

**SACRAMENTO EMPLOYMENT
AND TRAINING AGENCY**

**INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND SINGLE AUDIT
REPORT**

FOR THE YEAR ENDED JUNE 30, 2017

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Sacramento Employment and Training Agency
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Sacramento Employment and Training Agency (SETA) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SETA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 general fund of the SETA as of June 30, 2017, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SETA's basic financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures in conformity with the *California Department of Education Audit Guide* issued by the California Department of Education, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of SETA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SETA's internal control over financial reporting and compliance.

Varrinik, Trine, Day & Co. LLP

Sacramento, California
November 15, 2017

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

This section of the Sacramento Employment and Training Agency's (SETA) financial statements presents a discussion and analysis of SETA's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- As of June 30, 2017, SETA reported a combined fund balance of \$2,864,103, a decrease of \$201,982 from last year.
- For the year ended June 30, 2017, SETA reported a net deficit of \$28,663,145 due to the accounting of pension liability in accordance to GASB 68, which requires SETA to report net pension liability for the difference between the present value of projected pension benefits for the past services and restricted resources held in trust for the payment of benefits. The GASB rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes.
- As of June 30, 2017, SETA's net position decreased by \$1,136,088 primarily due to the accounting of pension expense in accordance to GASB 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to SETA's basic financial statements. SETA's basic financial statements consist of three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements.

Government-wide Financial Statements provide readers with a broad overview of SETA's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of SETA's assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SETA is improving or deteriorating. The Statement of Activities presents information showing how net position changed during the most recent fiscal year. 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, some revenues and expenses included in this statement will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of SETA that are 100% supported by grants received and contracts for service. The governmental activities of SETA include Head Start/Early Head Start, Workforce Development, Refugee Social Services, Child Care Food Program, State Department of Education Programs, Community Services Block Grant, Targeted Refugee Assistance and CalWORKS Services. SETA does not engage in any business type activities.

Government-wide financial statements are on pages 10 and 11 of this report.

Fund Financial Statements are groupings of related funding sources that are used to maintain control over resources that have been segregated for specific activities or objectives. SETA uses fund accounting to ensure and demonstrate finance-related legal compliance. SETA maintains one governmental fund, the General Fund.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

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 funds financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The governmental fund financial statements are on pages 12-15 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are on pages 16-33 of this report.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2017, SETA reported a net deficit of \$28,663,145 due to the accounting of pension liability in accordance to GASB 68, which requires SETA to report net pension liability for the difference between the present value of projected pension benefits for the past services and restricted resources held in trust for the payment of benefits.

Statement of Net Position

	2017	2016
Assets:		
Other Assets	\$ 8,457,259	\$ 10,886,883
Capital Assets	772,022	588,977
Total Assets	<u>\$ 9,229,281</u>	<u>\$ 11,475,860</u>
Deferred Outflows of Resources	\$ 26,122,230	\$ 6,621,097
Liabilities:		
Other Liabilities	\$ 5,838,620	\$ 7,839,186
Non-Current Liabilities	53,298,763	31,899,317
Total Liabilities	<u>\$ 59,137,383</u>	<u>\$ 39,738,503</u>
Deferred Inflows of Resources	\$ 4,877,273	\$ 5,885,511
Net Position:		
Invested in Capital Assets	\$ 772,022	\$ 588,977
Unrestricted	(29,435,167)	(28,116,034)
Total Net Deficit	<u>\$ (28,663,145)</u>	<u>\$ (27,527,057)</u>
Liabilities and Net Deficit	<u>\$ 35,351,511</u>	<u>\$ 18,096,957</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Statement of Activities: SETA's grants and contract activities decreased net position by \$1,136,088. The table below indicates the changes in net position:

Statement of Activities		
	2017	2016
Program Revenues:		
Grants and Contracts	\$ 96,660,246	\$ 97,667,510
General Revenues/(Loss):		
Unrestricted Investment Earnings/(Loss)	31,793	4,479
Total General Revenues/(Loss)	31,793	4,479
Total Revenue	\$ 96,692,039	\$ 97,671,989
Program Expenses:		
Head Start/Early Head Start	\$ 70,088,057	\$ 66,311,769
Workforce Development	15,251,478	12,660,527
Other Programs	12,488,592	14,661,341
Total Program Expenses	\$ 97,828,127	\$ 93,633,637
Change in Net Position	\$ (1,136,088)	\$ 4,038,352
Net Deficit, Beginning of Year	(27,527,057)	(31,565,409)
Total Net Deficit, End of Year	\$ (28,663,145)	\$ (27,527,057)

SETA receives revenue from federal, state, and local grants and contracts on a cost reimbursement basis therefore expenses are usually equal to revenue.

FINANCIAL ANALYSIS OF SETA'S FUNDS

As noted earlier, SETA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. SETA is a joint powers agency of the County of Sacramento (County) and the City of Sacramento (City). The County manages most financial functions for SETA including vendor and employee payments and investment activities.

Governmental funds: SETA maintains one major governmental fund, the General Fund. The General Fund is used to account for the operations of SETA. SETA's unrestricted fund balance includes interest income received for unrestricted funds held at the County. Accordingly, interest income is allocable to a particular funding source based on which fund balance earned the income.

As of June 30, 2017, SETA reported a total fund balance of \$2,864,103, which is a decrease of \$201,982 compared to total fund balance of \$3,066,085 at June 30, 2016. SETA's fund balance equals the authorized amounts in its custodial checking accounts, any prepaid expenses, amounts to cover the compensated absences balance, and amounts that are unassigned and spendable.

