

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CAREERSOURCE FLORIDA, INC.
TALLAHASSEE, FLORIDA**

JUNE 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CAREERSOURCE FLORIDA, INC.
TALLAHASSEE, FLORIDA**

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CareerSource Florida, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of CareerSource Florida, Inc., as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CareerSource Florida, Inc.'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
CareerSource Florida, Inc.
Tallahassee, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of CareerSource Florida, Inc., as of June 30, 2016, and the respective changes in net 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 on pages 4 through 7 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 (GASB) 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.

As described in Note 1, management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CareerSource Florida, Inc.'s basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
CareerSource Florida, Inc.
Tallahassee, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of CareerSource Florida, Inc.'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 Florida, Inc.'s internal control over financial reporting and compliance.

Durvis, Gray and Company, LLP

October 25, 2016
Tallahassee, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

This discussion and analysis of CareerSource Florida, Inc.'s financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2016. This analysis should be read in conjunction with the independent auditors' report (pages 1 - 3) and the basic financial statements, which begin on page 8.

Financial Highlights

- Assets of CareerSource Florida, Inc. exceeded its liabilities at the close of the most recent fiscal year by \$934,921 (net position of \$929,103 is unrestricted).
- Government assistance, including pass-through grants, accounted for \$20,797,938 in revenue.
- CareerSource Florida, Inc. spent \$1,284,030 for Incumbent Worker Training programs and \$13,316,910 for Quick Response Training, a collective increase of 11.3% from the prior year. CareerSource Florida, Inc. spent \$6,298,068 in other program costs, which include general, administrative, and contractual expenses. For the year ended June 30, 2016, CareerSource Florida, Inc. incurred \$20,899,008 in total expenses for a total increase of \$3,751,779 or 21.9% from the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to CareerSource Florida, Inc.'s basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of CareerSource Florida, Inc.'s finances, in a manner similar to a private-sector business. CareerSource Florida, Inc.'s government-wide financial statements include the statement of net position and the statement of activities.

The Statement of Net Position presents financial and capital resources of CareerSource Florida, Inc. Assets are reported when CareerSource Florida, Inc. acquires ownership over assets and liabilities are reported when they are incurred, regardless of the timing of the related cash flows. The difference between CareerSource Florida, Inc.'s total assets and total liabilities is net position. Overtime, increases or decrease in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents revenue and expenses and shows how CareerSource Florida, Inc.'s net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the period.

Fund Financial Statements

Fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for the cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Continued)

Notes to the Financial Statements

In addition to the basic financial statements and accompanying notes, this report also presents a Schedule of Expenditures of Federal Awards and State Financial Assistance, which can be found on pages 22 - 23. This schedule lists all Federal and state grants awarded to CareerSource Florida, Inc. and the related expenditures for the fiscal year ended June 30, 2016.

Government-wide Financial Analysis

One of the most important questions asked about CareerSource Florida, Inc.'s finances is, "Is CareerSource Florida, Inc., as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about CareerSource Florida, Inc.'s activities in a way that will help answer this question. These two statements report the net position of CareerSource Florida, Inc. and changes in them during the last reporting period. You may think of CareerSource Florida, Inc.'s net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in CareerSource Florida, Inc.'s net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in interest rates, economic conditions, regulations, and new or changed governmental legislation.

The following schedule is a summary of the fiscal year 2016 Statement of Net Position, which can be found on page 8 of this report with comparative information for the fiscal year 2015:

CONDENSED FINANCIAL STATEMENTS
CAREERSOURCE FLORIDA, INC.'S NET POSITION

| | 2016 | 2015 |
|-----------------------------------|-------------------|-------------------|
| Current and Other Assets | \$ 13,015,236 | \$ 13,450,891 |
| Capital Assets | 5,818 | 8,726 |
| Total Assets | 13,021,054 | 13,459,617 |
| Long-term Liabilities Outstanding | 277,053 | 397,205 |
| Other Liabilities | 11,809,080 | 12,169,165 |
| Total Liabilities | 12,086,133 | 12,566,370 |
| Net Position | | |
| Net Investment in Capital Assets | 5,818 | 8,726 |
| Restricted | 0 | 86,706 |
| Unrestricted | 929,103 | 797,815 |
| Total Net Position | \$ 934,921 | \$ 893,247 |

As noted earlier, changes in net position may serve over time as a useful indicator of an organization's financial position. This year CareerSource Florida, Inc.'s net position is \$934,921, which is an improvement of \$41,674 in CareerSource Florida, Inc.'s net position for the year. This increase in net position represented an increase of approximately 4.66% from the \$893,247 net position in 2015. The majority of CareerSource Florida, Inc.'s net position is unrestricted and can be used for operations and program related expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Continued)

Government-wide Financial Analysis (Concluded)

The chart below is a summary of the information presented in the 2016 Statement of Activities found on page 9 of this report, with comparative information in 2015.

