

To the Members of the Board
Pinellas County License Board

We have audited the financial statements of the governmental activities and the General Fund of the Pinellas County License Board (PCLB) for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Pinellas County License Board are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the PCLB during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the fair value of in-kind revenues and expenses for services provided by the Department of Health in Pinellas County is based on historic indirect cost rates provided by the U.S. Department of Health. The estimates are included in the PCLB's budget which is approved by the Pinellas County License Board and the Department of Health in Pinellas County. We evaluated the key factors and assumptions used to develop the indirect cost rate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the amount Due to Florida Department of Health in Pinellas County in Note 3 to the financial statements which discloses the interlocal agreement with the Florida Department of Health in Pinellas County to act as fiscal agent for the Pinellas County License Board.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The material misstatement below, detected as a result of audit procedures, was corrected by management. The adjustment was posted to correctly account for capital outlay purchases.

Fund Balance – Investment on Capital Assets	15,309
Due to Other Governmental Units – DOH	(15,309)

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December XX, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, which accompanies the financial statements, but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours

Thomas Howell Ferguson, P.A.
Tallahassee, Florida
December XX, 2019

**Pinellas County License Board
 Summary of Unadjusted Audit Differences
 For the Year Ended September 30, 2019**

Unadjusted Differences

	<u>DR</u>	<u>CR</u>
<u>General Fund</u>		
#1		
Operating Expenditures - Legal Fees	4,074	
Due to Florida Department of Health in Pinellas County		4,074

To record legal expenses for services performed as of September 30, 2019 (billed and unbilled).

Current Year
 Over (Under)
 Statement

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance Misstatements (Including Reclassifications):

<u>General Fund</u>		
Operating Expenditures - Legal Fees		(4,074)
Due to Florida Department of Health in Pinellas County		(4,074)
Effect on Fund Balance		4,074
Misstatement as a % of Financial Statement Total Liabilities		-4.85%
Misstatement as a % of Financial Statement Total Operating Expenditures		-0.35%
Misstatement as a % of Financial Statement Total Expenditures		-0.30%
Misstatement as a % of Financial Statement Total Fund Balance		6.58%

Draft - 12/11/19

PINELLAS COUNTY LICENSE BOARD

Financial Statements

September 30, 2019

DRAFT - 12/10/19

Independent Auditor's Report

Members of the Board
Pinellas County License Board
Largo, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund (general) of Pinellas County License Board (PCLB) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the PCLB'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 PCLB'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 PCLB'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.

PINELLAS COUNTY LICENSE BOARD

Management's Discussion and Analysis September 30, 2019

As management of the Pinellas County License Board (PCLB), we offer the readers of the PCLB's financial statements this narrative overview and analysis of the financial performance of PCLB for the fiscal year ended September 30, 2019. It is designed to provide greater accountability to citizens and identify significant changes in financial position and overall results of operations. Readers are encouraged to consider the information presented in conjunction with the PCLB's financial statements and footnotes that follow this section.

Financial Highlights

PCLB's total net position decreased by \$17,102 (or 19%). Governmental activities revenue increased by \$51,617 (or 4%) and expenses increased by \$53,412 (or 4%), from prior fiscal year.

Overview of the Financial Statements:

The presentation of the financial statements is consistent with the Governmental Accounting Standards Board (GASB), requirements for governmental agencies. The focus is on PCLB as a whole, allowing the user to address relevant questions, widen comparisons, and enhance accountability. The sections are as follows: Management's Discussion and Analysis (MD&A), Basic Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Required Supplementary Information.

Government-Wide Financial Statements: The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. All PCLB's basic services are considered to be governmental activities, including administration and services to children and families. Grant revenue and other governmental revenue are used to fund most of these services.

The Statement of Net Position presents information on PCLB's assets and liabilities, the difference between the two being reported as net position. Over time, changes in net position (increases and decreases) may serve as a useful indicator of whether the financial position of PCLB is improving or deteriorating.

The Statement of Activities presents the change in the PCLB's net position during the fiscal year. Revenues and expenses are accounted for on the accrual basis of accounting in this report. PCLB's financial statements include the governmental activities related to children and family program services and general administration.

Government-Wide Financial Analysis

The following table reflects the Statement of Net Position compared to the prior year. As of September 30, 2019, net position totaled \$72,567.

PINELLAS COUNTY LICENSING BOARD

Management's Discussion and Analysis
September 30, 2019

Governmental activities: Intergovernmental revenue increased \$57,688 (or 5%) compared to the previous year. This increase was due mainly to the increase in funding from the Juvenile Welfare Board of \$14,623 and an increase in PinCHD In-Kind contributions in the amount of \$40,158. Revenue from fees and fines decreased by \$6,071 (or 6%) compared to prior year. The total cost of governmental activities increased by \$53,412 (or 4%) compared to the prior year.