Revenue Analysis: Total revenue received for the year ended June 30, 2017, totaled \$96,692,039. The table below presents the amounts of revenue and the percent of total by source for FYE 2017 and FYE 2016.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Revenues Classified by Source Governmental Funds

Revenues by Source	FYE 2017 <u>Amount</u>	Percent <u>of Total</u>	FYE 2016 <u>Amount</u>	Percent <u>of Total</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
Grant revenue	\$ 74,920,919	77.48%	\$ 72,905,369	74.63%	\$ 2,015,550	2.76%
Child care food revenue	1,431,447	1.48%	1,482,109	1.52%	(50,662)	(3.42)%
Intergovernmental	3,317,994	3.43%	6,855,725	7.02%	(3,537,731)	(51.60)%
Investment income (loss)	31,793	0.03%	17,266	0.02%	14,527	84.14%
Miscellaneous income	218,629	0.23%	376,299	0.39%	(157,670)	(41.90)%
In-kind contributions	16,771,257	17.35%	16,035,221	16.13%	736,036	4.59%
Total revenues	\$ 96,692,039	100.00%	\$ 97,671,989	100.00%	\$ (979,950)	(1.00%)

The following provides an explanation of revenues by fund that changed significantly over the prior year.

- Grant revenue increased by \$2,015,550 during the fiscal year, primarily due to increased funding in Head Start and Refugee Social Services.
- Intergovernmental revenue decreased by \$3,537,731, primarily due to the decreased funding in the CalWORKS Program.
- Head Start In-Kind contributions increased by \$736,036 during the fiscal year. This increase is due to increased in-kind revenue sources.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Expenditure Analysis: Expenditures for the year ended June 30, 2017, totaled \$96,894,021. The table below presents the expenditures summarized by granting source.

Expenditures Classified by Grantor Governmental Fund

Expenditures by Grantor	FYE 2017 <u>Amount</u>	Percent <u>of Total</u>	FYE 2016 <u>Amount</u>	Percent <u>of Total</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
Head Start/Early Head Start	\$ 69,728,927	71.97%	\$ 67,980,531	69.61%	\$ 1,748,396	2.57%
Workforce Development	14,914,689	15.39%	14,648,662	15.00%	266,027	1.82%
Refugee Social Services	1,444,898	1.49%	904,258	0.92%	540,640	59.79%
Child Care Food Program	1,439,761	1.49%	1,483,256	1.52%	(43,495)	(2.93)%
State Department of Education	3,240,335	3.34%	3,394,434	3.48%	(154,099)	(4.54)%
Community Services Block Grant	1,880,071	1.94%	1,765,536	1.81%	114,535	6.49%
Targeted Refugee Assistance	622,200	0.64%	468,215	0.48%	153,985	32.89%
CalWORKS	3,167,062	3.27%	6,668,278	6.83%	(3,501,216)	(52.51)%
Other	456,078	0.47%	336,828	0.35%	119,250	35.40%
Total expenditures	\$ 96,894,021	100.0%	\$ 97,649,998	100.0%	\$ (755,977)	(0.77)%

The following provides an explanation of expenses by fund that changed significantly over the prior year.

- Head Start program costs increased primarily due to increase funding and in-kind contributions.
- CalWORKS program costs decreased primarily due to decreased funding.
- Refugee Social Services program costs increased due to increased funding.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

The table below presents the expenditures summarized by type.

Expenditures by Type	Expenditures Classified by Type Governmental Fund			
	FYE 2017 <u>Amount</u>	Percent <u>of Total</u>	FYE 2016 <u>Amount</u>	Percent <u>of Total</u>
Salaries	\$ 23,424,125	24.17%	\$ 24,272,204	24.86%
Fringe Benefits	12,937,707	13.35%	13,018,217	13.33%
Space Costs	3,379,526	3.49%	3,838,436	3.93%
Services & Supplies	5,247,294	5.42%	5,449,994	5.58%
Equipment Expense	222,121	0.23%	319,539	0.33%
Subrecipient Costs	34,911,991	36.03%	34,716,387	35.55%
In Kind Match	16,771,257	17.31%	16,035,221	16.42%
Total Expenses	<u>\$ 96,894,021</u>	<u>100.0%</u>	<u>\$ 97,649,998</u>	<u>100.0%</u>

As noted above, SETA's largest expenses are subrecipient costs, staff salaries, and fringe benefits. The Head Start In-Kind match has no financial impact on the agency and serves only as a reporting item.

GENERAL FUND BUDGETARY HIGHLIGHTS

SETA had no change in the original budget and the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: SETA's investment in capital assets as of June 30, 2017, amounted to \$772,022 (net of accumulated depreciation).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

SETA's budget for next year will vary based on final allocated funding by the Department of Labor under the Workforce Innovation and Opportunity Act and the Department of Health and Human Services under the Head Start Act.

REQUESTS FOR INFORMATION

This financial report provides a general overview of SETA's finances for all those with an interest in the agency's finances. Should there be questions regarding this report, or requests for additional financial information, please contact the Sacramento Employment and Training Agency, Fiscal Department, 925 Del Paso Blvd., Suite 100, Sacramento, CA 95815.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS:

Current Assets:

Cash and investments	\$	2,806,143
Accounts receivable		5,293,615
Prepaid expenses		201,314

Noncurrent Assets:

Restricted cash and investments		156,187
Capital assets, net		772,022

Total assets		9,229,281
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		26,122,230
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LIABILITIES

Current liabilities:

Accounts payable		4,700,850
Accrued liabilities		523,223
Unearned revenue		369,083
Current portion of compensated absences		245,464

Total current liabilities		5,838,620
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Non-current liabilities:

Compensated absences		1,355,955
Net OPEB obligation		1,598,996
Net pension liability		50,343,812

Total non-current liabilities		53,298,763
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Total liabilities		59,137,383
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		4,877,273
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NET POSITION:

Net investment in capital assets		772,022
Unrestricted		(29,435,167)

