Entity

The accounting policies adopted by CareerSource Escarosa conform to accounting principles generally accepted in the United States of America as applied to not-for-profit organizations reporting using the governmental model. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of CareerSource Escarosa (the primary government). There were no entities that required inclusion as a component unit within CareerSource Escarosa's financial statements.

Basis of Presentation

Government wide financial statements--While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund. Separate financial statements are provided for the governmental fund.

Fund financial statements -- The fund financial statements provide information about CareerSource Escarosa's governmental fund:

- The general fund is established to account for resources devoted to financing the general operations of CareerSource Escarosa. All operating resources are recorded in the general fund.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues are reported as general revenues.

When both restricted and unrestricted resources are available for use, it is CareerSource Escarosa's policy to use restricted resources first, then unrestricted resources as they are needed.

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, CareerSource Escarosa considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. The principal exceptions to this are principal and interest on general long-term debt and compensated absences, which are recorded as expenditures only when payment is due.

CareerSource Escarosa's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets.

Assets, Liabilities, and Net Position or Fund Balance

Deposits and investments

Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded when consumed rather than when purchased.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Capital assets

Capital assets acquired by CareerSource Escarosa are considered to be owned by CareerSource Escarosa. However, funding sources may maintain an equitable interest in the capital assets purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal Government has a reversionary interest in those assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year.

Capital assets with a value greater than \$5,000 and an estimated useful life of at least one year are recorded at cost when purchased or at estimated fair value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from three to seven years.

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Compensated absences

Eligible employees accrue annual and sick leave at varying rates based upon length of employment. An employee will be paid for annual leave not taken at the time their employment ends at their current rate of pay. The maximum amount of annual leave that an employee may accumulate and be paid for is based on the number of years of employment with CareerSource Escarosa. An employee will not be paid for unused sick leave.

Annual leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Grant and contract receivables

Grant and contract receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with grantors and contractors having outstanding balances and current relationships with them, it has concluded that there is minimal risk of non-collection, therefore, no allowance for doubtful accounts is recorded at year end.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Classification of Fund Balance

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which an Organization is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

Nonspendable – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.

Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of CareerSource Escarosa's highest level of decision making authority. The Board of Directors is the highest level of decision-making authority for CareerSource Escarosa that can, by passing a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the action remains in place until a similar action is taken to remove or revise the limitation.

Assigned – includes amounts that are intended to be used by CareerSource Escarosa for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors may also assign fund balance when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Fund balance/Net position flow assumptions

Sometimes CareerSource Escarosa will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is CareerSource Escarosa's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Fund Balance – Continued

Unearned revenue

Revenue recognition is deferred in connection with resources that have been received, but not yet earned. Unearned revenue relates to grant drawdowns made prior to meeting all eligibility requirements.

Revenue and Expenditures/Expenses

Revenue sources

Generally, revenue is received from the State of Florida, Department of Economic Opportunity and is earned on a cost reimbursement basis.

Expenditure/Expense allocation

Certain costs are allocated to the various grant programs of CareerSource Escarosa based on several factors including employees' time spent, percentage of direct program expenditures, and client counts. The cost allocations are revised monthly depending on application.

Income Taxes

CareerSource Escarosa is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for income taxes has been made in the accompanying financial statements.

CareerSource Escarosa files income tax returns in the U.S. Federal jurisdiction. CareerSource Escarosa's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

CareerSource Escarosa has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of CareerSource Escarosa.

Subsequent Events

CareerSource Escarosa has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 31, 2017, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

2. DEPOSITS

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, CareerSource Escarosa's deposits may not be returned. At year end, the carrying amount of deposits was \$318,877 and the bank balance was \$384,537. Of the bank balance, \$250,000 was insured up to Federal Deposit Insurance Corporation ("FDIC") Limits.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

3. CAPITAL ASSETS

Capital activity for the year ended June 30, 2017 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|-------------------------------|------------------------------|------------------|------------------|---------------------------|
| CAPITAL ASSETS | | | | |
| Computer equipment | \$ 10,295 | \$ - | \$ - | \$ 10,295 |
| Office equipment | 41,375 | - | - | 41,375 |
| Office furniture and fixtures | 16,944 | - | (3,132) | 13,812 |
| Software | 18,465 | - | - | 18,465 |
| Total capital Assets | 87,079 | - | (3,132) | 83,947 |
| Less accumulated depreciation | (87,079) | - | 3,132 | (83,947) |
| CAPITAL ASSETS, NET | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

No depreciation expense was allocated to the training, retraining and readjustment program during the year ended June 30, 2017.