CAREERSOURCE FLORIDA, INC.'S CHANGES IN NET POSITION

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Revenues | | |
| Operating Grants and Contributions | \$ 20,797,938 | \$ 17,072,886 |
| Other Income | 142,744 | 97,371 |
| Total Revenues | <u>20,940,682</u> | <u>17,170,257</u> |
| Expenses | | |
| Program Services: | | |
| Incumbent Worker Training | 1,284,030 | 1,780,178 |
| Quick Response Training | 13,316,910 | 11,338,690 |
| Performance Model Funding | 560,065 | 333,739 |
| Other Program Costs | 5,738,003 | 3,694,622 |
| Total Expenses | <u>20,899,008</u> | <u>17,147,229</u> |
| Increase in Net Position | 41,674 | 23,028 |
| Net Position, Beginning of Year | <u>893,247</u> | <u>870,219</u> |
| Net Position, End of Year | <u>\$ 934,921</u> | <u>\$ 893,247</u> |

Governmental activities increased CareerSource Florida, Inc.'s net position by \$41,674, or by 4.66%. The following information related key points regarding the financial activities that significantly impacted the change in net assets:

- Operating grant revenues increased by \$3,725,052, or 21.82% from the previous year.
- Incumbent Worker Training (IWT) expenses decreased by \$(496,148), or (-27.87%) from the previous year. IWT expenses are incurred on a reimbursement basis and are subject to timing variances.
- Quick Response Training (QRT) expenses increased by \$1,978,220, or 17.45% from the previous year. This is the result of an increase in QRT awards which increased the amount of QRT reimbursements paid during the year.
- Other Program Costs increased by \$2,043,381. This increase was driven by CareerSource Florida, Inc. assuming fiscal responsibility during the 2015-16 fiscal year of contracts taken over from the Florida Department of Economic Opportunity.

Fund Financial Analysis

As noted earlier, CareerSource Florida, Inc. also presents fund financial statements to provide information on *near-term* inflow, outflows, and balances of spendable resources. CareerSource Florida, Inc. has one governmental fund (the General Fund). The financial operations of the General Fund are included in the Statement of Revenues, Expenditures, and Changes in Fund Balance and Balance Sheet, which begin on page 10 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Concluded)

Fund Financial Analysis (Concluded)

The following are significant highlights of the general fund financial statements:

- At June 30, 2016, total assets were \$13,015,236, of which cash accounted for 88% of the total balance.
- Cash decreased a total of \$1,345,781 from the prior year for a balance of \$11,505,882 at June 30, 2016. This was the result of CareerSource Florida, Inc. spending additional QRT funds during the year.
- Total general fund liabilities at June 30, 2016, were \$11,809,080, of which unearned revenues accounted for approximately 84% of the total. The decrease in the deferred revenue balance resulted from additional spending of QRT funds during the year.
- Total General Fund revenues were \$20,940,682 for the period ending June 30, 2016. General Fund revenues increased from \$17,170,257 to \$20,940,682, for a total increase of \$3,770,425. This increase was driven by additional revenues related to the QRT grants and additional contracts that were transferred to CareerSource Florida, Inc. during the year. These contracts were previously administered by the Florida Department of Economic Opportunity.
- Total Expenditures increased by \$3,939,700 from the prior year. This was primarily the result of additional spending of QRT grants and expenses related to the contracts taken over by CareerSource Florida, Inc. from the Florida Department of Economic Opportunity during the current year.

Capital Asset Administration

CareerSource Florida, Inc.'s investment in capital assets as of June 30, 2016, amounts to \$5,818 (net of accumulated depreciation). Additional information on CareerSource Florida, Inc.'s capital assets can be found in Note 3 on page 19 of this report.

Economic Factors

In accordance with the *Workforce Innovation and Opportunity Act of 2014*, CareerSource Florida, Inc. operates throughout the state as the primary workforce policy organization on behalf of the State of Florida. CareerSource Florida, Inc. accomplishes this by linking workforce and economic development strategies through business-driven initiatives and programs to ensure that Florida's Workforce has the skills that will meet current and future business needs. Florida businesses continue to cite workforce issues as their most important concern, according to surveys undertaken by various business associations. This concern is consistent with national studies highlighting the difficulties of finding and keeping qualified workers. Additionally, the growing prominence of the technology and biotechnology sectors increases the need to produce skilled workers. Since Florida's economy is linked to both national and global economic markets which are impacted and driven by major changes and advancements in technology, the challenges facing CareerSource Florida, Inc. will never be completely accomplished and must be continuously adapted to meet these challenges from year to year. CareerSource Florida, Inc. also promotes an environment where Floridians have the opportunity to upgrade their education and skills to obtain jobs that lead to economic self-sufficiency.