Total net position (deficit)		\$ (28,663,145)
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The notes to the financial statements are an integral part of these statements.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenue Operating Grants and Contracts	Net Revenue (Expense) and Changes in Net Position Governmental Activities
Governmental Activities:			
Head Start/Early Head Start	\$ 70,088,057	\$ 69,569,915	\$ (518,142)
Workforce Development	15,251,478	14,865,872	(385,606)
Refugee Social Services	1,453,804	1,441,709	(12,095)
Child Care Food Program	1,453,344	1,431,447	(21,897)
State Department of Education	3,349,268	3,231,531	(117,737)
Community Services Block Grant	1,916,499	1,878,586	(37,913)
Targeted Refugee Assistance	622,269	620,020	(2,249)
CalWORKS	3,229,966	3,166,226	(63,740)
Other	463,442	454,940	(8,502)
Total Governmental Activities	\$ 97,828,127	\$ 96,660,246	(1,167,881)
General Revenue:			
			31,793
			(1,136,088)
			<u>(27,527,057)</u>
			<u>\$ (28,663,145)</u>

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2017

	General Fund
ASSETS:	
Cash and investments	\$ 2,806,143
Accounts receivable	5,293,615
Prepaid expenses	201,314
Restricted cash and investments	156,187
Total assets	<u>\$ 8,457,259</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 4,700,850
Accrued liabilities	523,223
Unearned revenue	369,083
Total liabilities	<u>5,593,156</u>
Fund balance:	
Nonspendable	201,314
Assigned	1,601,419
Unassigned	1,061,370
Total fund balance	<u>2,864,103</u>
Total liabilities and fund balance	<u>\$ 8,457,259</u>

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017**

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

Total fund balance, governmental fund \$ 2,864,103

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds. The historical cost of the capital assets is \$11,761,242 and the accumulated depreciation is \$10,989,220 772,022

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences	\$ 1,601,419	
Net OPEB obligation	1,598,996	
Net pension liability	<u>50,343,812</u>	
Total:		<u>(53,544,227)</u>

Deferred outflows and inflows of resources relating to pensions:
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pension	\$ 26,122,230	
Deferred inflows of resources related to pension	<u>(4,877,273)</u>	
Total:		<u>21,244,957</u>
Net position (deficit), governmental activities		<u><u>\$ (28,663,145)</u></u>

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund
REVENUES:	
Grant revenue	\$ 74,920,919
Child care food revenue	1,431,447
Intergovernmental	3,317,994
Investment income	31,793
Miscellaneous income	218,629
In-kind contributions	16,771,257
Total revenues	96,692,039
 EXPENDITURES:	
Current:	
Head Start/Early Head Start	69,728,927
Workforce Development	14,914,689
Refugee Social Services	1,444,898
Child Care Food Program	1,439,761
State Department of Education	3,240,335
Community Services Block Grant	1,880,071
Targeted Refugee Assistance	622,200
CalWORKS	3,167,062
Other	456,078
Total expenditures	96,894,021
Net change in fund balance	(201,982)
Fund balance, beginning of year	3,066,085
Fund balance, end of year	\$ 2,864,103

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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

Net change in fund balance, governmental fund	\$ (201,982)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$377,101) exceeds depreciation expense (\$194,056) in the period.	183,045
The change in compensated absences 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.	233,776
In governmental funds, OPEB costs are recognized when benefits are paid. In the statement of activities, OPEB costs are recognized on the accrual basis. This amount represents the change in OPEB related amounts.	(126,711)
In governmental funds, pension costs are recognized when employer contributions are made. However, in the statement of activities, pension expense is measured as the change in the net pension liability and the amortization of deferred outflows and inflows related to pensions. This amount represents the change in pension related amounts.	<u>(1,224,216)</u>
Change in net position of governmental activities	<u>\$ (1,136,088)</u>

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Sacramento Employment and Training Agency (SETA) was organized in 1978 and operates under a joint powers agreement between the City and County of Sacramento. SETA administers human service programs with financial assistance provided by the Federal and State governments and private sources.

Basis of Presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about SETA as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of SETA's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operations of a particular program. Revenues which are not classified as program revenues are presented as general revenues of SETA. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenue of SETA which is unrestricted investment earnings.

Fund financial statements – Fund financial statements report more detailed information about SETA. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using the current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

SETA maintains one major governmental fund, the General Fund. The General Fund is used to account for the operations of SETA. Generally, the proceeds of specific revenue sources are restricted to expenditures for specific purposes.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For SETA, "available" means collectible within the current period or within 120 days after year end, depending on revenue source. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). Many of SETA's programs are funded by "cost-reimbursement" grants from Federal and State agencies. For those grants, revenue is recognized as earned when the related expenditures are incurred.

When both restricted and unrestricted resources are available for use, it is SETA's policy to use restricted resources first, then unrestricted resources as they are needed. When all types of fund balance resources are available it is SETA's policy to first use the most restrictive form of fund balance, then use the less restrictive resources.

Budgetary Information

SETA's annual expenditure budget is approved by SETA's Governing Board and adopted for SETA through the City and County of Sacramento's executive and legislative process. SETA is not authorized to exceed total budgeted expenditures. Any amendments that increase total budgeted expenditures must be approved by the Governing Board, as well as the City and County of Sacramento. There was no amendment to the original budget presented in the Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund during the year ended June 30, 2017.

Cost Allocation Plan

All costs are distributed to programs in accordance with a Cost Allocation Plan. SETA reviews, updates and certifies its cost allocation plan annually, which is on file in the main office. SETA allocates its costs based on the relative benefit received by the programs or activities.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more, or computer or website software with costs more than \$100,000 and other intangible assets with costs more than \$25,000, and are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	30
Machinery and Equipment	5
Computer Software	3-10

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resource that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to SETA's pension plan after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of SETA's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between SETA's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 7 for further details related to these pension deferred outflows and inflows.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of SETA on the government-wide financial statements. SETA employees are granted vacation in varying amounts, depending upon the employee's length of service. These hours are accrued for all employees on the basis of bi-weekly payrolls. Upon separation, employees are paid for accumulated vacation days. All vacation pay is accrued when incurred in the government-wide financial statements as compensated absences.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of SETA's portion of Sacramento County Employees' Retirement System (SCERS) and additions to/deductions from SCERS' fiduciary net position have been determined on the same basis as they are reported by SCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Net Position and Fund Balance

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of these assets, reduce the balance in this category.