4. EMPLOYEE BENEFIT PLAN

CareerSource Escarosa leases its employees from a company which sponsors a 401(k) plan that covers substantially all employees. CareerSource Escarosa's contributions to the plan are discretionary and were based on 5% of eligible employees' annual salaries for 2017. Retirement expense for the year ended June 30, 2017 was \$66,742.

5. RELATED PARTY BALANCES AND TRANSACTIONS

Certain businesses of board members provide services either directly or indirectly to CareerSource Escarosa. The services provided are program, general and administrative services. The amount paid during the fiscal year was \$843,427 and the amount due as of year end was \$75,688.

6. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although CareerSource Escarosa expects such amounts, if any, to be immaterial.

WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

7. LITIGATION

CareerSource Escarosa is a defendant in a lawsuit. The Organization believes the lawsuit is without merit and intends to contest such claims. Legal counsel is unable to estimate the amount of potential exposure. Therefore, no amount has been accrued in the financial statements.

8. OPERATING LEASES

The entity leases office space and equipment under operating leases expiring in 2020. The future minimum rental payments under operating leases having remaining terms in excess of one year as of June 30, 2017, for each of the next four years are:

For the year ended June 30, 2017, rental expenditures under the terms of these leases totaled \$494,896.

| <u>JUNE 30,</u> | <u>Amount</u> |
|-----------------|---------------------|
| 2018 | \$ 497,622 |
| 2019 | 476,864 |
| 2020 | 476,864 |
| 2021 | 39,738 |
| | <u>\$ 1,491,088</u> |

9. RISK MANAGEMENT

CareerSource Escarosa is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which CareerSource Escarosa carries commercial insurance. Insurance against losses is provided for the following types of risk:

- Personal Property
- Public Officials' Liability

Amounts of settlements, if any, have not exceeded insurance coverage for the past year.

10. SIGNIFICANT FUNDING SOURCE

CareerSource Escarosa receives a substantial amount of its funding from the United States Department of Labor passed through the State of Florida, Department of Economic Opportunity, and from the United States Department of Health and Human Services passed through the State of Florida, Department of Economic Opportunity. A significant reduction in the level of this funding could have an adverse effect on CareerSource Escarosa's programs and activities.

COMPLIANCE SECTION

DRAFT

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Federal Grantor/Pass-Through Grantor/State Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Contract Number</u> | <u>Pass-Through to Subrecipients</u> | <u>Expenditures</u> |
|---|------------------------------------|--|--|---------------------|
| FEDERAL AWARDS | | | | |
| U. S. Department of Labor | | | | |
| Passed through State of Florida, Department of Economic Opportunity | | | | |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | WPA16 | \$ - | \$ 8,579 |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | WPA17 | - | 240,016 |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | WPB16 | - | 29,950 |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | WPB16 | - | 70,658 |
| Disabled Veterans' Outreach Program (DVOP) | 17.801 | DVP16 | - | 32,401 |
| Disabled Veterans' Outreach Program (DVOP) | 17.801 | DVP17 | - | 48,736 |
| Local Veteran's Employment Representative Program | 17.801 | LVR16 | - | 34,864 |
| Local Veteran's Employment Representative Program | 17.801 | LVR17 | - | 64,696 |
| Total Employment Service Cluster | | | - | 529,900 |
| Passed through State of Florida, Department of Economic Opportunity | | | | |
| Unemployment Insurance | 17.225 | UCB16 | - | 8,909 |
| Unemployment Insurance | 17.225 | UCB17 | - | 24,165 |
| | | | - | 33,074 |
| Trade Adjustment Assistance | 17.245 | TAA14 | - | 1,075 |
| Trade Adjustment Assistance | 17.245 | TAA15 | - | 1,334 |
| Trade Adjustment Assistance | 17.245 | TAT14 | - | 7,606 |
| Trade Adjustment Assistance | 17.245 | TAT15 | - | 9,112 |
| | | | - | 19,127 |
| WIOA Adult Program | 17.258 | WIA17 | - | 998,077 |
| WIOA Youth Activities | 17.259 | WIY16 | 33,151 | 102,875 |
| WIOA Youth Activities | 17.259 | WIY17 | 561,424 | 1,023,038 |
| WIOA Dislocated Worker Formula Grants | 17.278 | WID16 | - | 296,220 |
| WIOA Dislocated Worker Formula Grants | 17.278 | WID17 | - | 282,071 |
| | | | 594,575 | 2,702,281 |
| WIOA Adult Program | 17.258 | WIS16 | - | 20,662 |
| WIOA Youth Activities | 17.259 | WIS16 | - | 20,662 |
| WIOA Dislocated Worker Formula Grants | 17.278 | WIS16 | - | 29,925 |
| | | | - | 71,249 |