Capital assets: As of September 30, 2019, PCLB's investment in capital assets is \$10,631 net of accumulated depreciation. The chart below reflects equipment net of accumulated depreciation.

	Governmental Activities	
	2019	2018
Furniture, fixtures & equip.	\$ 10,631	\$ -
Total	\$ 10,631	\$ -

Fund Financial Statements: A fund is a self-balancing group of accounts used to maintain control over resources intended to be used for specific purposes. The fund financial statements focus on the only major fund of the PCLB, the general fund.

The governmental fund financial statements provide information based on current sources and uses of resources of PCLB's general fund operations. These statements provide the detail to develop the budget or financial plan. They also allow for current budget compliance to be confirmed. A reconciliation of the governmental fund financial statements with the Statement of Net Position (prepared on the accrual basis of accounting) is provided at the end of the related financial statements to facilitate comparison. The capital assets used in governmental activities which are not financial resources are not reported in the fund financial statements.

General Fund: The Balance Sheet – Governmental Fund (page 9), reports the general fund, which is the primary operating fund of PCLB. It accounts for all governmental financial resources. At the end of fiscal year 2019, PCLB's general fund balance was \$61,936 (a decrease of \$27,733 or 31%).

As of September 30, 2019, there were a total of 294 Family Day Care Homes and 392 Child Care Centers consisting of 43,884 licensed child care slots, an increase of 1,303 licensed slots from the previous year.

PINELLAS COUNTY LICENSE BOARD

**Statement of Net Position
September 30, 2019**

	Primary Government, Governmental Activities
Assets	
Due from Juvenile Welfare Board	\$ 98,807
Due from Florida Department of Children & Families	47,020
Other Accounts Receivable – fees & fines	65
Capital assets, net of accumulated depreciation	<u>10,631</u>
Total assets	<u>156,523</u>
Liabilities	
Due to Florida Department of Health in Pinellas County	53,179
Accounts Payable	<u>30,777</u>
Total liabilities	<u>83,956</u>
Net Position	
Invested in capital assets	10,631
Unrestricted	<u>61,936</u>
Total net position	<u>\$ 72,567</u>

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

PINELLAS COUNTY LICENSE BOARD

**Balance Sheet – Governmental Fund
September 30, 2019**

	<u>General Fund</u>
Assets	
Due from Juvenile Welfare Board	\$ 98,807
Due from Florida Department of Children & Families	47,020
Other Accounts Receivable - fees & fines	65
Total assets	<u>\$ 145,892</u>
Liabilities and Fund Balance	
Due to Florida Department of Health in Pinellas County	\$ 53,179
Accounts Payable	30,777
Total liabilities	<u>83,956</u>
Fund balance:	
Unassigned	61,936
Total liabilities and fund balance	<u>\$ 145,892</u>

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

PINELLAS COUNTY LICENSE BOARD

**Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
Year ended September 30, 2019**

	<u>General Fund</u>
Revenues:	
Licensing fees and fines	\$ 103,743
Intergovernmental	
Juvenile Welfare Board	632,897
Florida Department of Children & Families	282,122
Florida Department of Health in Pinellas County	118,581
Florida Department of Health in Pinellas County – in-kind contribution	195,236
Total revenues	<u>1,332,579</u>
Expenditures:	
Administration:	
Operating expenditures	1,165,076
Florida Department of Health in Pinellas County – in-kind	195,236
Total administration expenditures	<u>1,360,312</u>
Net change in fund balance	(27,733)
Fund balance - beginning of year	<u>89,669</u>
Fund balance - end of year	<u>\$ 61,936</u>

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

PINELLAS COUNTY LICENSE BOARD

Notes to the Financial Statements September 30, 2019

Note 1 - Organization

The Pinellas County License Board (PCLB) was created by a special act for Pinellas County in 1951. The current law, Chapter 61-2681 Laws of Florida, was adopted by the legislature in 1961 and amended in 1970 by Chapter 70-893 and Chapter 2007-277. The mission of PCLB is to protect and promote the health, safety, and mental development of children cared for in children's centers and family day care homes in Pinellas County.

Since July 2007, the PCLB has been designated an independent special district governed by the Florida Department of Economic Opportunity, Division of Community Development. The independent district is governed by various rules and regulations of the Florida Auditor General, the Florida Department of Financial Services, and the Florida Department of Economic Opportunity.