Unrestricted Net Position - This category represents net position of the Agency not restricted for any project or other purpose.

The governmental fund statements utilize a fund balance presentation. Fund balances are categorized as nonspendable, restricted, assigned, and unassigned.

Nonspendable – This category presents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. At June 30, 2017, SETA has \$201,314 for prepaid expenditures that are considered nonspendable.

Assigned Fund Balance - This category presents those portions of the fund balance that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted. SETA management has the authority to assign portions of fund balance. At June 30, 2017, SETA has \$1,601,419 assigned to cover the compensated absences balance.

Unassigned Fund Balance – This category presents those portions of the fund balance that do not fall into nonspendable or assigned and are spendable.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. SETA has determined that the requirements of this Statement effective in the current year do not have a material impact on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This Statement is effective for reporting periods beginning after December 15, 2015. SETA has determined that the requirements of this Statement effective in the current year do not have a material impact on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for reporting periods beginning after December 15, 2015. SETA has determined that the requirements of this statement effective in the current year do not have a material impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement is effective for reporting periods beginning after June 15, 2016. SETA has determined that the requirements of this Statement effective in the current year do not have a material impact on the financial statements.

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer 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. SETA has not determined its effect on the financial statements.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for reporting periods beginning after December 15, 2016. SETA has not determined the effect of this Statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board (GASB) Pronouncements (continued)

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement is effective for reporting periods beginning after June 15, 2018. SETA has not determined the effect of this Statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. SETA has not determined the effect of this Statement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. SETA has not determined the effect of this Statement.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. SETA has not determined the effect of this Statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after December 15, 2019. SETA has not determined the effect of this Statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Cash and investments in Sacramento County Treasury	\$ 2,810,830
Cash on hand	<u>151,500</u>
Total cash and investments	<u><u>\$ 2,962,330</u></u>

Cash in County Treasury

The County of Sacramento Treasury (the Treasury) acts as a bank for most of SETA's cash transactions. Cash receipts are deposited and warrants drawn against the balance of SETA's cash on deposit. Under Board resolution, excess cash balances are invested in the County of Sacramento's external investment pool. Interest income is prorated to SETA based on the average cash balance maintained in the pool. Interest earned on grant funds is remitted to the grantors or used for program purposes. The County of Sacramento Treasurer's investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27134. The value of the pool shares which may be withdrawn is valued at fair value.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

The investment policy and a number of reports regarding investment positions and performance of the external investment pool are available at the County of Sacramento webpage.

Restricted Cash and Investments

Restricted cash and investments is the amount of reserves held by the Program in accordance with an agreement with the State.

Investments Authorized by SETA's Investment Policy

By Board resolution, SETA has adopted the investment policy of the County of Sacramento external investment pool. The table below identifies the investment types authorized for SETA by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Notes and Agency Obligations	5 years	100%	None
Washington Supranational Obligations	5 years	30%	10%
Municipal Notes	5 years	80%	10%
Registered State Warrants	5 years	80%	10%
Bankers Acceptances	180 days	40%	10%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	180 days	30%	10%
CRA Bank Deposits/Certificates of Deposit	1 year	30%	10%
Repurchase Agreements	1 year	30%	10%
Reverse Repurchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	180 days	30%	10%
Collateralized Mortgage Obligations	180 days	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Funds (LAIF)	N/A	State Limit	N/A

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have a greater sensitivity to changes in market interest rates. As of June 30, 2017, the weighted average maturity of the investments contained in the Treasury investment pool is approximately 277 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Fair Value Measurements

SETA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the Commission's funds were invested in the County of Sacramento Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SETA's assessment of the significance of particular inputs to these fair value measurements requires judgement and consideration factors specific to each asset or liability.

Deposits and withdrawals are made on the basis of \$1 and not fair value, accordingly, SETA's proportionate share of investments in the County of Sacramento Investment Pool at June 30, 2017 of \$2,810,830 is an uncategorized input, not defined as a level 1, level 2 or level 3 input.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2017:

	General Fund
Federal government	\$ 4,972,169
State government	119,932
Miscellaneous	201,514
Totals	\$ 5,293,615

NOTE 4 - CAPITAL ASSETS

The change in capital assets (which consists primarily of office and program related equipment) were as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 66,308	\$ -	\$ -	\$ 66,308
Capital assets, being depreciated:				
Building	297,910	-	-	297,910
Machinery and equipment	11,077,669	377,101	(57,746)	11,397,024
Total capital assets, being depreciated	11,375,579	377,101	(57,746)	11,694,934
Less accumulated depreciation for:				
Building	(129,921)	(9,930)	-	(139,851)
Machinery and equipment	(10,722,989)	(184,126)	57,746	(10,849,369)
Total accumulated depreciation	(10,852,910)	(194,056)	57,746	(10,989,220)
Total capital assets, being depreciated, net	522,669	183,045	-	705,714
Governmental activities capital assets, net	\$ 588,977	\$ 183,045	\$ -	\$ 772,022

For the year ended June 30, 2017, depreciation expense was charged to programs/functions as follows:

Governmental activities:	
Workforce Development	\$ 106,050
Head Start/Early Head Start	67,704
Community Services Block Grant	10,980
DHA CalWorks	1,428
Child Care Food Program	2,310
Targeted Refugee Assistance	1,147
Refugee Social Services	2,791
Other	1,646
Total depreciation expense	\$ 194,056

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5 - COMPENSATED ABSENCES

Compensated absences liability activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance July 1, 2017	Due Within One Year
Compensated Absences	\$ 1,835,195	\$ 1,516,018	\$ 1,749,794	\$ 1,601,419	\$ 245,464

NOTE 6 - OPERATING LEASE OBLIGATIONS

SETA leases certain office space under noncancellable operating lease agreements. Total lease payments for the year were \$3,085,407. Future minimum lease payments are as follows:

Year Ending June 30,	Total
2018	\$ 2,773,598
2019	2,353,671
2020	2,121,338
2021	1,838,899
2022	1,472,022
2023-2027	7,059,207
Total	\$ 17,618,735

NOTE 7 - EMPLOYEE RETIREMENT PLAN

Plan Description

SETA participates in Sacramento County Employees Retirement System (SCERS), a cost-sharing multiple-employer defined benefit pension plan governed by the County Employees' Retirement Law of 1937. SCERS has two membership classes: Safety, for those involved in active law enforcement, fire suppression, and certain other classifications; and Miscellaneous, for all others. SETA only participates in the Miscellaneous membership class. The plan covers substantially all of the employees of SETA. SETA, the County of Sacramento, and other participating special districts are in a cost-sharing arrangement in which all risks and costs for the two membership classes are shared proportionately by participating entities.