Funding for CareerSource Florida, Inc., its initiatives and operations, is derived from legislative appropriations from revenues collected by the State of Florida and Federal workforce training funds. In addition to funds for general operational costs of the Board and direct staff, CareerSource Florida, Inc. receives funding for two customized training programs – the Quick Response Training and Incumbent Worker Training programs.

Request for Information

This financial report is designed to provide a general overview of CareerSource Florida, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to CareerSource Florida, Inc., 1580 Waldo Palmer Lane, Suite 1, Tallahassee, Florida 32308.

CAREERSOURCE FLORIDA, INC.
STATEMENT OF NET POSITION
JUNE 30, 2016
TALLAHASSEE, FLORIDA

ASSETS

| | |
|---------------------------------|--------------------------|
| Current Assets | |
| Cash and Cash Equivalents | \$ 11,505,882 |
| Grants and Contracts Receivable | 1,381,027 |
| Prepaid Expenses | 113,227 |
| Total Current Assets | <u>13,000,136</u> |
| Noncurrent Assets | |
| Capital Assets, Net | 5,818 |
| Other Assets | 15,100 |
| Total Noncurrent Assets | <u>20,918</u> |
| Total Assets | <u><u>13,021,054</u></u> |

LIABILITIES

| | |
|--|--------------------------|
| Current Liabilities | |
| Accounts Payable and Accrued Liabilities | 1,837,186 |
| Unearned Revenue | 9,971,894 |
| Total Current Liabilities | <u>11,809,080</u> |
| Long-term Liabilities | |
| Compensated Absences | 277,053 |
| Total Liabilities | <u><u>12,086,133</u></u> |

NET POSITION

| | |
|----------------------------------|--------------------------|
| Net Investment in Capital Assets | 5,818 |
| Unrestricted | 929,103 |
| Total Net Position | <u><u>\$ 934,921</u></u> |

See accompanying notes.

CAREERSOURCE FLORIDA, INC.
STATEMENT OF ACTIVITIES
JUNE 30, 2016
TALLAHASSEE, FLORIDA

| <u>Function Activities</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u> |
|--------------------------------------|----------------------|-------------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Governmental Activities | | | | | |
| Economic Environment: | | | | | |
| Incumbent Worker Training | \$ 1,284,030 | \$ 0 | \$ 1,284,030 | \$ 0 | \$ 0 |
| Quick Response Training | 13,316,910 | 0 | 13,316,910 | 0 | 0 |
| Performance Model Funding | 560,065 | 0 | 560,065 | 0 | 0 |
| Other Program Costs | 5,738,003 | 0 | 5,636,933 | 0 | (101,070) |
| Total Governmental Activities | <u>\$ 20,899,008</u> | <u>\$ 0</u> | <u>\$ 20,797,938</u> | <u>\$ 0</u> | <u>(101,070)</u> |

General Revenues

| | |
|-------------------------------|----------------|
| Miscellaneous | 142,744 |
| Total General Revenues | <u>142,744</u> |

Change in Net Position

| | |
|----------------------------------|-------------------|
| Net Position, Beginning of Year | 893,247 |
| Net Position, End of Year | <u>\$ 934,921</u> |

See accompanying notes.

CAREERSOURCE FLORIDA, INC.
BALANCE SHEET
GOVERNMENTAL FUND TYPE - GENERAL FUND
JUNE 30, 2016
TALLAHASSEE, FLORIDA

Assets

| | |
|---------------------------------|--------------------------|
| Cash and Cash Equivalents | \$ 11,505,882 |
| Grants and Contracts Receivable | 1,381,027 |
| Prepaid Expenditures | 128,327 |
| Total Assets | <u><u>13,015,236</u></u> |

Liabilities and Fund Balance

Liabilities

| | |
|--|--------------------------|
| Accounts Payable and Accrued Liabilities | 1,837,186 |
| Unearned Revenue | 9,971,894 |
| Total Liabilities | <u><u>11,809,080</u></u> |

Fund Balance

| | |
|-------------------------------------|-------------------------|
| Nonspendable - Prepaid Expenditures | 128,327 |
| Unassigned | 1,077,829 |
| Total Fund Balance | <u><u>1,206,156</u></u> |

| | |
|---|-----------------------------|
| Total Liabilities and Fund Balance | <u><u>\$ 13,015,236</u></u> |
|---|-----------------------------|

See accompanying notes.