The accompanying notes are an integral part of this schedule.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -- CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Federal Grantor/Pass-Through Grantor/State Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Contract Number</u> | <u>Pass-Through to Subrecipients</u> | <u>Expenditures</u> |
|---|------------------------------------|--|--|---------------------|
| FEDERAL AWARDS - Continued | | | | |
| U. S. Department of Labor - Continued | | | | |
| Passed through State of Florida, Department of Economic Opportunity | | | | |
| WIOA Adult Program | 17.258 | WIS16 | - | 34,396 |
| WIOA Youth Activities | 17.259 | WIS16 | - | 34,396 |
| WIOA Dislocated Worker Formula Grants | 17.278 | WIS16 | - | 49,815 |
| | | | <u>-</u> | <u>118,607</u> |
| TOTAL WIOA CLUSTER | | | 594,575 | 2,892,137 |
| U. S. Department of Agriculture | | | | |
| Passed through State of Florida, Department of Economic Opportunity | | | | |
| Supplemental Nutrition Assistance Program | 10.561 | FSH16 | - | 53,054 |
| Supplemental Nutrition Assistance Program | 10.561 | FSH17 | - | 159,160 |
| | | | <u>-</u> | <u>212,214</u> |
| U. S. Department of Health and Human Services | | | | |
| Passed through State of Florida, Department of Economic Opportunity | | | | |
| Temporary Assistance for Needy Families | 93.558 | WTS16 | - | 332,807 |
| Temporary Assistance for Needy Families | 93.558 | WTS17 | - | 850,794 |
| | | | <u>-</u> | <u>1,183,601</u> |
| TOTAL FEDERAL AWARDS | | | <u>\$ 594,575</u> | <u>4,870,053</u> |

The accompanying notes are an integral part of this schedule.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal award activity of CareerSource Escarosa ("CareerSource Escarosa") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Guidance* and *Audits of States, Local Governments and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

C. DE MINIMIS INDIRECT COST RATE ELECTION

CareerSource Escarosa has elected not to use the 10 percent de minimis indirect cost rate as allowed under *Uniform Guidance*.

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

To the Board of Directors
Workforce Escarosa, Inc. dba CareerSource Escarosa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Workforce Escarosa, Inc. dba CareerSource Escarosa (hereinafter referred to as CareerSource Escarosa) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CareerSource Escarosa's basic financial statements and have issued our report thereon dated December 21, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CareerSource Escarosa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Pensacola, Florida
December 21, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Workforce Escarosa, Inc. dba CareerSource Escarosa

Report on Compliance for the Major Federal Program

We have audited the compliance of Workforce Escarosa, Inc. dba CareerSource Escarosa (hereinafter referred to as CareerSource Escarosa), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement*, that could have a direct and material effect on CareerSource Escarosa's major federal program for the year ended June 30, 2017. CareerSource Escarosa's major federal program is identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for CareerSource Escarosa's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the special audit guidance provided by the State of Florida Department of Economic Opportunity; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CareerSource Escarosa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of CareerSource Escarosa's compliance with those requirements.