On September 12, 2012, the California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA). PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

SCERS issues a stand-alone financial report, which is available at its office, located in Sacramento, California or from www.scers.org.

Benefits Provided

The plan provides retirement, disability, death, and survivor benefits based on employees' years of service, age and final compensation. Benefit provisions and all other requirements are established and may be amended by State statute and Sacramento County ordinance.

The Plans' provisions and benefits in effect at June 30, 2017, and applicable to members employed at SETA, are summarized as follows:

	<u>Tier I</u>	<u>Tier III</u>	<u>Tier V (PEPRA)</u>
Hire date	Prior to September 27, 1981	September 27, 1981, to December 31, 2012	On or after January 1, 2013
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 and 10+ years of service	50 and 10+ years of service	52 and 5+ years of service

The monthly allowance for Tier I and Tier III members is calculated as follows: 1/90th of the first \$350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times the age factor from California Government Code Section 31676.14 (ranging from 0.8850 percent at age 50 to 1.5668 percent at age 62 and older).

The monthly allowance for Tier V (PEPRA) members is calculated as follows: 1/90th of the first \$350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times the age factor from California Government Code Section 7720.20(a) (ranging from 1.000 percent at age 52 to 2.500 percent at age 67 and older).

Contributions

Pursuant to provisions of the 1937 Act, the Retirement Board recommends the annual contribution rates for adoption by the County Board of Supervisors, based on the recommendations of the SCERS consulting actuary. The actuarially determined contribution rate is determined as a percentage of payroll, and is the estimated amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Changes to contribution rates are effective on July 1st. SETA's contractually required contributions rates for the year ended June 30, 2017, were as follows:

	<u>Tier I</u>	<u>Tier III</u>	<u>Tier V (PEPRA)</u>
Employer	25.92%	27.76%	22.02%
Employee	3.17% of first \$161 of biweekly compensation, plus 4.75% of biweekly compensation over \$161	3.17% of first \$161 of biweekly compensation, plus 4.76% of biweekly compensation over \$161	8.02% of biweekly compensation

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

Contributions to SCERS from SETA were \$6,240,331 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, SETA reported a liability of \$50,343,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was by an actuarial valuation as of June 30, 2016, with separate calculations for each membership class. A separate net pension liability is calculated for each membership class by reducing the applicable total pension liability by a proportional share of the plan fiduciary net position. SETA's proportion of the net pension liability was based on the ratio of SETA's actual employer contributions in the measurement period to total actual contributions received for Miscellaneous members of SCERS in the measurement period, multiplied by the net pension liability attributed to the Miscellaneous membership class. SETA's proportionate share of the net pension liability for the Miscellaneous membership class was 4.950 percent. At June 30, 2016, SETA's proportionate share of the total SCERS net pension liability (both Safety and Miscellaneous membership classes) was 2.868 percent, which was an increase of 0.380 percent from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, SETA recognized pension expense of \$7,464,547. At June 30, 2017, SETA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Agency contributions subsequent to measurement date	\$ 6,240,331	
Differences between expected and actual experience		\$ 3,073,932
Changes of assumptions		812,151
Net difference between projected and actual earnings on pension plan investments	18,428,017	
Changes in proportion and differences between employer's contributions and proportionate share of contributions	1,453,882	991,190
Total	\$ 26,122,230	\$ 4,877,273

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

The \$6,240,331 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2018	\$ 1,360,406
2019	2,104,557
2020	7,130,951
2021	4,408,712
	\$ 15,004,626

Actuarial Assumptions

For the measurement period ended June 30, 2016 (measurement date), the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	3.25%
Salary Increases	4.5% to 8.5% (1)
Investment Rate of Return	7.5% (2)
Mortality:	
Healthy	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022
Disabled	RP-2000 Disabled Retiree Mortality Table projected with Scale BB to 2022, with no age adjustment for males, and set forward three years for females

(1) Varies by service, including inflation

(2) Net of pension plan investment expenses, including inflation

These and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2013.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The table below reflects the target allocation and best estimates of arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	22.50%	5.98%
International Equity	22.50%	7.23%
Fixed Income	20.00%	1.25%
Hedge Funds	10.00%	3.20%
Private Equity	10.00%	12.82%
Real Assets	15.00%	5.64%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

Sensitivity of SETA's Proportionate Share Net Pension Liability to Changes in the Discount Rate

The following presents SETA's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what SETA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
SETA's Proportionate Share of Net Pension Liability	\$ 85,584,552	\$ 50,343,812	\$ 21,155,315

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued SCERS financial reports available on their website at <http://www.SCERS.org>.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

SETA, through the County of Sacramento's agent multiple-employer defined benefit plan, provides medical insurance and dental insurance, and subsidy/offset payments as authorized and amended by the SETA Governing Board on an annual basis. The Board must approve the benefit annually or it is terminated.

All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County, or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year.

Annuitants who retired for any reason on or before August 31, 2007 are eligible to receive a SETA-paid medical insurance subsidy/offset payment during calendar year 2017. Annuitants who retired after August 31, 2007 are not entitled to any subsidy/offset payment. The amount of any medical subsidy/offset payments made available to annuitants (who retired on or before August 31, 2007) is calculated based upon the annuitant's SCERS service credits.