CAREERSOURCE FLORIDA, INC.
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
TALLAHASSEE, FLORIDA

Total Fund Balance of Governmental Fund \$ 1,206,156

**Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:**

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds. These liabilities consist of:

Compensated Absences (277,053)

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the fund. 5,818

Net Position of Governmental Activities \$ 934,921

See accompanying notes.

CAREERSOURCE FLORIDA, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE - GENERAL FUND
JUNE 30, 2016
TALLAHASSEE, FLORIDA

Revenues

| | |
|---------------------------|-------------------|
| Intergovernmental Revenue | \$ 20,797,938 |
| Miscellaneous | 142,744 |
| Total Revenues | 20,940,682 |

Expenditures

| | |
|--|---------------------|
| Economic Environment: | |
| Current: | |
| Salaries and Benefits | 3,531,107 |
| Office Expenses | 162,746 |
| Dues and Subscriptions | 32,382 |
| Occupancy | 213,895 |
| Training and Registrations | 7,808 |
| Miscellaneous | 543 |
| Administration Contracts | 186,660 |
| Professional Fees and Consultants | 55,330 |
| Insurance | 16,123 |
| Telephone and Communications | 39,157 |
| Travel | 125,816 |
| Board Meetings and Travel | 53,049 |
| Supplies and Equipment | 4,525 |
| Other Program Costs | 1,986,171 |
| Grants and Aids | 14,600,940 |
| (Total Expenditures) | (21,016,252) |
| Net Change in Fund Balance | (75,570) |
| Fund Balance, Beginning of Year | 1,281,726 |
| Fund Balance, End of Year | \$ 1,206,156 |

See accompanying notes.

CAREERSOURCE FLORIDA, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
TALLAHASSEE, FLORIDA

| | |
|--|--------------------|
| Net Change in Fund Balances - Total Governmental Fund | \$ (75,570) |
|--|--------------------|

**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 the governmental funds:

| | |
|--------------------------------|---------|
| Change in Compensated Absences | 120,152 |
|--------------------------------|---------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

| | |
|----------------------|----------------|
| Depreciation Expense | <u>(2,908)</u> |
|----------------------|----------------|

| | |
|--|--------------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ 41,674</u></u> |
|--|--------------------------------|

See accompanying notes.

CAREERSOURCE FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA

Note 1 **Summary of Significant Accounting Policies**

Reporting Entity

CareerSource Florida, Inc. is a not-for-profit corporation created by Chapter 445 of the Florida Statutes. Chapter 2000-165, Laws of Florida, known as the *Workforce Innovation Act of 2000*, superseded by the *Workforce Innovation and Opportunity Act of 2014* (WIOA), created the corporation, which became effective July 1, 2000. This corporation is required to be registered, incorporated, organized, and operated in compliance with Chapter 617, Florida Statutes, as a nonentity of State government.

CareerSource Florida, Inc. is the principal workforce policy organization and is administratively housed within the Department of Economic Opportunity (DEO). CareerSource Florida, Inc. contracts with DEO to implement CareerSource Florida, Inc.'s strategic policies and administer the workforce system.

CareerSource Florida, Inc. is governed by a Board of Directors (the Board), whose membership and appointment is determined by the Governor of the State of Florida and must be consistent with Public Law No. 113-128, Title I, Section 101(b) since it serves as the State's Workforce Investment Board pursuant to law.

Though the State of Florida appoints the Board, it has no further accountability. Therefore, for financial reporting purposes, CareerSource Florida, Inc. is a related organization of the State. There are no component units included in the accompanying financial statements.

Mission

CareerSource Florida, Inc. is the principal workforce policy organization for the State and the local workforce boards. The Florida Workforce System connects employers with qualified, skilled talent and Floridians with employment and career development opportunities to achieve economic prosperity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

CareerSource Florida, Inc. complies with accounting principles generally accepted in the United States of America (GAAP). CareerSource Florida, Inc.'s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The basic financial statements include both the 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 Florida, Inc. The focus of the government-wide statements is on the sustainability of CareerSource Florida, Inc. as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include operating grants and contributions used to recover expenses of a given function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

CAREERSOURCE FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation *(Concluded)*

Separate financial statements (fund financial statements) are provided for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations. CareerSource Florida, Inc. reports one governmental fund, the General Fund, which is used to account for all financial resources of CareerSource Florida, Inc.

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 the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). The basis of accounting determines when transactions and economic events are reflected in the financial statements, and measurement focus identifies which transactions and events should be recorded.

In the fund financial statements, revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and actual collection will occur either: a) during the current period or; b) after the end of the period, but in time to pay fund liabilities. For this purpose, CareerSource Florida, Inc. considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

Assets, Liabilities, and Net Position

■ **Deposits**

CareerSource Florida, Inc.'s cash and cash equivalents are considered to be highly-liquid financial instruments with an original maturity of three months or less at the time they are purchased.

