

PASCO-HERNANDO WORKFORCE BOARD, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

PASCO-HERNANDO WORKFORCE BOARD, INC.
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JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Pasco-Hernando Workforce Board, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Pasco-Hernando Workforce Board, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

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 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the 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 16, 2013 on our consideration of Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

James Moore + Co., P.L.

Gainesville, Florida
December 16, 2013

PASCO-HERNANDO WORKFORCE BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 107,089	\$ 228,216
Grants and contracts receivable	586,836	689,123
Accounts receivable	932	20,631
Prepaid expenses	72,478	109,441
Total current assets	767,335	1,047,411
Property and equipment, net	72,356	66,000
Other assets		
Deposits and other	67,034	57,034
Total Assets	\$ 906,725	\$ 1,170,445
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 554,748	\$ 796,976
Deferred revenue	159,185	189,389
Total current liabilities and total liabilities	713,933	986,365
Commitments and contingencies (Notes 4 and 5)	-	-
Net assets- unrestricted		
Operating	120,436	118,080
Property and equipment	72,356	66,000
Total net assets-unrestricted	192,792	184,080
Total Liabilities and Net Assets	\$ 906,725	\$ 1,170,445

The accompanying notes to financial statements
are an integral part of these statements.

PASCO-HERNANDO WORKFORCE BOARD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Unrestricted support and revenue		
Grants and contracts	\$ 9,746,029	\$ 8,856,388
Other income	64,736	99,827
Total unrestricted support and revenue	9,810,765	8,956,215
Expenses		
Program services	9,392,318	8,665,130
Management and general	409,735	316,764
Total expenses	9,802,053	8,981,894
Change in unrestricted net assets	8,712	(25,679)
Net assets-unrestricted , beginning of year	184,080	209,759
Net assets-unrestricted , end of year	\$ 192,792	\$ 184,080

The accompanying notes to financial statements
are an integral part of these statements.

PASCO-HERNANDO WORKFORCE BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Contract services	\$ 5,969,814	\$ 2,443	\$ 5,972,257
Salaries and related expense	2,319,393	268,630	2,588,023
Building rental	394,180	15,060	409,240
Depreciation	41,343	16,969	58,312
Utilities	127,379	12,963	140,342
Training	9,179	2,390	11,569
Outreach	22,223	50,848	73,071
Small equipment and software	55,483	1,678	57,161
Professional services	34,729	9,852	44,581
Program supplies	99,209	2,668	101,877
Repairs and maintenance	136,759	7,048	143,807
Insurance	41,315	13,264	54,579
Travel	28,870	1,521	30,391
Printing and postage	5,984	6	5,990
Meetings and conferences	5,347	2,402	7,749
Employer services	93,465	-	93,465
Dues and subscriptions	2,806	1,993	4,799
Tuition and financial assistance	4,840	-	4,840
Total expenses	<u>\$ 9,392,318</u>	<u>\$ 409,735</u>	<u>\$ 9,802,053</u>

The accompanying notes to financial statements
are an integral part of this statement.

PASCO-HERNANDO WORKFORCE BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Contract services	\$ 5,133,902	\$ -	\$ 5,133,902
Salaries and related expense	2,328,044	243,462	2,571,506
Building rental	440,235	12,331	452,566
Depreciation	70,808	22,877	93,685
Utilities	133,358	10,295	143,653
Training	7,252	1,227	8,479
Outreach	34,332	190	34,522
Small equipment and software	4,849	1,567	6,416
Professional services	38,284	8,929	47,213
Program supplies	91,946	4,421	96,367
Repairs and maintenance	121,495	5,197	126,692
Insurance	23,927	1,552	25,479
Travel	23,686	773	24,459
Printing and postage	5,109	182	5,291
Meetings and conferences	6,290	2,242	8,532
Employer services	197,247	-	197,247
Dues and subscriptions	3,962	1,519	5,481
Tuition and financial assistance	404	-	404
Total expenses	<u>\$ 8,665,130</u>	<u>\$ 316,764</u>	<u>\$ 8,981,894</u>

The accompanying notes to financial statements
are an integral part of this statement.