Opinion on Major Federal Program

In our opinion, CareerSource Escarosa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pensacola, Florida
December 21, 2017

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weaknesses? Yes X None Reported
- Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes X No

Identification of major projects:

| <u>CFDA Number/ Name of Federal Program or Cluster</u> | <u>Federal CFDA Number</u> |
|---|----------------------------|
| Temporary Assistance for Needy Families | 93.558 |
| Dollar threshold used to distinguish between type A and type B programs for federal awards? | <u>\$750,000</u> |
| Auditee qualified as low-risk auditee for federal awards? <u> X </u> Yes <u> </u> No | |

B. FINDINGS – FINANCIAL STATEMENTS

There were no findings, which were required to be reported in accordance with government auditing standards generally accepted in the United States of America.

**WORKFORCE ESCAROSA, INC. DBA CAREERSOURCE ESCAROSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

There were no findings, which were required to be reported in accordance with the Uniform Guidance.

D. STATE OF FLORIDA, DEPARTMENT OF ECONOMIC OPPORTUNITY REPORTING REQUIREMENTS

CareerSource Escarosa performed timely reconciliations between the general ledger accounting system and the One Stop Management Information System.

E. SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings for the year ended June 30, 2016.

CareerSource Escarosa

**BOARD OF DIRECTORS
TELECONFERENCE MEETING
NOVEMBER 9, 2017
MINUTES**

Members Participating: Steve Rhodes (Chairman), Kathaleen Cole, Robert Gravley, Michelle Kaufman, Jade Kelly, Mark Lewellyn, Dana Mullins, Sharon Pitts, Katrina Simpkins, Erin Spicer, and Michelle Taylor

Members Not Present/Participating: Gretchen Clarke (Treasurer), Russell Branch, Gracie Parker, Kristine Rushing, and Tina Stewart

Others Present: Kathy Karshna, Naeemah Frazier, and Janay Sims – CareerSource Escarosa

Chairman Steve Rhodes called the meeting to order at 11:30 a.m. He called the roll to confirm those participating on the call.

CALL FOR PUBLIC COMMENT

No public comments were noted.

APPROVAL OF MINUTES – OCTOBER 19, 2017

The October 19, 2017 minutes were made available for review by the Board.

Action Taken: Motion by Jade Kelly, and seconded by Dana Mullins to approve the October 19, 2017 Board of Directors meeting minutes. Motion carried.

READING OF PUBLIC DISCLOSURES

No public disclosures were noted.

ITEMS FOR CONSIDERATION

SELECTED CANDIDATE FOR CAREERSOURCE ESCAROSA EXECUTIVE DIRECTOR’S POSITION

A Selection Committee was convened to accept applications for the Executive Director’s position vacated by the last Executive Director – Cliff Krut. The committee went through a screen-down process once the time for submittals was closed. A screen down matrix was used to narrow down the search process to five (5) candidates, as reported at the last Board meeting. Interviews were held on October 30, 2017 with the five candidates identified in the search process. A candidate was selected from that process, Ms. Sheryl Rehberg. It was a difficult decision. Thanks were expressed to the Selection Committee for their work and time involved in the whole process.

Mr. Rhodes informed the Board that he has asked Ms. Rehberg to join in on the call, and noted that some of the Selection Committee members are on the call as well.

At the August 24, 2017 Board of Directors meeting, it was determined that the Selection Committee would bring forth a candidate (for the position of Executive Director) full Board approval. He shared a brief background on Ms. Rehberg, and then opened the floor for comments and questions in regards to the process and/or the candidate.

Michelle Taylor addressed the candidate regarding activity conducted in collaboration with secondary level, specifically career academy, activity.

Ms. Rehberg responded that she did work directly with the career academy by providing information and staging/convening meetings to initiate the start for conversation.

Michelle Taylor thanked Ms. Rehberg for her response and noted that is the role she see CareerSource Escarosa to be – a convener.

