

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018**

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayors and County Commissioners  
Palm Beach Workforce Development Consortium  
Palm Beach County, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Palm Beach Workforce Development Consortium, Palm Beach County, Florida ("Consortium") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Consortium'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.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Consortium as of September 30, 2018, and the respective changes in financial position thereof for the fiscal 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 the management's discussion and analysis and budgetary comparison information, schedule of the Consortium's proportionate share of net pension liability, schedule of pension contributions, and schedule of changes in net OPEB liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of the Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of the Consortium's 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 the Consortium's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated March 12, 2019, on our consideration of the Consortium's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



March 12, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Palm Beach Workforce Development Consortium, Palm Beach County, Florida ("Consortium") provides a narrative overview of the Consortium's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the Consortium's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The liabilities plus deferred inflows of resources of the Consortium exceeded its assets plus deferred outflows of resources at the close of the most recent fiscal year resulting in a net position deficit balance of (\$4,394,108).
- The change in the Consortium's total net position in comparison with the prior fiscal year was (\$312,219), a decrease. The key components of the Consortium's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2018, the Consortium's governmental fund reported ending fund balance of \$390,869, a decrease of (\$23,156) in comparison with the prior fiscal year. The total fund balance is unassigned fund balance which is available for spending at the Consortium's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the Consortium's basic financial statements. The Consortium's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Consortium's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the Consortium's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Consortium is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by employment contract revenues. The Consortium does not have any business-type activities. The governmental activities of the Consortium include the general government (employment management) function.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Consortium, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Consortium has one fund category: governmental funds.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

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

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

The Consortium maintains one governmental fund for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund.

The Consortium adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Consortium, liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources at the close of the most recent fiscal year.

Key components of the Consortium's net position are reflected in the following table:

	NET POSITION	
	SEPTEMBER 30,	
	2018	2017 (restated)
Current and other assets	\$ 730,042	\$ 801,210
Total assets	<u>730,042</u>	<u>801,210</u>
Deferred outflows of resources	<u>2,252,197</u>	<u>2,591,420</u>
Current liabilities	339,173	663,815
Non-current liabilities	6,008,593	6,131,064
Total liabilities	<u>6,347,766</u>	<u>6,794,879</u>
Deferred inflows of resources	<u>1,028,581</u>	<u>679,640</u>
Net position		
Unrestricted	(4,394,108)	(4,081,889)
Total net position (restated)	<u>\$ (4,394,108)</u>	<u>\$ (4,081,889)</u>

The Consortium's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations, including pension and OPEB expense, exceeded ongoing program revenues.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key elements of the change in net position are reflected in the following table:

	CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2018	2017 (restated)
Revenues:		
Program revenues:		
Charges for services	\$ 8,098,278	\$ 8,416,440
Total revenues	<u>8,098,278</u>	<u>8,416,440</u>
Expenses:		
Governmental activities:		
General government	8,410,497	8,820,037
Total expenses	<u>8,410,497</u>	<u>8,820,037</u>
Change in net position	(312,219)	(403,597)
Net position - beginning	(4,083,038)	(3,678,292)
Prior period adjustment (see Note 2)	1,149	-
Net position - beginning, as restated	<u>(4,081,889)</u>	<u>(3,678,292)</u>
Net position - ending	<u>\$ (4,394,108)</u>	<u>\$ (4,081,889)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2018 was \$8,410,497. The costs of the Consortium's activities were primarily funded by program revenues, comprised of employment contract revenues. Expenses decreased primarily due to reduced staffing levels, resulting in reduced related revenues. In addition, there was a reduction in expense recognized for pension expense from the prior fiscal year.

### GENERAL BUDGETING HIGHLIGHTS

A comparison of the actual results compared to the final budget is presented in the required supplementary information. The net change in fund balance of \$(23,156) is due to employment contract revenues that were less than current expenses in the Governmental fund. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2018.

### CAPITAL ASSETS AND LIABILITY ADMINISTRATION

#### Capital Assets

At September 30, 2018, the Consortium had no capital assets for its governmental activities.

#### Long-term Liabilities

At September 30, 2018, the Consortium had a compensated absences liability of \$337,855. The Consortium also reported net pension liability and net OPEB liability of \$5,617,737 and \$53,001, respectively. More detailed information about the Consortium's long-term liabilities is presented in the notes of the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The availability of resources for the Consortium is entirely dependent upon the budgetary resources available through the primary funding source, CareerSource Palm Beach County, Inc. The fiscal year 2019 Budget for CareerSource Palm Beach County projects increased staffing levels and costs. This increase is reflected in an increase in expected revenues and expenditures in the Consortium for fiscal year 2019.