PASCO-HERNANDO WORKFORCE BOARD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 8,712	\$ (25,679)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	58,313	93,685
Decrease in grants receivable	102,287	114,244
Decrease (increase) in other receivable	19,699	(20,631)
Decrease (increase) in prepaids	36,963	(45,029)
Increase in deposits	(10,000)	(6,085)
Decrease in accounts payable and accrued expenses	(242,228)	(120,687)
Increase (decrease) in deferred revenue	(30,204)	135,681
Total adjustments	(65,170)	151,178
Net cash provided by (used in) operating activities	(56,458)	125,499
Net increase (decrease) in cash and cash equivalents	(56,458)	125,499
Cash and cash equivalents, beginning of year	228,216	102,717
Cash and cash equivalents, end of year	\$ 171,758	\$ 228,216

The accompanying notes to financial statements
are an integral part of these statements.

PASCO-HERNANDO WORKFORCE BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

The following is a summary of the more significant accounting policies and practices of Pasco-Hernando Workforce Board, Inc. (the Organization), which affect significant elements of the accompanying financial statements.

(a) **General**—The Organization is a nonprofit corporation organized to promote and enhance employment of individuals in the Florida counties of Pasco and Hernando (Workforce Region 16) and fulfill the duties and responsibilities provided by the Workforce Florida Act of 1996. The Organization provides job training, job placement, and benefit services to the citizens of the two-county region. The governing body of the Organization consists of board members who are appointed by local officials to oversee conformance with grant regulations. A substantial portion of the Organization's support and revenue is received from the Florida Department of Economic Opportunity.

(b) **Financial statement presentation**—The Organization's financial statements have been prepared in accordance with the recommendations of the Financial Accounting Standards Board in its standards for non-profit organizations.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. The Organization records all revenues and gains that are spent in the same fiscal year as unrestricted revenue. Any amounts not spent are recorded as either temporarily restricted or permanently restricted revenue if donor restrictions exist.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will not be met by either actions of the Organization and/or the passage of time.

As of June 30, 2013 and 2012, the Organization had no temporarily restricted or permanently restricted net assets.

(c) **Revenue recognition**—The Organization recognizes grants, contracts and contributions of cash or other assets as restricted support if they are received with grantor or donor stipulations that limit the use of the donated assets. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction when a donor restriction expires, when a stipulated time restriction ends or purpose restriction is accomplished. A receivable is recognized by the Organization for grants or contracts to be received from the grantor or donor.

The Organization recognizes revenues from exchange transactions when the service is rendered.

PASCO-HERNANDO WORKFORCE BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

(d) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include investments with original maturities of three months or less.

(e) **Property and equipment**—Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. The Organization has a policy of capitalizing expenditures for property and equipment with costs greater than \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of assets.

(f) **Deferred revenue**—Deferred revenue represents grant revenues which have been received, but for which the prescribed services have not yet been completed. These revenues will be recognized in income when these services are completed.

(g) **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 estimate assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(h) **Functional expenses**—The costs of providing various services have been summarized on a functional basis in the statements of activities and statements of functional expenses. Costs that are directly related to the Organization's specific purpose has been recorded as a direct expense and included as program services. Certain costs have been allocated among program and supporting services. Benefit costs are allocated based on a percentage of direct costs.

(i) **Federal income tax**—The Organization is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. Generally, the Organization files informational returns in the U.S. federal and state and local jurisdictions. The Organization's returns for the past three years are subject to examination by tax authorities, and may change upon examination.

The Organization 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 the Organization.

(j) **Subsequent events**—Subsequent events have been evaluated through December 16, 2013, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

PASCO-HERNANDO WORKFORCE BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(2) **Concentration of Credit Risk:**

Information related to significant concentrations of credit risk for financial instruments owned by the Organization is as follows:

(a) **Demand deposits**—The Organization has demand deposits with a regional bank. The Organization has no policy requiring collateral to support these deposits and accounts, although demand deposits with banks are federally insured up to FDIC limits. At June 30, 2013 and 2012, the bank balance totaled \$209,005 and \$417,824, respectively. Total uninsured cash balances at June 30, 2012 were \$167,824. There were no uninsured cash balances at June 30, 2013.