The amount of any dental subsidy/offset payments made available to annuitants is set by the SETA Governing Board. Neither SETA nor the Sacramento County Employees Retirement System (SCERS) guarantees that a subsidy/offset payment will be made available to annuitants for the purchase of medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of SETA employment or SCERS membership.

The amount of subsidy/offset payment, if any, payable on account of enrollment in a sponsored retiree medical and/or dental insurance plan shall be established within the sole discretion of the SETA Governing Board.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the calendar year 2017, the amount of the subsidy/offset payments is as follows:

Years of SCERS service credit payment subsidy/offset	Amount of subsidy/offset
Less than 10 years	\$ 72
10 years but less than 15 years	90
15 years but less than 20 years	108
20 years but less than 25 years	126
25 years or more	144
Dental Coverage	-

Approximately fifty-eight (58) employees met the eligibility requirement and nineteen (19) received the insurance subsidy as of June 30, 2017. SETA's current contributions for postemployment benefits consist of eligible retirees on a pay-as-you-go basis and the implicit subsidy. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

SETA's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of SETA's annual OPEB cost for the year, the amount, if any, actually contributed to the plan, and changes in SETA's net OPEB obligation.

Annual required contribution	\$ 259,908
Interest on net OPEB Obligation	58,312
Adjustment to annual required contribution	(77,541)
Annual OPEB cost (expense)	240,679
Contributions made:	
Pay-as-you-go	(23,014)
Implicit Subsidy	(90,954)
Increase in net OPEB obligation	126,711
Net OPEB obligation – beginning of year	1,472,285
Net OPEB obligation – end of year	\$ 1,598,996

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The SETA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2017 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 183,858	42.65%	\$ 1,321,772
6/30/2016	244,068	38.33%	1,472,285
6/30/2017	240,679	47.35%	1,598,996

Funding Status and Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability was \$1,888,088 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,888,088.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions made about future employment, mortality and the healthcare cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the entry age normal and level percent of payroll actuarial cost method was used. The actuarial assumptions utilized a 4.0 percent discount rate, increases in aggregate payroll of 3.25 percent, general inflation of 3.0 percent, and a medical trend rate of 7.0 percent, reduced by decrements of 0.5 percent each year to an ultimate rate of 5 percent. The UAAL is being amortized as a level percent of payroll. The remaining amortization period at June 30, 2017, was twenty-one (21) years.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 - COMMITMENTS AND CONTINGENCIES

SETA has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements would not be material.

NOTE 10 - RELATED PARTY TRANSACTIONS

During the current year, the County of Sacramento Department of Human Assistance provided funding in the amount of \$3,166,226 for the operation of SETA's "one-stop" employment centers and other workforce development programs. Through its banking relationship with the County of Sacramento Treasury, substantially all of SETA's cash receipts, payment transactions, purchasing and payroll processing are processed by the County. During 2017, the County charged fees of \$157,340 for these services.

NOTE 11 - MATCHING FUNDING AND NON-MONETARY EXCHANGES

SETA operates Head Start programs for the City and County of Sacramento under a grant from the Federal government. Under the terms of that grant, SETA and its delegate agencies are required to provide non-federal match of 20 percent of the total cost of the program. During the current fiscal year, the amount of matching funding provided was \$16,771,257 which is 24 percent of the total program cost.

Some matching funds are provided in the form of non-monetary items such as parent and partner involvement hours. The value of these non-monetary exchanges is determined using market measures of value.

NOTE 12 - RISK MANAGEMENT

SETA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SETA purchased insurance coverage for commercial property, commercial general liability, commercial auto, fiduciary liability, directors and officers liability, employment practices liability, umbrella coverage, workers compensation, and employee dishonesty.

The premium cost of SETA's workers compensation insurance coverage is subject to annual adjustment based on SETA's loss experience. At the present time, the amount of this adjustment, if any, is not determinable.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Grant Revenue	\$ 79,726,428	\$ 79,726,428	\$ 74,920,919	\$ 4,805,509
Childcare Food Reimbursements	1,490,109	1,490,109	1,431,447	58,662
Intergovernmental Revenue	4,929,500	4,929,500	3,317,994	1,611,506
Interest Income	-	-	31,793	(31,793)
Miscellaneous Income	241,783	241,783	218,629	23,154
Total Revenues	86,387,820	86,387,820	79,920,782	6,467,038
Expenditures:				
Head Start/Early Head Start	53,499,881	53,499,881	52,957,670	542,211
Workforce Development	17,220,774	17,220,774	14,914,689	2,306,085
Refugee Social Services	1,397,475	1,397,475	1,444,898	(47,423)
Child Care Food Programs	1,490,109	1,490,109	1,439,761	50,348
State Department of Education	3,591,305	3,591,305	3,240,335	350,970
Community Services Block Grant	1,755,888	1,755,888	1,880,071	(124,183)
Targeted Refugee Assistance	770,996	770,996	622,200	148,796
CalWORKS	4,929,500	4,929,500	3,167,062	1,762,438
Other	241,783	241,783	456,078	(214,295)
Total Expenditures	84,897,711	84,897,711	80,122,764	4,774,947
Change in fund balance	<u>\$ 1,490,109</u>	<u>\$ 1,490,109</u>	(201,982)	<u>\$ 1,692,091</u>
Fund balance, beginning of year			<u>3,066,085</u>	
Fund balance, end of year			<u>\$ 2,864,103</u>	

While SETA reports expenditures on the basis of generally accepted accounting principles (GAAP), SETA's budgetary basis does not include amounts related to In-Kind Contributions that have been expended. Expenditures above have been presented on this budgetary basis to provide a more meaningful comparison of actual results with the budget. The following is a reconciliation between the budgetary basis and the GAAP basis reflected in the statement of revenues, expenditures and changes in fund balance.