## CONTACTING THE CONSORTIUM'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Palm Beach Workforce Development Consortium's Finance Department at 3400 Belvedere Road, West Palm Beach, FL 33406.



**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 462,646
Accounts receivable	267,396
Total assets	730,042
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	2,252,197
Total deferred outflows of resources	2,252,197
 <b>LIABILITIES</b>	
Accounts payable	21,098
Accrued liabilities	318,075
Noncurrent liabilities:	
Due in one year:	
Compensated absences	104,745
Due in more than one year:	
Compensated absences	233,110
Net pension liability	5,617,737
Net OPEB liability	53,001
Total liabilities	6,347,766
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	1,028,581
Total deferred inflows of resources	1,028,581
 <b>NET POSITION</b>	
Unrestricted	(4,394,108)
Total net position	\$ (4,394,108)

See notes to the financial statements

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Charges</u>	<u>for</u>	<u>Governmental</u>	<u>Net (Expense)</u>
				<u>Services</u>	<u>Activities</u>	<u>Revenue and</u>
						<u>Total</u>
Governmental activities:						
General government	\$ 8,410,497	\$	8,098,278		\$ (312,219)	\$ (312,219)
Total governmental activities	<u>8,410,497</u>		<u>8,098,278</u>		<u>(312,219)</u>	<u>(312,219)</u>
Change in net position					(312,219)	(312,219)
Net position - beginning (as restated)					(4,081,889)	(4,081,889)
Net position - ending					<u>\$ (4,394,108)</u>	<u>\$ (4,394,108)</u>

See notes to the financial statements

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	General	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 462,646	\$ 462,646
Accounts receivable	267,396	267,396
Total assets	\$ 730,042	\$ 730,042
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 21,098	\$ 21,098
Accrued expenses	318,075	318,075
Total liabilities	339,173	339,173
Fund balance:		
Unassigned	390,869	390,869
Total fund balance	390,869	390,869
Total liabilities and fund balances	\$ 730,042	\$ 730,042

See notes to the financial statements

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

Fund balance - governmental funds	\$ 390,869
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources related to pensions are recorded in the statement of net position.	2,252,197
Deferred inflows of resources related to pensions are recorded in the statement of net position.	(1,028,581)
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.	
Net OPEB liability	(53,001)
Net pension liability	(5,617,737)
Compensated absences	<u>(337,855)</u>
Net position of governmental activities	<u>\$ (4,394,108)</u>

See notes to the financial statements

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>General</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Employment contract revenues	\$ 8,098,278	\$ 8,098,278
Total revenues	<u>8,098,278</u>	<u>8,098,278</u>
<b>EXPENDITURES</b>		
Current:		
Salaries and wages	6,006,371	6,006,371
Taxes and fringe benefits	2,052,677	2,052,677
Professional fees	62,386	62,386
Total expenditures	<u>8,121,434</u>	<u>8,121,434</u>
Excess (deficiency) of revenues over (under) expenditures	(23,156)	(23,156)
Fund balance - beginning	<u>414,025</u>	<u>414,025</u>
Fund balance - ending	<u>\$ 390,869</u>	<u>\$ 390,869</u>

See notes to the financial statements

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balance - total governmental funds \$ (23,156)

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

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of the differences are as follows:

Pension expense	(311,072)
OPEB expense	(2,150)
Change in compensated absence	<u>24,159</u>
Change in net position of governmental activities	<u><u>\$ (312,219)</u></u>

See notes to the financial statements

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Palm Beach Workforce Development Consortium ("Consortium") was implemented on November 1, 2007 pursuant to Chapter 189, Florida Statutes, as an independent special district. The Consortium was specifically created by an Interlocal Agreement in July 2007 pursuant to Chapter 163, Florida Statutes to provide the Board of County Commissioners of Palm Beach County with a means of carrying out their responsibilities as required by the Workforce Investment Act of 1998, as amended, and the Florida Workforce innovation Act of 2000.

The Consortium is governed by five members representing the parties to the Interlocal Agreement.