(b) **Grants, contracts and other receivables**—The Organization receives certain fees for services provided to organizations and individuals located in central Florida. The other receivables represent amounts due from these organizations and individuals. The Organization also has amounts due from federal and state governmental agencies under cost reimbursement and service grants and contracts related to various education and assistance activities. The Organization has no policy requiring collateral or other security to support its receivables.

(c) **Significant funding source**—The Organization receives a substantial amount of 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, formerly the Florida Agency for Workforce Innovation. If a significant reduction in the level of this funding were to occur, it could have an adverse effect on the Organization's programs and activities.

(3) **Grants and contracts receivable:**

Substantially all of the grants and contracts receivable of the Organization 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.

(4) **Retirement Plan:**

The Organization sponsors a 401(k) retirement plan for its employees who have attained 21 years of age. Voluntary employee contributions are allowed from eligible employees. The plan allows for discretionary contribution. The contribution is determined annually by the Board of Directors. There were no discretionary contributions for the years ended June 30, 2013 and 2012.

(5) **Contingencies:**

The Organization is subject to federal and state audits to determine compliance with grant funding requirements. In the event that expenditures would be disallowed, repayment could be required. Government grants require the fulfillment of certain conditions as set forth by applicable laws, rules and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of the funds to the grantor.

PASCO-HERNANDO WORKFORCE BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(5) **Contingencies:** (Continued)

The Organization is a defendant in a lawsuit filed by a former employee for alleged wrongful termination under the Florida Whistleblower's Act. A settlement has been offered to the plaintiff. The Organization does not have any liability related to this case or any other legal fees, as they are covered by insurance for all costs above a deductible of \$5,000.

(6) **Operating Leases:**

The Organization leases office space under operating leases with varying terms through 2017. Some of the office lease options contain an escalation clause providing for annual increases in monthly rents. Under the terms of the leases, the Organization is generally responsible for insurance, repairs and maintenance costs. Lease expense under all operating leases for the years ended June 30, 2013 and 2012 was \$409,239 and \$452,566, which is recorded net of sublease rental income of \$141,421 and \$164,194, respectively. The following is a schedule by years of future minimum rentals under noncancellable leases at June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 530,155
2015	366,189
2016	235,796
2017	201,384
2018	-
Total	<u>\$ 1,333,524</u>

Minimum payments have not been reduced by minimum sublease rentals of \$435,163 due in the future under noncancellable subleases.

(7) **Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 189,588	\$ 124,919
Office furniture	99,387	99,387
Office equipment	223,435	223,435
Mobile One-Stop Center	294,932	294,932
Software	41,035	41,035
	<u>848,377</u>	<u>783,708</u>
Accumulated depreciation	(776,021)	(717,708)
Total property and equipment, net	<u>\$ 72,356</u>	<u>\$ 66,000</u>

Depreciation expense for the years ended June 30, 2013 and 2012, was \$58,312 and \$93,685, respectively.

PASCO-HERNANDO WORKFORCE BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

(7) **Property and Equipment:** (Continued)

Property and equipment acquired by the Organization is considered to be owned by Pasco-Hernando Workforce Board, Inc. 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.

(8) **Related Party Transactions:**

The Organization's Board of Directors includes representatives of both the private and public sector industries. During the fiscal years ended June 30, 2013 and 2012, the Organization entered into several contracts with entities with which certain board members are associated for the purpose of providing services to participants. Total payments to these entities during the years ended June 30, 2013 and 2012 were \$150,254 and \$62,859, respectively.