■ **Grants and Contracts Receivables**

Substantially all of the grants and contracts receivable of CareerSource Florida, Inc. are due from the State of Florida, Department of Economic Opportunity. Management has concluded that realization of losses on balances outstanding at year-end will be immaterial.

■ **Capital Assets**

Capital assets acquired by CareerSource Florida, Inc. are considered to be owned by the Organization. However, funding sources may maintain an equitable interest in the property 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.

CAREERSOURCE FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position (Continued)

■ **Capital Assets (Concluded)**

Property and equipment 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 market value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from five to seven years.

■ **Compensated Absences**

CareerSource Florida, Inc. has two distinct employee groups. The first employee group includes permanent full-time employees of CareerSource Florida, Inc. The second group includes State of Florida employees assigned on a full-time basis to CareerSource Florida, Inc. CareerSource Florida, Inc. pays the salary and benefits of the state employees assigned to its operations. The benefit and compensated absence policy is slightly different for the two groups as follows:

- Permanent full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with CareerSource Florida, Inc. CareerSource Florida, Inc. employees' annual leave balances in excess of 360 hours will be transferred to sick leave on an hour-for-hour basis. Sick leave is accrued but generally only paid out at 25% of the accrued balance after ten years of service up to a stated maximum. However, the employment contract with the President stipulates that sick leave is paid in accordance with the employment contract.
- State of Florida employees assigned to CareerSource Florida, Inc. receive the same benefits, including compensated absences, as State of Florida employees. Vacation accruals are accrued and become vested when earned. Sick leave is generally payable and is accrued at 25% of the leave amount accrued up to 240 or 480 hours maximum, depending on employment classification. Sick accruals become vested upon ten years of employment.

■ **Unearned Revenue**

CareerSource Florida, Inc. receives advanced funds from the State of Florida to administer the Quick Response Training (QRT) program. Under this program, CareerSource Florida, Inc. awards funds to businesses that provide training to the businesses' employees via local community colleges and/or state universities. CareerSource Florida, Inc. defers the revenue relating to these programs until the earnings process is substantially complete, which CareerSource Florida, Inc. has determined occurs when the training has taken place and the college or business has submitted requests for reimbursement.

■ **Transferred Investment Income**

As a condition of its grants, all interest earned on funds advanced from the State of Florida is due and payable to the State of Florida. At June 30, 2016, the liability due to the State of Florida is included in accrued liabilities in the Statement of Net Position.

CAREERSOURCE FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Continued)

Note 1 Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position (Continued)

■ **Fund Balance**

CareerSource Florida, Inc. has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), as required. The purpose of GASB 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned.

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because: a) they are not expected to be converted to cash; or b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.
- **Restricted**—This component of fund balance consists of amounts that are constrained either: a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., board resolution) of the organization’s governing authority (the Board). These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action employed to constrain those amounts. As of June 30, 2016, there are no amounts that are classified as committed fund balance.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization’s governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund. As of June 30, 2016, there are no amounts that are classified as assigned fund balance.
- **Unassigned**—This classification is used for: a) negative unrestricted fund balances in any governmental fund, or b) fund balances within the General Fund that are not restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is CareerSource Florida, Inc.’s policy to use restricted resources first.

CAREERSOURCE FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Continued)

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

Assets, Liabilities, and Net Position *(Concluded)*

■ **Income Taxes**

CareerSource Florida, Inc. is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). CareerSource Florida, Inc. is exempt from state income taxes on related income pursuant to Chapter 220.13 of the Florida Statutes. Therefore, no provision for income taxes has been made in the accompanying financial statements.

As a charitable organization, only unrelated business income, as defined by Section 509(a)(1) of the IRC, is subject to federal income tax. CareerSource Florida, Inc. currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

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

CareerSource Florida, Inc. 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 Florida, Inc.

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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget Information

GASB requires budgetary comparisons to be presented for the general fund and for each major special revenue fund that has a legally adopted budget. Management has determined that CareerSource Florida, Inc. is not legally required to adopt a budget by the Department of Economic Opportunity, Florida Statutes, or any federal regulation. Therefore, no budgetary comparison schedules have been presented.

Note 2 **Deposits**

Florida Statutes provide for risk sharing collateral pools by banks and savings and loan associations. These pools collateralize local government deposits and certificates of deposit with participating depositories. CareerSource Florida, Inc.'s demand deposits are placed in such authorized depositories.