**Relationship with affiliate** - The Consortium, pursuant to Section 163.01(7) of Chapter 163, Florida Statutes, provides all of the personnel and acts as the employer of record for the employees of its affiliate, CareerSource Palm Beach County, Inc., a non-profit Florida corporation and 501 (c)(3) organization. These employment contract transactions comprise all of the Consortium's financial activities for the year ended September 30, 2018. CareerSource Palm Beach County, Inc., whose fiscal year ends June 30, operates and implements workforce and welfare programs as well as related programs in Palm Beach County, Florida. CareerSource Palm Beach County, Inc. has been designated by the Consortium as the grant recipient and administrative entity for all WIOA (Workforce Innovation and Opportunity Act), Wagner-Peyser, and TANF (Temporary Assistance for Needy Families) grants and other job training related grants for Regional Workforce Board # 21.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Consortium is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the Consortium are such that, if excluded, the financial statements of the Consortium would be considered incomplete or misleading. There are no entities considered to be component units of the Consortium; therefore, the financial statements include only the operations of the Consortium.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both 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 non-fiduciary activities of the primary government.

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 charges to its affiliate. Other items not included among program revenues are reported instead as *general revenues*.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

The Consortium reports the following major governmental funds:

#### **General Fund**

The general fund is the general operating fund of the Consortium. It is used to account for all financial resources except those required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

### **Assets, Liabilities and Net Position or Equity**

#### **Restricted Assets**

These assets represent cash and investments set aside pursuant to contractual restrictions.

#### **Deposits**

The Consortium's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

#### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### **Compensated Absences**

The Consortium's employees are granted compensated absence pay for vacation and sick leave in varying amounts based on length of service. The Consortium's sick leave and vacation policies permit employees to accumulate earned but unused sick pay and vacation benefits although limited to certain maximums. All sick and vacation leave is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations.

#### **Long-Term Obligations**

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



## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The Consortium can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The Consortium first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the Consortium's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Budgets and budgetary accounting**

Budgets are prepared annually for the General Fund in accordance with the Consortium's procedures. The Consortium is entirely dependent on the resources of CareerSource Palm Beach County ("CSPBC"), and the budget is established in conjunction with the development of the annual budget of CareerSource Palm Beach County. That overall budget is approved by the boards of both the CSPBC and the Consortium prior to being presented for approval by the Palm Beach County Board of Commissioners. The Consortium is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (salaries, payroll taxes, and fringe benefits) within each activity (e.g. personnel services and administration) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other Disclosures

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Recent Accounting Pronouncements Adopted

#### *GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

As a result of the implementation of this statement in the current fiscal, beginning net position was restated as below:

	<u>Governmental Activities</u>
Net position - beginning, previously reported	\$ (4,083,038)
Net OPEB obligation previously reported	52,000
Adjustment for GASB 75-OPEB liability	(50,851)
Net position - beginning, as restated	<u>\$ (4,081,889)</u>

#### *GASB Statement No. 85 - Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017.

## NOTE 3 – DEPOSITS AND INVESTMENTS

### Deposits

The Consortium's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

### Investments

The Consortium had no investments at September 30, 2018.

**NOTE 4 – LONG-TERM LIABILITIES**

Changes in long-term liability activity for the fiscal year ended September 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in one year
<u>Governmental activities</u>					
Net pension liability	\$ 5,994,829	\$ -	\$ 377,092	\$ 5,617,737	\$ -
Net OPEB liability (restated)	50,851	2,150	-	53,001	-
Compensated absences	362,014	467,579	491,738	337,855	104,745
	<u>\$ 6,407,694</u>	<u>\$ 469,729</u>	<u>\$ 868,830</u>	<u>\$ 6,008,593</u>	<u>\$ 104,745</u>

**NOTE 5 – RELATED PARTY TRANSACTIONS AND CONCENTRATION**

The Consortium’s only source of revenue is from employment contract activities with its affiliate, CareerSource Palm Beach County, Inc. The Consortium’s activity is dependent upon the continued involvement of the affiliate, the loss of which could have a material adverse effect on the Consortium’s operations.

For the current fiscal year, employment contract revenues were \$8,098,278, of which \$267,396 is receivable at September 30, 2018.

**NOTE 6 - RETIREMENT PLAN**

**Florida Retirement System (FRS)**

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Consortium are eligible to enroll as members of the FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services’ website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The Consortium recognized pension expense of \$311,072 for the fiscal year ended September 30, 2018.