Mr. Rhodes entertained a motion recommending the approval to accept Sheryl Rehberg as the Executive Director for CareerSource Escarosa, as prescribed in a previous meeting. In addition to this recommendation, the starting salary is to be brought to the board for approval, as well. It was noted that the board approved a salary adjustment to the CEO/Executive Director position this summer. The Selection Committee has recommended, based on Ms. Rehberg's experience, an annual salary of \$95,000.00 per year.

Inquiries were made regarding: 1) education in terms of a degree and the payment level, and 2) the basis for going above the minimum salary level. It was noted that Ms. Rehberg holds a bachelor's degree in Organizational Leadership from LaGrange College in LaGrange, Georgia; she has prior experience at the executive director level within the career source network and other related experience in economic development work; and her involvement at the state level.

A request was made for an opportunity for a more closed discussion and to thank Ms. Rehberg for her participation. Ms. Rehberg exited the meeting.

Questions and comments were welcomed. The Selection Committee was asked of their thoughts relating to the process. Comments from the Selection Committee included: the minimum salary range is generally not something that is offered to a qualified candidate with many years of experience. Even though Ms. Rehberg didn't have her advanced degree, she had all the relevant years of experience to do the job as required by CareerSource Escarosa. All of this was taken into account in evaluating the salary and placed her at that \$95,000 range. The Committee felt this was very equitable for her experience and knowledge. In addition, the minimum is what you hire in at with minimum experience. The mid-point, the \$95,000, is more of what the market would be for someone with experience. Our best practice is to manage at the mid-point salary range. That is why the decision was made to go with the \$95,000 salary.

Inquiry was made to the Selection Committee regarding compelling factors that propelled Ms. Rehberg to the top of the list, and a request was made to receive a copy of her resume?

Steve Rhodes noted that this information can be provided along with the questions the candidates were required to answer during the submittal process. Mr. Rhodes requested comments from the Selection Committee regarding their thoughts on the selection of Ms. Rehberg.

The Selection Committee expressed while going through the interview process, there were very strong candidates. What propelled Ms. Rehberg to the top is her experience; the way she more fully answered the questions that were asked of her during her interview– very relevant responses and thoughtful complete responses; and her personality which has the ability to mesh well with the culture and mix of employees at CareerSource Escarosa.

Inquiry was made regarding obtaining a reference from CareerSource North Florida on Ms. Rehberg? Steve Rhodes noted no reference was obtained from CareerSource North Florida; however, he did personally speak with her peers from other workforce regions and also an individual at the state level on the CareerSource Florida Board of Directors who is familiar with her work.

The Selection Committee also expressed it being a tough but equitable decision, as there were very good, qualified candidates. The Committee had very well thought-out discussions at great lengths during the interview/selection process.

Michelle Taylor expressed thanks to the Selection Committee for their service, noting they are all qualified professionals and she having a trust in their judgement and recommendation. She also noted that the Board has the responsibility to ask questions.

Steve Rhodes echoed Michelle Taylor, noting his appreciation for the line of questions. He stated that he had informed Ms. Rehberg that our board is not a rubber stamp Board of Directors – this due diligence is demonstrative of this. He welcomed questions and thoughts.

Inquiry was made regarding the start time for Ms. Rehberg once approval of acceptance has been made by the Board.

Steve Rhodes noted in discussion with Ms. Rehberg, she has been informed that her employment with CareerSource Escarosa will be contingent on board approval. She has been asked if she could begin employment on December 1, 2017. A 120 day probation period is being recommended. The 120 day probation period versus the typical 90 day is due to Ms. Rehberg's request to have some observation type time to observe the operation of the organization. Though she is familiar with workforce, this is a different board and in a different region and she would like to gain some familiarity with this region. This will not be strictly an observation period, but she will be working at the same time. In addition to the 120 day probation period, the Selection Committee has recommended a semi-annual review for her first year –review of her performance after six months and again after a year's period.

Mr. Rhodes informed of the next item for discussion – to establish a two year period contract with the Board of Directors for Ms. Rehberg that will be reviewed and continued at the Board's discretion.

Action was taken on the recommendation to approve acceptance of Ms. Sheryl Rehberg as the Executive Director for CareerSource Escarosa.