Head Start/Early Head Start - Budgetary Basis	\$ 52,957,670
In-Kind Contributions Expended	<u>16,771,257</u>
Head Start/Early Head Start - GAAP Basis	<u>\$ 69,728,927</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF FUNDING PROGRESS - OPEB
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2011	\$ -	\$ 2,310,892	\$ 2,310,892	0%	\$ 26,483,224	8.73%
6/30/2013	-	1,430,333	1,430,333	0%	25,671,185	5.57%
6/30/2015	-	1,888,088	1,888,088	0%	23,961,288	7.88%

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF SETA'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
SETA's proportion of the net pension liability	2.868%	2.488%	2.303%
SETA's proportionate share of the net pension liability	\$ 50,343,812	\$ 28,610,225	\$ 17,754,848
SETA's covered payroll	\$ 22,961,773	\$ 22,681,888	\$ 22,795,179
SETA's proportionate share of the net pension liability as a percentage of their covered payroll	219.25%	126.14%	77.89%
Plan fiduciary net position as a percentage of the total pension liability	83.21%	89.46%	93.16%
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule:

*Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF SETA'S CONTRIBUTIONS
LAST 10 YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 6,240,331	\$ 6,349,323	\$ 6,722,946
Contributions in relation to the contractually required contributions	<u>6,240,331</u>	<u>6,349,323</u>	<u>6,722,946</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SETA's covered payroll	\$ 22,471,328	\$ 22,961,773	\$ 22,681,888
Contributions as a percentage of covered payroll	27.77%	27.65%	29.64%

*Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

SUPPLEMENTARY INFORMATION

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA#	Grant Number	Passed Through to Subrecipients	Award Amount		Expenditures	
				Federal	State	Federal	State
U.S. DEPARTMENT OF AGRICULTURE							
Passed-Through California Department of Education:							
Child and Adult Care Food Program	10.558	34-1826-1-J		\$ 1,431,447		\$ 1,431,447	
Total U.S. Department of Agriculture				\$ 1,431,447		\$ 1,431,447	
U.S. DEPARTMENT OF LABOR							
Passed-Through California Employment Development Department:							
WIOA Cluster:							
WIOA Adult Program	17.258	K698382-500	\$ 40,695	1,347,312		659,256	
WIOA Adult Program	17.258	K7102059-201		457,105		457,105	
WIOA Adult Program	17.258	K7102059-202	2,292,580	3,132,582		3,132,582	
WIOA Adult Program	17.258	K7102059-500		2,319,181		1,868,307	
WIOA Adult Program - 15% Veterans Employment Assistance	17.258	K594781-1029	31,427	222,222		139,457	
WIOA Adult Program - Slingshot-Accelerating Income Mobility	17.258	K594781-1026	154,323	282,506		154,323	
WIOA Adult Program - Slingshot-Accelerating Income Mobility	17.258	K7102059-1026	48,741	706,649		96,045	
WIOA Adult Program- Disability Employment Accelerator	17.258	K698382-1064	17,005	185,714		98,947	
WIOA Adult Program- High Performing Boards	17.258	K7102059-1080		54,839		54,839	
WIOA Adult Program - Regional Training Coordinator	17.258	K7102059-1087		200,000		14,821	
WIOA Adult Program - Work Exp Ed At-Risk Youth	17.258	K7102059-1101	64,450	400,000		122,717	
Total WIOA Adult Programs			2,649,222	9,308,110		6,798,399	
WIOA Title I Youth Formula	17.259	K698382-301		3,885,387		636,094	
WIOA Title I Youth Formula	17.259	K7102059-301	2,192,924	3,763,899		3,570,558	
Total WIOA Youth Activities			2,192,924	7,649,286		4,206,652	
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K7102059-540		48,376		48,376	
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K7102059-541		257,755		257,755	
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K7102059-292		13,702		13,702	
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K7102059-293		73,080		73,080	
WIOA Dislocated Worker Formula Grants	17.278	K698382-502		2,012,815		492,653	
WIOA Dislocated Worker Formula Grants	17.278	K7102059-501		584,167		584,167	
WIOA Dislocated Worker Formula Grants	17.278	K7102059-502	353,719	796,270		748,772	
WIOA Dislocated Worker Formula Grants - 25% Veterans Employment Assistance	17.278	K594781-1030	15,714	111,111		37,864	
WIOA Dislocated Worker Formula Grants - 25% Veterans Employment Assistance	17.278	K698382-1030	15,714	111,111		104,648	
WIOA Dislocated Worker Formula Grants - Implementation	17.278	K698382-1055		117,889		88,929	
WIOA Dislocated Worker Formula Grants - Implementation	17.278	K698382-1056		43,385		34,529	
WIOA Dislocated Worker Formula Grants - Implementation CCD	17.278	K698382-1057		55,000		55,000	
WIOA Dislocated Worker Formula Grants - Implementation CCD	17.278	K698382-1069		20,000		20,000	
WIOA Dislocated Worker Formula Grants - Incentivize Regional Imp	17.278	K698382-1067	75,588	250,000		103,000	
Total WIOA Dislocated Worker Formula Grants			460,734	4,494,661		2,662,475	
Total WIOA Cluster:			5,302,880	21,452,057		13,667,526	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants - Sector Partnerships NEG	17.277	K698382-1028	6,893	850,000		263,023	
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - Storm NDWG 2017	17.277	K7102059-1091		200,000		28,165	
Total WIOA National Dislocated Worker Grants / WIA National Emergency Grants:			6,893	1,050,000		291,188	