## **NOTE 6 - RETIREMENT PLAN (Continued)**

### **FRS Pension Plan**

*Plan Description* – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

The classes of membership within the Consortium are as follows:

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Senior Management Service Class – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided* – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the AFC is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

**NOTE 6 - RETIREMENT PLAN (Continued)**

**FRS Pension Plan (Continued)**

The following chart shows the percentage value for each year of service credit earned:

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>% Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
<b>Senior Management Service Class</b>	<b>2.00</b>

Per Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018 fiscal year were as follows:

Class	Percent of Gross Salary October 1, 2017 to June 30, 2018		Percent of Gross Salary July 1, 2018 to September 30, 2018	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	7.92	3.00	8.26
FRS, Senior Management Service Class	3.00	22.71	3.00	24.06
DROP, Applicable to all members in the above classes	0.00	13.26	0.00	14.03

(1) Except for the DROP, employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan.

The Consortium's contributions to the Plan totaled \$241,165 for the fiscal year ended September 30, 2018. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the Consortium reported a liability of \$3,643,251 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Consortium's proportionate share of the net pension liability was based on the Consortium's contributions for the year ended June 30, 2018 relative to the contributions made during the year ended June 30, 2017 of all participating members. At June 30, 2018, the

**NOTE 6 - RETIREMENT PLAN (Continued)**

**FRS Pension Plan (Continued)**

Consortium's proportionate share was .012% percent, which was a decrease of .001% from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018 the Consortium recognized pension expense of \$320,633 related to the Pension Plan. In addition, the Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 308,638	\$ (11,202)
Change of assumptions	1,190,438	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(281,485)
Changes in proportion and differences between City FRS contributions and proportionate share of FRS contributions	250,063	(252,059)
City FRS contributions subsequent to the measurement date	88,009	-
<b>Total</b>	<b>\$ 1,837,148</b>	<b>\$ (544,746)</b>

The deferred outflows of resources related to pensions, totaling \$88,009, resulting from Consortium contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. The net amount of the remaining deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year Ending September 30:</b>	<b>Amount</b>
2019	\$ 466,632
2020	318,457
2021	44,402
2022	212,051
2023	141,790
Thereafter	21,061
<b>Total</b>	<b>\$ 1,204,393</b>

**Actuarial Assumptions** – The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

**NOTE 6 - RETIREMENT PLAN (Continued)**

**FRS Pension Plan (Continued)**

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>(Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.0%	2.9%	2.9%	1.8%
Fixed income	18.0%	4.4%	4.3%	4.0%
Global equity	54.0%	7.6%	6.3%	17.0%
Real estate (property)	11.0%	6.6%	6.0%	11.3%
Private equity	10.0%	10.7%	7.8%	26.5%
Strategic investments	6.0%	6.0%	5.7%	8.6%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy

**Discount Rate** – The discount rate used to measure the total pension liability was 7.0 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the Consortium's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** – The following presents the Consortium's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Consortium's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate Assumption</b>	<b>1% Increase</b>
	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Net Pension Liability	\$ 6,649,086	\$ 3,643,251	\$ 1,146,727

**Pension Plan Fiduciary Net Position** – Detailed information about the Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**Payables to the Pension Plan** – At September 30, 2018, the Consortium reported a payable of \$47,857, (included employee contributions), for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2018.

## NOTE 6 - RETIREMENT PLAN (Continued)

### HIS Pension Plan

*Plan Description* – The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

*Benefits Provided* – For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions* – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the contribution rate was 1.66% of payroll for July 1, 2017 through September 30, 2018 pursuant to section 112.363, Florida Statutes. The Consortium contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Consortium's contributions to the HIS Plan totaled \$98,989 (including the Investment Plan) for the fiscal year ended September 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At September 30, 2018, the Consortium reported a net pension liability of \$1,974,486 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Consortium's proportionate share of the net pension liability was based on the year ended June 30, 2018 contributions relative to the year ended June 30, 2017 contributions of all participating members. At June 30, 2018, the Consortium's proportionate share was .01866%, which was a decrease of .0009% from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018 the Consortium recognized pension expense of (\$9,561) related to the HIS Plan. In addition, the Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**NOTE 6 - RETIREMENT PLAN (Continued)**

**HIS Pension Plan**

<u>Description</u>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 30,228	\$ (3,355)
Change of assumptions	219,587	(208,759)
Net difference between projected and actual earnings on FRS pension plan investments	1,192	-
Changes in proportion and differences between City FRS contributions and proportionate share of FRS contributions	140,462	(271,721)
City FRS contributions subsequent to the measurement date	23,580	-
Total	<u>\$ 415,049</u>	<u>\$ (483,835)</u>