CAREERSOURCE FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Continued)

Note 2 Deposits (Concluded)

Custodial credit risk for deposits is the risk that in the event of a bank failure, CareerSource Florida, Inc.'s deposits may not be returned or CareerSource Florida, Inc. will not be able to recover collateral securities in the possession of an outside party. At June 30, 2016, the carrying amount of CareerSource Florida, Inc.'s deposits was \$11,505,882 and the bank balance of CareerSource Florida, Inc.'s deposits was \$11,815,446. The bank balance was insured up to Federal Deposit Insurance Corporation (FDIC) limits or by collateral held by CareerSource Florida, Inc.'s custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the *Florida Security for Deposits Act*, Chapter 280, Florida Statutes.

The *Florida Security for Public Deposits Act* established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral.

Note 3 Capital Assets

The following is a summary of capital assets at June 30, 2016:

| | <u>Balance</u> <u>July 1, 2015</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2016</u> |
|--------------------------------|---------------------------------------|-------------------|------------------|--|
| Leasehold Improvements | \$ 7,365 | \$ 0 | \$ 0 | \$ 7,365 |
| Office Furniture | 14,336 | 0 | 0 | 14,336 |
| Office Equipment and Computers | 45,905 | 0 | 0 | 45,905 |
| Total | <u>67,606</u> | <u>0</u> | <u>0</u> | <u>67,606</u> |
| Less Accumulated Depreciation: | | | | |
| Leasehold Improvements | (7,365) | 0 | 0 | (7,365) |
| Office Furniture | (14,336) | 0 | 0 | (14,336) |
| Office Equipment and Computers | (37,179) | (2,908) | 0 | (40,087) |
| Total Accumulated Depreciation | (58,880) | (2,908) | 0 | (61,788) |
| Capital Assets, Net | <u>\$ 8,726</u> | <u>\$ (2,908)</u> | <u>\$ 0</u> | <u>\$ 5,818</u> |

Note 4 Compensated Absences

The following is a summary of compensated absences at June 30, 2016:

| | <u>Balance</u> <u>July 1, 2015</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2016</u> |
|----------------------|---------------------------------------|------------------|------------------|--|
| Compensated Absences | \$ 397,205 | \$ 0 | \$ (120,152) | \$ 277,053 |

CAREERSOURCE FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Continued)

Note 5 Operating Leases

CareerSource Florida, Inc. leases office facilities and equipment under operating leases expiring in 2021. Future minimum rental payments under operating leases having remaining terms in excess of one year, are as follows:

| Year | Amount |
|--------------|-------------------|
| 2017 | \$ 84,261 |
| 2018 | 30,024 |
| 2019 | 24,524 |
| 2020 | 6,860 |
| 2021 | 2,859 |
| Total | \$ 148,528 |

Rental expense under the terms of these leases totaled \$171,220 for the year ended June 30, 2016.

Note 6 Related Party Transactions

State of Florida Department of Economic Opportunity

Receivables of \$1,373,762 due from the State of Florida, Department of Economic Opportunity are included in grants and contracts receivable. Federal and state program revenue received through the State of Florida, Department of Economic Opportunity for the year ended June 30, 2016, was \$20,797,938. Reimbursements paid to the State of Florida, Department of Economic Opportunity for payroll and related benefits of employees assigned to CareerSource Florida, Inc. for the year ended June 30, 2016, totaled \$587,872.

Note 7 Other Disclosures

Significant Funding Source

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

Risk Management

CareerSource Florida, Inc. is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CareerSource Florida, Inc. has obtained insurance from commercial underwriters for the aforementioned risks, including workers' compensation for the year ended June 30, 2016.

CareerSource Florida, Inc. has not paid any settlements in excess of insurance coverage for each of the past three years. Furthermore, CareerSource Florida, Inc. has no significant reduction in insurance coverage from the prior year.

CAREERSOURCE FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Concluded)

Note 7 **Other Disclosures** *(Concluded)*

Employment Agreement

CareerSource Florida, Inc. has entered into an employment agreement with the President of the Organization. The agreement calls for certain salary and benefits to be paid in the event of termination of employment. The initial term of the agreement was automatically extended for a subsequent two-year term and will continue to be automatically extended for subsequent two-year terms unless terminated in advance under the terms of the agreement.

Retirement Plan

CareerSource Florida, Inc. participates in a defined contribution retirement plan (the Plan) covering all eligible employees (permanent, full-time employees of CareerSource Florida, Inc.). Employer contributions are determined at the discretion of the Board of CareerSource Florida, Inc. CareerSource Florida, Inc. contributed a total of \$224,393 to the Plan during the fiscal year. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. Employees contributed \$88,072 to the Plan during the fiscal year. Employees are immediately vested in their own contributions and earnings on those contributions. Employees become 100% vested in employer contributions after completing three years of service. Employer and employee contributions owed to the Plan as of June 30, 2016, totaled \$38,301. There were no expenses for the Plan paid for by CareerSource Florida, Inc. during the year ended June 30, 2016. State of Florida employees assigned to CareerSource Florida, Inc. are covered under a retirement plan sponsored by the State of Florida.