Action Taken: Motion by Kathaleen Cole and seconded by Mark Lewellyn to accept Ms. Sheryl Rehberg as the Executive Director for CareerSource Escarosa. Motion carried.

Mr. Rhodes informed the Board of his research with the last Executive Director and Landrum in regards to a contract. There was no contract with the last Executive Director. He was simply an employee of Landrum working in the position of Executive Director. He noted, in conversation with Landrum and others in the career source network, it is not uncommon to have a contract with the

Board of Directors. Ms. Rehberg has requested a contract with the Board of Directors and realizes that she will be employed through Landrum. Mr. Rhodes requested permission of the Board to extend authority to the Executive Committee to negotiate the terms of an employment contract and execution of that contract.

Action Taken: Motion by Dana Mullins, and seconded by Michelle Taylor authorizing the Executive Committee to negotiate and execute an employment contract with the Executive Director, Sheryl Rehberg.

Inquiries was made regarding Ms. Rehberg seeking a multi-year contract; the contract being beyond that which has been agreed upon; and there being other negotiables.

Steve Rhodes informed that Ms. Rehberg has forwarded to him a copy of her contract that was in place with North Florida. He noted that he has browsed through it and forwarded to the HR professionals at Landrum for review. Landrum has responded with some feedback. They have been asked to participate in the contract negotiation review and they have accepted the request. In addition, the contract will be forwarded to our attorney for review prior to our final execution of it to ensure we are not putting the board at any unnecessary liabilities. The points of the contract will include the following articles:

- 1) Terms of Employment – The 2-year period is outlined and very specific for the first two years. It similarly evolves into an evergreen contract. An automatic renewal will be contingent upon the Board’s approval. Provisions for ending the contract is included should the board feels it’s necessary.
- 2) Compensation – Specifically states a \$95,000 annual salary. Anything outside of this will require board approval.
- 3) Duties/Job Description
- 4) Benefits – There was a question regarding 100% health premium coverage. Very specific language refers to the organizational policy regarding benefits. According to Landrum, all benefits requested in the contract have been extended to prior Executive Directors.
- 5) Termination – The Board’s ability to terminate the Executive Director.
- 6) Business Information/Trade Secrets
- 7) Modification of Agreement – The outline of the agreement and how the agreement has to be modified if necessary, the severability, and typical language regarding Florida law and so forth.

The motion carried.

Mr. Rhodes stated this process will move forward expeditiously.

CAREERSOURCE ESCAROSA SLATE OF OFFICERS

At the October 19, 2017 Board of Directors meeting, the Nominating Committee was requested to reconvene to determine nominations for the offices of Treasurer and Secretary. The Nominating Committee nominated Sharon Pitts and Jade Kelly to serve in the offices of Treasurer and Secretary, respectively. Both nominees accepted the nominations.

Action Taken: Motion by Michelle Taylor, and seconded by Robert Gravley that Sharon Pitts serve as Treasurer on the CareerSource Escarosa Board of Directors. Motion carried.

Action Taken: Motion by Sharon Pitts, and seconded by Robert Gravley that Jade Kelly serve as Secretary on the CareerSource Escarosa Board of Directors. Motion carried.

Mr. Rhodes thanked the Selection Committee for their service in the selection of the Executive Director. He also thanked Kathy Karshna for her service and commitment as Interim Executive Director.

There being no further business, the meeting adjourned.