The deferred outflows of resources related to pensions, totaling \$23,580, resulting from Consortium contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. The net amount of the remaining deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year Ending September 30:</b>	<b>Amount</b>
2019	\$ (64,510)
2020	(64,271)
2021	(45,026)
2022	(10,114)
2023	62,774
Thereafter	28,781
<b>Total</b>	<u>\$ (92,366)</u>

Actuarial Assumptions – The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.87%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009, through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**NOTE 6 - RETIREMENT PLAN (Continued)**

**HIS Pension Plan (Continued)**

Sensitivity of the Consortium's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Consortium's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the Consortium's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Current Discount Rate Assumption 3.87%	1% Increase 4.87%
Net Pension Liability	\$ 2,248,824	\$ 1,974,486	\$ 1,745,809

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan – At September 30, 2018, the Consortium reported a payable of \$11,583 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

The Consortium contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement. The report can be found at <http://www.myfloridacfo.com/Division/AA/Reports/>.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Consortium employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2018 fiscal year were as follows:

Investment plan Class	October 1, 2017 to June 30, 2018	July 1, 2018 to September 30, 2018
FRS, Regular	6.30%	6.30%
FRS, Senior Management Service Class	7.67%	7.67%

## **NOTE 6 - RETIREMENT PLAN (Continued)**

### **FRS – Defined Contribution Pension Plan (Continued)**

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of .06 percent from July 1, 2017 – September 30, 2018 of payroll and by forfeited benefits of Investment Plan members.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Consortium's Investment Plan contributions totaled \$240,103 for the fiscal year ended September 30, 2018.

Payables to the Investment Plan – At September 30, 2018, the Consortium reported a payable of \$26,653 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended September 30, 2018.

## **NOTE 7 - DEFERRED COMPENSATION PLAN**

The Consortium has a deferred compensation plan, created in accordance with Section 457 of the Internal Revenue Code, and in which all employees may voluntarily elect to participate. The plan permits eligible participants to defer a portion of their salary until future years. Effective December 1, 2015, participants are eligible on the first day of the month following 60 days of service. Prior to this, participants were eligible three months after service. There are no employer contributions made to the 457 plan. The deferred compensation is not available to participating employees until termination, retirement, death, or unforeseeable emergency. Because the plan assets are held in trust for the exclusive benefit of plan participants and their beneficiaries, the plan is not accounted for in the Consortium's financial statements. During the year ended September 30, 2018, employees contributed \$67,331 to the plan.

## **NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS**

Pursuant to Section 112.081, Florida Statutes, the Consortium is required to permit eligible retirees and their eligible dependents to participate in the Consortium's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The Consortium does not provide retirees with any subsidy for this benefit.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Plan Description: The plan is a single-employer, defined benefit healthcare plan administered by the Consortium. The Plan allows employees who retire and meet retirement eligibility under the Florida Retirement System to continue medical insurance coverage as a participant in the Consortium's plan. The Plan does not issue a separate financial statement and required supplementary information.

Benefits Provided: The Plan provides healthcare for retirees, their spouses, and their dependents. All retiree and dependent coverage is at the expense of the retiree.

Employees covered by the benefit terms. At September 30, 2018, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	81
	<u>81</u>

Funding Policy: The Plan is a pay-as-you-go plan, therefore any contributions to plan are assumed to be benefits paid to retirees and administrative expenses.

Contributions: The retiree contributes the premium cost each month. Spouses and other dependents are also eligible for coverage, although the retiree pays the full cost of the premium. The Consortium does not subsidize member premiums.

Actuarial Assumptions: The total OPEB liability at September 30, 2018 was determined using the following actuarial assumptions:

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Assumptions**

Valuation date	September 30, 2017
Measurement date	September 30, 2017
Inflation	2.5 percent
Healthcare cost trend rates	8.5 percent initial, grading down to the ultimate trend rate of 4.0% in FY 2073
Salary increases	2.5 percent per annum
Investment rate of return	3.64 percent. Based on September 28, 2017 Bond Buyer 20-Bond Index
Retirement age	With respect to employees hired prior to July 1,2011, retirement is assumed to occur at the earlier age of 62 with six years of service or any age with 30 years of service; with respect to all other employees, retirement is assumed to occur at the earlier age of 65 with eight years of service or any age with 33 years of service.
Retirement rates	100% at normal retirement eligibility, but no earlier than age 62
Funding method	Entry age cost method (level % of pay)
Termination rates	Age % remaining employed until assumed retirement age 20 29.6% 30 59.3% 40 84.1% 50 100%
Health contributions	Employees pay 100% of active premium rate. Employer pays remaining claim amounts
Healthcare participation	20% participation assumed, with 50% electing spouse coverage
Marital status	100% assumed married, with male spouses 3 years older than female spouses

Mortality rates are based on the RP-2000 Combined Healthy Mortality Table projected to the valuation date using Scale AA.