Grants

The grant revenue amounts received are subject to audit and adjustment by grantor agencies. If any expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of CareerSource Florida, Inc. In the opinion of management, all grant expenses are in compliance with terms of the grant agreements and applicable Federal and State laws and regulations.

OTHER INFORMATION

CAREERSOURCE FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016
TALLAHASSEE, FLORIDA

| Federal Grantor/Pass-Through Grantor/ State Grantor/Program Title | Federal CFDA Number | State CFSA Number | Grant Number | Expenditures |
|--|---------------------------|-------------------------|---------------------|------------------|
| FEDERAL AWARDS | | | | |
| U.S. Department of Labor | | | | |
| Passed through State of Florida, Department of Economic Opportunity: Employment Service/Wagner - Peyser Funded Activities | 17.207 | | N/A | \$ 1,444,275 |
| Passed through State of Florida, Department of Economic Opportunity: National Energy Grant | 17.277 | | N/A | 77,080 |
| Passed through State of Florida, Department of Economic Opportunity: WIOA Implementation Grant | 17.281 | | N/A | 95,184 |
| Passed through State of Florida, Department of Economic Opportunity: Workforce Innovation Fund Grant | 17.283 | | IF-26344-14-60-A-12 | 560,065 |
| Passed through State of Florida, Department of Economic Opportunity: Workforce Investment Act (WIA) Cluster: | | | | |
| WIA/WIOA Adult Program | 17.258 | | N/A | 1,247,599 |
| WIA/WIOA Youth Activities | 17.259 | | N/A | 1,247,599 |
| WIA/WIOA Dislocated Worker Formula Grants | 17.278 | | N/A | 1,663,464 |
| <i>Total WIA/WIOA Cluster</i> | | | | <u>4,158,662</u> |
| U.S. Department of Agriculture | | | | |
| Passed through State of Florida, Department of Economic Opportunity: Food Stamp Employment and Training | 10.561 | | N/A | 76,122 |
| U.S. Department of Health and Human Services | | | | |
| Passed through State of Florida, Department of Economic Opportunity: Temporary Assistance for Needy Families | 93.558 | | N/A | <u>458,688</u> |
| Total Federal Awards | | | | <u>6,870,076</u> |

CAREERSOURCE FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Concluded)

| Federal Grantor/Pass-Through Grantor/ State Grantor/Program Title | Federal CFDA Number | State CFSA Number | Grant Number | Expenditures |
|--|---------------------------|-------------------------|-----------------|----------------------|
| STATE FINANCIAL ASSISTANCE | | | | |
| State of Florida, Department of Economic Opportunity | | | | |
| Quick Response Training | | 40.026 | N/A | \$ 13,316,910 |
| Operating | | 40.026 | N/A | 528,575 |
| Total State Financial Assistance | | | | <u>13,845,485</u> |
| State of Florida, Department of Economic Opportunity | | | | |
| CareerSource Florida Operations | | 40.036 | N/A | 82,377 |
| Total State Financial Assistance | | | | <u>13,927,862</u> |
| Total Federal Awards and State Financial Assistance | | | | <u>\$ 20,797,938</u> |

CAREERSOURCE FLORIDA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016
TALLAHASSEE, FLORIDA

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State award activity of CareerSource Florida, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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) and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 Other Information

CareerSource Florida, Inc. did not utilize the 10% de minimis indirect cost rate during the fiscal year ended June 30, 2016.

The Federal Awards and State Financial Assistance included on the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance were utilized by CareerSource Florida, Inc. as indicated below:

| <u>Program</u> | <u>Federal CFDA Number</u> | <u>State CFSA Number</u> | <u>Purpose</u> | <u>Expenditures</u> |
|---|------------------------------------|----------------------------------|-----------------------------|----------------------|
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | Operations/Special Projects | \$ 76,122 |
| Temporary Assistance for Needy Families | 93.558 | | Operations/Special Projects | 458,688 |
| Employment Service/Wagner – Peyser Funded Activities | 17.207 | | Operations/Special Projects | 1,444,275 |
| WIA/WIOA Adult Program | 17.258 | | Incumbent Worker Training | 385,209 |
| WIA/WIOA Adult Program | 17.258 | | Operations/Special Projects | 862,390 |
| WIA/WIOA Youth Activities | 17.259 | | Incumbent Worker Training | 385,209 |
| WIA/WIOA Youth Activities | 17.259 | | Operations/Special Projects | 862,390 |
| National Energy Grant | 17.277 | | Operations/Special Projects | 77,080 |
| WIA/WIOA Dislocated Worker Formula Grant | 17.278 | | Incumbent Worker Training | 513,612 |
| WIA/WIOA Dislocated Worker Formula Grants | 17.278 | | Operations/Special Projects | 1,149,852 |
| WIOA Implementation | 17.281 | | Operations/Special Projects | 95,184 |
| Workforce Innovation Fund Grant | 17.283 | | Operations/Special Projects | 560,065 |
| Quick Response Training Operating | 40.026 | | Quick Response Training | 13,316,910 |
| | 40.026 | | Operations | 528,575 |
| State of Florida, Department of Economic Opportunity – Career Source Florida Operations | 40.036 | | Operations/Special Projects | 82,377 |
| | | | | <u>\$ 20,797,938</u> |