SUPPLEMENTAL INFORMATION

PASCO-HERNANDO WORKFORCE BOARD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
FEDERAL AWARDS		
U. S. Department of Agriculture - Passed Through State of Florida Department of Economic Opportunity		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 210,000
Total U.S. Department of Agriculture		<u>210,000</u>
U.S. Department of Labor - Passed Through State of Florida Department of Economic Opportunity		
WIA Youth Activities	17.259	1,372,101
WIA Adult Program	17.258	1,889,911
ARRA - NEG/OJT	ARRA - 17.260	42,786
National Emergency - OJT	17.277	141,344
WIA Dislocated Worker Formula Grants	17.278	2,268,761
Total for WIA Cluster		<u>5,714,903</u>
Employment Service/Wagner-Peyser Funded Activities	17.207	626,439
Disabled Veterans' Outreach Program (DVOP)	17.801	32,981
Local Veterans' Employment Representative Program	17.804	53,144
Total for Employment Service Cluster		<u>712,564</u>
Unemployment Insurance	17.225	278,864
Trade Adjustment Assistance	17.245	210,093
Total U.S. Department of Labor - Passed Through State of Florida Department of Economic Opportunity		<u>6,916,424</u>
H1B Technical Skills Training Grant	17.268	228,417
Workforce Innovation Grant	17.283	418,630
Total U.S. Department of Labor		<u>7,563,471</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	1,979,597
Total U.S. Department of Health and Human Services		<u>1,979,597</u>
TOTAL FEDERAL AWARDS		<u>\$ 9,753,068</u>

The accompanying notes to schedule of expenditures of
federal awards are an integral part of this schedule.

PASCO-HERNANDO WORKFORCE BOARD, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

(A) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal award activity of Pasco-Hernando Workforce Board, Inc. (the Organization), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

There were no noncash awards in the current year.

(B) **Subrecipients:**

The Organization provided federal awards to subrecipients as follows during the year ended June 30, 2013:

Program Title	Federal CFDA Number	Amount Provided
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 130,213
Employer Service/Wagner-Peyser Funded Activities	17.207	55,891
Trade Adjustment Assistance	17.245	210,093
WIA Cluster:		
WIA Adult Program	17.258	1,335,510
WIA Youth Activities	17.259	854,834
H1B – Technical Skills Training Grant	17.268	151,257
WIA Dislocated Workers Formula Grants	17.278	1,611,089
WIA Cluster Subtotal		3,952,690
Temporary Assistance for Needy Families	93.558	1,457,576
		<u>\$ 5,806,463</u>

The Organization provided federal awards to subrecipients as follows during the year ended June 30, 2013:

Vendor	Amount Provided
ARC of the Nature Coast	\$ 27,858
Goodwill Industries	5,741,102
Pasco Hernando Community College	1,150
Mid Florida Community Services, Inc.	11,740
VLOC	24,613
	<u>\$ 5,806,463</u>

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,
Pasco-Hernando Workforce Board, Inc.:

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 Pasco-Hernando Workforce Board, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pasco-Hernando Workforce Board, Inc.'s (the Organization) 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 of the effectiveness of the Organization'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 Organization's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore + Co., P.L.

Gainesville, Florida
December 16, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors,
Pasco-Hernando Workforce Board, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Pasco-Hernando Workforce Board, Inc.'s (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs 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 the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and audit guidance provided by the State of Florida Department of Economic Opportunity. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Organization 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 for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Organization 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, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James Moore + Co., P.L.C.

Gainesville, Florida
December 16, 2013

PASCO-HERNANDO WORKFORCE BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2013

Section I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financing report:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

WIA Cluster:
 CFDA No. 17.258, WIA Adult Program
 CFDA No. 17.259, WIA Youth Activities
 CFDA No. 17.260, ARRA - WIA Dislocated Workers
 CFDA No. 17.278, WIA Dislocated Worker Formula Grants

 CFDA No. 17.283, Workforce Innovation Fund

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

Auditee qualified as a low-risk auditee? X Yes No

PASCO-HERNANDO WORKFORCE BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAM
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

Section II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With *Government Auditing Standards* :

None reported

Section III. Findings and Questioned Costs for Federal Awards:

None reported

Section IV. State of Florida, Department of Economic Opportunity Reporting Requirements:

Pasco-Hernando Workforce Board, Inc. performed timely reconciliations between the general ledger accounting system and the One-Stop Management Information System (OSMIS).

Section V. Prior Audit Findings and Corrective Action Plan for Federal Awards:

No prior year audit findings