Jade Kelly, Secretary
CareerSource Escarosa

WORKFORCE ESCAROSA, INC.
SUMMARY OF EXPENDITURES

October 31, 2017

| | Year-to-Date General Ledger Expenditures | Year-to-Date DEO Staff Payroll | Total Expenditures | Available Funds* | Funds Remaining | Percent Expended | Percent of Year | Variance (Over)/Under |
|--------------------------------------|--|--------------------------------------|-----------------------|---------------------|--------------------|---------------------|--------------------|--------------------------|
| <u>PROGRAMS</u> | | | | | | | | |
| WIOA ADULT | 393,202 | | 393,202 | 1,640,967 | 1,247,765 | 24.0% | 33.3% | 9.3% |
| WIOA DISLOCATED WORKER | 32,560 | | 32,560 | 783,300 | 750,740 | 4.2% | 33.3% | 29.1% |
| WIOA YOUTH | 307,043 | | 307,043 | 1,234,031 | 926,988 | 24.9% | 33.3% | 8.4% |
| WIOA SUPPLEMENTAL FUNDS | 0 | | 0 | 129,758 | 129,758 | 0.0% | 33.3% | 33.3% |
| WIOA PERFORMANCE INCENTIVES | 7,995 | | 7,995 | 43,974 | 35,979 | 18.2% | 33.3% | 15.1% |
| SNAP | 73,774 | | 73,774 | 212,214 | 138,440 | 34.8% | 33.3% | -1.5% |
| UNEMPLOYMENT COMPENSATION SERVICES | 5,258 | | 5,258 | 21,031 | 15,773 | 25.0% | 33.3% | 8.3% |
| WELFARE TRANSITION PROGRAM | 364,036 | | 364,036 | 1,176,297 | 812,261 | 30.9% | 33.3% | 2.4% |
| TRADE ADJUSTMENT ASSISTANCE ACT | 7,065 | | 7,065 | 16,500 | 9,435 | 42.8% | 33.3% | -9.5% |
| WAGNER PEYSER | 110,960 | 125,064 | 236,024 | 609,158 | 373,134 | 38.7% | 33.3% | -5.4% |
| WAGNER PEYSER PERFORMANCE INCENTIVES | 29,566 | | 29,566 | 77,640 | 48,074 | 38.1% | 33.3% | -4.8% |
| MILITARY FAMILY ADVOCACY | 20,610 | | 20,610 | 78,282 | 57,672 | 26.3% | 33.3% | 7.0% |
| VETERANS - DVOP | 27,377 | 36,634 | 64,011 | 177,284 | 113,273 | 36.1% | 33.3% | -2.8% |
| VETERANS - LVER | 31,948 | 37,420 | 69,368 | 212,849 | 143,481 | 32.6% | 33.3% | 0.7% |
| TOTAL | 1,411,394 | 199,119 | 1,610,513 | 6,413,285 | 4,802,772 | | | |
| <u>COST POOLS</u> | | | | | | | | |
| INDIRECT COST POOL | 182,483 | | 182,483 | 563,260 | 380,777 | 32.4% | 33.3% | 0.9% |
| COMPUTER NETWORK COST POOL | 61,613 | | 61,613 | 223,675 | 162,062 | 27.5% | 33.3% | 5.8% |
| ONE-STOP COST POOL | 355,355 | | 355,355 | 1,349,850 | 994,495 | 26.3% | 33.3% | 7.0% |
| ESCAROSA COST POOL - MONITORING/EFM | 51,972 | | 51,972 | 167,570 | 115,598 | 31.0% | 33.3% | 2.3% |
| PROGRAM MANAGEMENT | 71,999 | | 71,999 | 249,670 | 177,671 | 28.8% | 33.3% | 4.5% |
| WIOA DIRECT SERVICES | 105,703 | | 105,703 | 410,742 | 305,039 | 25.7% | 33.3% | 7.6% |

WORKFORCE ESCAROSA, INC.
October 31, 2017

| ADMINISTRATIVE RATES (SEE NOTE) | ACTUAL | ALLOWED |
|--|---------------|----------------|
| WIOA ADULT | 9.64% | 10.00% |
| WIOA DISLOCATED WORKER | 9.63% | 10.00% |
| WIOA YOUTH | 5.70% | 10.00% |
| WIOA SUPPLEMENTAL FUNDS | 0.00% | 10.00% |
| SNAP | 9.67% | 10.00% |
| UNEMPLOYMENT COMPENSATION | 13.43% | 10.00% |
| WELFARE TRANSITION PROGRAM | 9.93% | 10.00% |
| TRADE ADJUSTMENT ASSISTANCE ACT | 13.42% | 10.00% |
| WAGNER PEYSER | 9.10% | 10.00% |
| MILITARY FAMILY ADVOCACY | 9.62% | 10.00% |
| VETERANS - DVOP | 8.59% | 10.00% |
| VETERANS - LVER | 8.33% | 10.00% |
| | | |
| WIOA PERFORMANCE INCENTIVES | 13.42% | 100.00% |
| WAGNER PEYSER PERFORMANCE INCENTIVES | 25.82% | 100.00% |
| | | |
| INDIRECT RATE | 11.33% | 15.50% |