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND EACH MAJOR STATE PROJECT
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Board of Directors
CareerSource Florida, Inc.
Tallahassee, Florida

Report on Compliance for Each Major Federal Program and Major State Project

We have audited CareerSource Florida, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of CareerSource Florida, Inc.'s major federal programs and major state projects for the year ended June 30, 2016. CareerSource Florida, Inc.'s major federal programs and major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CareerSource Florida, Inc.'s major federal programs and major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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) and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Those standards and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, 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 or a major state project occurred. An audit includes examining, on a test basis, evidence about CareerSource Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and major state project. However, our audit does not provide a legal determination of CareerSource Florida, Inc.'s compliance.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
CareerSource Florida, Inc.
Tallahassee, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND EACH MAJOR STATE PROJECT
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA
(Concluded)**

Opinion on Each Major Federal Program and Major State Project

In our opinion, CareerSource Florida, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of CareerSource Florida, Inc. 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 CareerSource Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or major state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, 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 Florida, Inc.'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 or state project 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 or state project 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 or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

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 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Accordingly, this report is not suitable for any other purpose.


October 25, 2016
Tallahassee, Florida

CAREERSOURCE FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA

1. Summary of Auditors' Results

Financial Statements

I. Type of Audit Report Issued on Financial Statements

Unmodified opinion

II. Significant Deficiencies and/or Material Weaknesses in Internal Control

Audit disclosed no significant deficiencies in internal control over financial reporting.

III. Noncompliance Material to Auditee Financial Statements

Audit disclosed no material instances of noncompliance.

Federal Awards Programs and State Projects

IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over Major Federal Awards Programs or State Projects

Audit disclosed no significant deficiencies and/or material weaknesses in internal control over major federal award programs or state projects that are required to be reported in the schedule of findings and questioned costs.

V. Type of Audit Report Issued on Compliance with Requirements Applicable to Major Federal Awards Programs and State Projects

Unmodified opinion

VI. Audit Findings Relative to Major Programs and State Projects

The audit disclosed no findings required to be reported under Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.

VII. Programs Tested as Major Federal Awards Programs and State Projects Included:

| ■ <u>Federal Programs</u> | <u>CFDA No.</u> |
|---|------------------------|
| WIA/WIOA Adult Program | 17.258* |
| WIA/WIOA Youth Activities | 17.259* |
| WIA/WIOA Dislocated Worker Formula Grants | 17.278* |

* Cluster of programs as identified by the Uniform Guidance.

| ■ <u>State Project</u> | <u>CFSA No.</u> |
|-------------------------------|------------------------|
| Quick Response Training | 40.026 |

CAREERSOURCE FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
JUNE 30, 2016
TALLAHASSEE, FLORIDA
(Concluded)

1. Summary of Auditors' Results (Concluded)

Federal Awards Programs and State Projects (Concluded)

VIII. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs and State Projects

Federal Programs: \$750,000

State Projects: \$300,000

IX. Low-risk Auditee

The entity did qualify as a low-risk auditee pursuant to Uniform Guidance.

2. Findings Related to the Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)

The audit disclosed no findings which are required to be reported under GAGAS.

3. Findings and Questioned Costs for Major Federal Awards Programs and State Projects

The audit disclosed no findings for federal awards programs and state projects which are required to be reported under Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.

4. Status of Prior Audit Findings

There were no prior year findings required to be reported in accordance with Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.

5. Management Letter

No management letter was issued because there were no items related to major state projects required to be reported in the management letter.

**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**

Board of Directors
CareerSource Florida, Inc.
Tallahassee, Florida

We have audited, in accordance with the 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 business-type activities of CareerSource Florida, Inc. as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise CareerSource Florida, Inc.'s basic financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control Over Financial Reporting

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

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
CareerSource Florida, Inc.
Tallahassee, Florida

**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
(Concluded)**

Compliance and Other Matters

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

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.



October 25, 2016
Tallahassee, Florida