Under GASB 75 as it applies to plans that qualify for the Alternative Measurement Method, changes in the Total OPEB Liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB Expense.

Discount Rate: Given the Consortium's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.64%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

**NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Changes in the total OPEB liability during the fiscal year ended September 30, 2018 were as follows:

	Increase (Decrease) in Total OPEB Liability
Total OPEB liability at 9/30/2017	\$ 50,851
Changes for the year:	
Service cost	5,138
Expected interest growth	1,700
Changes in assumptions	(3,857)
Benefit payments	(831)
Net Changes	2,150
Total OPEB liability at 9/30/2018	\$ 53,001

Sensitivity of the net OPEB asset to changes in the discount rate and health-care cost trend rates- The following presents the net OPEB asset of the Consortium, as well as what the Consortium's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Net OPEB asset	\$ 59,923	\$ 53,001	\$ 47,220

Sensitivity of the net OPEB asset to the changes in the healthcare cost trend rates- The following presents the net OPEB asset of the Consortium, as well as what the Consortium's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5percent decreasing to 3.0 percent) or 1-percentage-point higher (9.5percent decreasing to 5.0 percent) than the current healthcare cost trend rates:

	1% Decrease (7.5% decreasing to 3.0%)	Healthcare Cost Trend Rates (8.5% decreasing to 4.0%)	1% Increase (9.5% decreasing to 5.0%)
Net OPEB asset	\$ 46,249	\$ 53,001	\$ 61,200

**Amounts from Affiliate (CareerSource Palm Beach County)**

The Consortium has billed its affiliate and received \$53,001 that is the OPEB liability reported at September 30, 2018. The funds are being held in the Consortiums' bank account.

**NOTE 9 – RISK MANAGEMENT**

The Consortium is exposed to various risks of loss related to employment matters. The Consortium carried insurance through the Florida League of Cities, Inc. or through its relationship with CareerSource Palm Beach County, Inc. with various commercial carriers, to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Employment contract revenues	\$ 8,306,460	\$ 8,098,278	\$ (208,182)
Total revenues	<u>8,306,460</u>	<u>8,098,278</u>	<u>(208,182)</u>
<b>EXPENDITURES</b>			
Current:			
Salaries and wages	6,188,400	6,006,371	182,029
Taxes and fringe benefits	2,048,360	2,052,677	(4,317)
Professional fees	69,700	62,386	7,314
Total expenditures	<u>8,306,460</u>	<u>8,121,434</u>	<u>185,026</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>(23,156)</u>	<u>\$ (23,156)</u>
Fund balance - beginning		<u>414,025</u>	
Fund balance - ending		<u>\$ 390,869</u>	

See notes to required supplementary information



**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The Consortium is entirely dependent on the resources of CareerSource Palm Beach County, and the budget is established in conjunction with the development of the annual budget of CareerSource Palm Beach County. That overall budget is approved by the boards of both the CSPBC and the Consortium prior to being presented for approval by the Palm Beach County Board of Commissioners. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

Appropriations are controlled at the object level (salaries, payroll taxes, and fringe benefits) within each activity (e.g. personnel services and administration) and may be amended at any Board meeting prior to the due date of the annual financial report. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2018.