| OTHER REQUIRED RATES: | ACTUAL | REQUIRED |
|--|---------------|-----------------|
| WIOA STATE ITA (ADULT & DISLOCATED WORKER) | 40.69% | 35.00% |
| WIOA YOUTH OUT-OF-SCHOOL | 88.20% | 75.00% |
| WIOA YOUTH WORK EXPERIENCE | 34.33% | 20.00% |

Note:

The Actual Administrative Rate is calculated using the applied Indirect Costs divided by total costs. This is the rate allowed by the grant.

WORKFORCE ESCAROSA, INC.
PERIOD ENDING OCTOBER 31, 2017

SERVICE PROVIDER CONTRACTS REPORT

| Service Provider | Service | Original Contract Amount | Expended | Unexpended Balance | Month Invoiced Through | Prorated Budget | (Over)/Under Expended | Out of School Percent | Work Experience Percent |
|---------------------------|----------------|--------------------------|----------|--------------------|------------------------|-----------------|-----------------------|-----------------------|-------------------------|
| WIA Contracts: | | | | | | | | | |
| Santa Rosa School Board | Youth Services | 277,194 | 47,126 | 230,068 | 31-Oct-17 | 92,398 | 45,272 | 83% | 42% |
| Escambia Co. School Board | Youth Services | 187,221 | 62,031 | 125,190 | 31-Oct-17 | 62,407 | 376 | 96% | 66% |
| Children's Home Society | Youth Services | 465,585 | 148,628 | 316,957 | 31-Oct-17 | 155,195 | 6,567 | 86% | 24% |

WORKFORCE ESCAROSA INC
Statement of Revenues and Expenditures
From 7/1/2017 Through 10/31/2017
(In Whole Numbers)

| | | Current Year Actual | YTD Original Budget | Percent Expended | YTD Original Budget Variance |
|----------------------------------|-----|------------------------|------------------------|---------------------|---------------------------------|
| TOTAL EXPENDITURES | | | | | |
| WIOA ADULT | 116 | 393,202 | 1,980,362 | 19.85% | 1,587,160 |
| WIOA DISLOCATED WORKERS | 126 | 32,560 | 234,773 | 13.86% | 202,213 |
| WIOA YOUTH | 136 | 307,043 | 1,184,001 | 25.93% | 876,959 |
| WIA PERFORMANCE INCENTIVES | 140 | 7,995 | 0 | 0.00% | (7,995) |
| SNAP PROGRAM | 215 | 73,774 | 212,214 | 34.76% | 138,440 |
| WAGNER PEYSER | 320 | 110,960 | 199,804 | 55.53% | 88,844 |
| UC SERVICES | 340 | 5,258 | 21,031 | 25.00% | 15,773 |
| TRADE ASSISTANCE ACT | 350 | 7,065 | 0 | 0.00% | (7,065) |
| WP PERFORMANCE INCENTIVES | 360 | 29,566 | 0 | 0.00% | (29,566) |
| DVOP | 415 | 27,377 | 62,049 | 44.12% | 34,672 |
| LVER | 425 | 31,948 | 74,497 | 42.88% | 42,549 |
| WELFARE TRANSITION PROGRAM | 515 | 364,036 | 1,176,297 | 30.94% | 812,261 |
| MILITARY ADVOCACY POSITION | 837 | 20,610 | 78,282 | 26.32% | 57,672 |
| INDIRECT COSTS | 90 | (46,740) | 0 | 0.00% | 46,740 |
| UNRESTRICTED FUNDS - NON-FEDERAL | 975 | 399 | 0 | 0.00% | (399) |
| Total TOTAL EXPENDITURES | | 1,365,054 | 5,223,310 | 26.13% | 3,858,256 |