Both PCLB and Florida Department of Health in Pinellas County (PinCHD) share some statutory authority in the area of child care facility regulation. The public agencies may jointly exercise by contract all authority which the public agencies share in common and which each might exercise separately as outlined in Chapter 163.01, Florida Statutes. Since 2007, PCLB had an Interlocal agreement whereby PinCHD acts as fiscal agent for PCLB. PinCHD assumed responsibility for inspecting and monitoring child care facilities according to regulations and procuring goods and services on behalf of PCLB. In addition, PCLB staff became PinCHD staff and the administrative office was relocated to PinCHD.

Note 2 - Summary of Significant Accounting Policies

The accounting policies and practices of the PCLB conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. The following is a summary of the more significant policies and practices:

Government-Wide Financial Statements - The government-wide financial statements, which consist of the Statement of Net Position and the Statement of Activities, report information on all of the activities of PCLB which include activities financed by intergovernmental revenues, grants, and licensing fees and fines.

The Statement of Activities presents comparison of direct expenses and program revenues for each governmental activity of PCLB. Direct expenses are those associated with a specific function or program. Program revenues include: (a) charges for services for licensing fees and fines and (b) operating grants and contributions for administrative support. General revenues include other revenue not classified as program revenue.

PINELLAS COUNTY LICENSE BOARD

**Notes to the Financial Statements
September 30, 2019**

Note 2 - Summary of Significant Accounting Policies (continued)

Budget Process and Legal Compliance – PCLB uses the following procedures in establishing the budgetary data reflected in the financial statements:

- A budget is adopted by resolution each fiscal year.
- Budgetary control is maintained at the program level.
- The total amount available including amounts carried over from prior fiscal years must equal the total of the appropriations for expenditure and reserves.
- The adopted budget must regulate expenditure of the PCLB.
- It is unlawful to expend or contract for expenditures in any fiscal year except in pursuance of the budgeted appropriations.
- The governing body may at any time within a fiscal year or within up to 60 days following the end of the fiscal year amend a budget for that year by resolution.

Note 3 – Due to Florida Department of Health in Pinellas County

The Interlocal agreement with PinCHD to act as fiscal agent for the PCLB, originally dated October 1, 2007, was extended to September 30, 2020. PinCHD receives all revenues and pays all expenditures on behalf of the PCLB. As these transactions occur, the amount due from/to PinCHD will increase or decrease depending on the timing and nature of the transaction. As of September 30, 2019, \$53,179 is due to PinCHD per the terms of the agreement.

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>October 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>September 30, 2019</u>
Capital assets being depreciated:				
Furniture, equipment, and computers	\$ 280,123	\$ 15,309	-	\$ 295,432
Less accumulated depreciation	(280,123)	(4,678)	-	(284,801)
Capital assets, net	\$ -	\$ 10,631	-	\$ 10,631

Depreciation expense for the year ended September 30, 2019 was \$4,678.

PINELLAS COUNTY LICENSE BOARD
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
Year ended September 30, 2019

	Original budget	Final budget	Actual	Variance with final budget favorable (unfavorable)
Revenues:				
Fees	\$ 108,841	\$ 108,841	\$ 103,743	\$ (5,098)
Intergovernmental Florida DCF	282,122	282,122	282,122	-
Intergovernmental JWB	631,539	636,063	632,897	(3,166)
Intergovernmental PinCHD	118,581	118,581	118,581	-
PinCHD – in-kind	183,894	195,252	195,236	(16)
Total revenues	<u>\$ 1,324,977</u>	<u>\$1,340,859</u>	<u>\$1,332,579</u>	<u>\$ (8,280)</u>
Expenditures:				
Administration	1,344,154	1,360,337	1,360,312	25
Total expenditures	<u>1,344,154</u>	<u>1,360,337</u>	<u>1,360,312</u>	<u>25</u>
Net change in fund balance	(19,177)	(19,478)	(27,733)	(8,255)
Fund balance - beginning of year	89,669	89,669	89,669	-
Fund balance - end of year	<u>\$ 70,492</u>	<u>\$ 70,191</u>	<u>\$ 61,936</u>	<u>\$ (8,255)</u>

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See independent auditor's report.

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*

Members of the Board
Pinellas County License Board
Largo, 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 (general) of Pinellas County License Board (PCLB), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise PCLB's basic financial statements, and have issued our report thereon dated December XX, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PCLB'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 PCLB's internal control. Accordingly, we do not express an opinion on the effectiveness of PCLB'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 PCLB'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.

Management Letter

September 30, 2019

DRAFT - 12/10/19

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not PCLB met one or more of the conditions described in Section 218.503(1), *Florida Statutes* and to identify the specific conditions met. In connection with our audit, we determined that PCLB did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for PCLB. It is management's responsibility to monitor the PCLB's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate 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. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
December XX, 2019