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Schedule of the Consortium's Proportionate Share of the Net Pension Liability -  
Florida Retirement System Pension Plan  
Last 10 Years (1) (2)**

	2018	2017	2016	2015	2014
Consortium's proportion of the FRS net pension liability	0.0120956%	0.0132009%	0.0116165%	0.0127626%	0.0125208%
Consortium's proportionate share of the FRS net pension liability	3,643,251	3,904,732	2,933,170	1,648,463	763,951
Consortium's covered employee payroll	6,093,095	6,253,677	5,455,351	5,481,929	5,882,994
Consortium's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll	59.79%	62.44%	53.77%	30.07%	12.99%
FRS plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

**Schedule of the Consortium's Proportionate Share of the Net Pension Liability -  
Health Insurance Subsidy Pension Plan  
Last 10 Years (1) (2)**

	2018	2017	2016	2015	2014
Consortium's proportion of the HIS net pension liability	0.0186552%	0.0195474%	0.0175722%	0.0181111%	0.0199513%
Consortium's proportionate share of the HIS net pension liability	1,974,486	2,090,097	2,047,694	1,847,047	1,865,498
Consortium's covered employee payroll	6,093,095	6,253,977	5,455,351	5,481,929	5,882,994
Consortium's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll	32.41%	33.42%	37.54%	33.69%	31.71%
HIS plan fiduciation net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

(1) The amounts presented for each year were determined as of the measurement date, June 30.

(2) Information is not available for years prior to 2014. As information is available it will be presented.

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Schedule of the Consortium Contributions -  
Florida Retirement System Pension Plan  
Last 10 Fiscal Years (1)**

	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 438,999	\$ 455,239	\$ 395,775	\$ 399,950	\$ 408,260
FRS contributions in relation to the contractually required contribution	(438,999)	(455,239)	(395,775)	(399,950)	(408,260)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Consortium's covered payroll	\$ 5,963,213	\$ 6,329,313	\$ 5,602,632	\$ 5,423,041	\$ 5,737,499
FRS contributions as a percentage of covered payroll	7.36%	7.19%	7.06%	7.38%	7.12%

**Schedule of the Consortium Contributions -  
Health Insurance Subsidy Pension Plan  
Last 10 Fiscal Years (1)**

	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 98,989	\$ 105,067	\$ 93,004	\$ 74,429	\$ 69,808
HIS contributions in relation to the contractually required contribution	(98,989)	(105,067)	(93,004)	(74,429)	(69,808)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Consortium's covered payroll	\$ 5,963,213	\$ 6,329,313	\$ 5,602,632	\$ 5,423,041	\$ 5,737,499
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.37%	1.22%

(1) Information is not available for periods prior to 2014. As information becomes available it will be presented.

**PALM BEACH WORKFORCE DEVELOPMENT CONSORTIUM  
PALM BEACH COUNTY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Schedule of Changes in the Consortium's Total OPEB Liability and Related Ratios -  
Last Ten Fiscal Years <sup>(1)</sup>**

		2018
Service Cost	\$	5,138
Expected interest growth		1,700
Demographic experience		-
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(3,857)
Benefit payments		(831)
Net change in total OPEB liability		2,150
Total OPEB liability - beginning		50,851
Total OPEB liability - ending	\$	53,001
 Covered payroll		5,987,870
 Total net OPEB liability as a percentage of covered payroll		0.89%

*(1) GASB 75 requires information for 10 years. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.*



**INDEPENDENT AUDITOR'S 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 Honorable Mayors and County Commissioners  
Palm Beach Workforce Development Consortium  
Palm Beach County, 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 governmental activities and the major fund of Palm Beach Workforce Development Consortium, Palm Beach County, Florida ("Consortium") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our opinion thereon dated March 12, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Consortium'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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.



March 12, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Honorable Mayor and County Commissioners  
Palm Beach Workforce Development Consortium  
Palm Beach County, Florida

We have examined Palm Beach Workforce Development Consortium, Palm Beach County, Florida's ("Consortium") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2018. Management is responsible for the Consortium's compliance with those requirements. Our responsibility is to express an opinion on the Consortium's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Consortium complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Consortium complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Consortium's compliance with specified requirements.

In our opinion, the Consortium complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Palm Beach Workforce Development Consortium, Palm Beach County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

March 12, 2019



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Honorable Mayors and County Commissioners  
Palm Beach Workforce Development Consortium  
Palm Beach County

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Palm Beach Workforce Development Consortium, Palm Beach County, Florida ("Consortium") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 12, 2019.

**Auditor's Responsibility**

We conducted our audit 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 Chapter 10.550, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 12, 2019, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the state of Florida. Accordingly, in connection with our audit of the financial statements of the Consortium, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of Palm Beach Workforce Development Consortium, Palm Beach County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Palm Beach Workforce Development Consortium, Palm Beach County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

*Grau & Associates*

March 12, 2019



## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS

None

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2017.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2018.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2018.

4. The name or official title and legal authority of the Consortium are disclosed in the notes to the financial statements.

5. The Consortium has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2018. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.