The accompanying notes are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA#	Grant Number	Passed Through to Subrecipients	Award Amount		Expenditures	
				Federal	State	Federal	State
U.S. DEPARTMENT OF LABOR							
Passed-Through California Employment Development Department:							
Employment Service/Wagner-Peyser Funded Activities:	17.207	K597241-1017	56,837	605,000		156,056	
Total Passed-Through California Employment Development Department:			5,366,610	23,107,057		14,114,770	
Total U.S. Department of Labor			5,366,610	23,107,057		14,114,770	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed-Through California Department of Education:							
CCDF Cluster:							
Child Care and Development Fund or Child Care and Development Block Grant - General Child Care	93.575/93.596	CSPP-6384		366,460	2,014,670	332,599	\$ 1,693,856
Child Care and Development Fund or Child Care and Development Block Grant - General Child Care	93.575/93.596	CCTR-6190		546,141	770,175	493,303	682,177
Total CCDF Cluster:				912,601	2,784,845	825,902	2,376,033
Total Passed-Through California Department of Education				912,601	2,784,845	825,902	2,376,033
Passed-Through California Department of Social Services:							
Refugee and Entrant Assistance Targeted Assistance Grants	93.584	TAF01504	107,367	544,774		151,146	
Refugee and Entrant Assistance Targeted Assistance Grants	93.584	TAF01604	417,101	718,890		417,119	
Total Refugee and Entrant Assistance Targeted Assistance Grants			524,468	1,263,664		568,265	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1404	943	839,620		61,548	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1504	364,077	1,333,766		559,569	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1605	813,457	1,592,987		813,511	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs - Older Refugee Discretion	93.566	ORSA 1605	7,081	12,529		7,081	
Total Refugee and Entrant Assistance State/Replacement Designee Administered Programs			1,185,558	3,778,902		1,441,709	
Refugee and Entrant Assistance Discretionary Grants:							
Targeted Assistance Discretionary	93.576	TART1503	13,712	92,743		51,755	
Total Passed-Through California Department of Social Services:			1,723,739	5,135,309		2,061,729	
Passed-Through California Department of Community Services and Development:							
Community Services Block Grant	93.569	16F-5033	536,508	1,758,773		942,800	
Community Services Block Grant	93.569	17F-2033	402,997	1,758,773		903,708	
Community Services Block Grant	93.569	16F-5550	17,000	32,078		32,078	
Total Community Services Block Grant:			956,505	3,549,624		1,878,586	
Direct Program:							
Head Start/Early Head Start	93.600	09CH010182-01-01	1,301,397	51,057,991		3,686,878	
Head Start/Early Head Start	93.600	09CH010182-02-02	22,017,713	53,996,655		47,703,215	
Head Start - EHS Child Care Partnership	93.600	09HP0021-01	110,587	2,516,160		121,189	
Head Start - EHS Child Care Partnership	93.600	09HP0021-02	1,130,474	1,697,489		1,287,375	
Total Head Start			24,560,171	109,268,295		52,798,657	

The accompanying notes are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA#</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Award Amount</u>		<u>Expenditures</u>	
				<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed-Through Sacramento County Department of Human Assistance:							
TANF Cluster:							
TANF Cluster - DHA One Stop Shared Costs	93.558	CW-205-17	9,176	2,000,000		2,000,000	
TANF Cluster - DHA CAL WORKS OJT/SE (AB 98)	93.558	CW-233-17	167,502	1,654,500		192,633	
TANF Cluster - DHA CAL WORKS OJT/ESE (AB74)	93.558	CW-235-17	699,304	1,275,000		812,902	
Total TANF Cluster:			875,982	4,929,500		3,005,535	
Total U.S. Department of Health and Human Services			28,116,397	123,795,329	2,784,845	60,570,409	
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 33,483,006	\$ 148,333,833	\$ 2,784,845	\$ 76,116,626	\$ 2,376,033

The accompanying notes are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Sacramento Employment and Training Agency (SETA) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Actual expenditures of SETA differ from the amounts presented in this schedule by SETA’s in-kind match of \$16,771,257. Because the Schedule presents only a selected portion of the operations of SETA, it is not intended to and does not present the financial position or changes in net position or fund balance of SETA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - PASS-THROUGH ENTITIES’ IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the schedule of expenditures of federal awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, SETA has determined that no identifying number is assigned for the program or SETA was unable to obtain an identifying number from the pass-through entity.

NOTE 4 - INDIRECT COST RATE

SETA has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 5- SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES AS REQUIRED BY
THE CALIFORNIA DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**

Contract# 16F-5033

	<u>1/1/2016 - 6/30/16</u>	<u>7/1/16 - 12/31/16</u>	<u>Total Audited Costs</u>	<u>Total Reported Expenses</u>	<u>Total Budget</u>
Revenue					
Grant Revenue	\$ 815,973	\$ 942,800	\$ 1,758,773	\$ 1,758,773	\$ 1,758,773
Expenditures					
Administrative Costs					
Salaries & Wages	75,230	66,706	141,936	141,936	141,936
Fringe Benefits	34,395	35,366	69,762	69,762	69,762
Operating Expense and Equipment	458		458	458	458
Other costs	32,610	31,956	64,566	64,566	64,566
Total Admin Costs:	<u>142,693</u>	<u>134,029</u>	<u>276,721</u>	<u>276,721</u>	<u>276,721</u>
Program Costs:					
Salaries & Wages	135,724	163,300	299,024	299,024	299,024
Fringe Benefits	49,814	67,192	117,007	117,007	117,007
Operating Expense and Equipment	1,785	179	1,964	1,964	1,964
Subcontractor Services	387,362	501,019	888,381	888,381	888,381
Other costs	98,595	77,081	175,676	175,676	175,676
Total Program Costs:	<u>673,280</u>	<u>808,772</u>	<u>1,482,052</u>	<u>1,482,052</u>	<u>1,482,052</u>
Total Expenditures	<u>\$ 815,973</u>	<u>\$ 942,800</u>	<u>\$ 1,758,773</u>	<u>\$ 1,758,773</u>	<u>\$ 1,758,773</u>

Contract # 16F-5550

	<u>6/1/16 - 6/30/16</u>	<u>7/1/16 - 5/31/17</u>	<u>Total Audited Costs</u>	<u>Total Reported Expenses</u>	<u>Total Budget</u>
Revenue					
Grant Revenue	\$ -	\$ 32,078	\$ 32,078	\$ 32,078	\$ 32,078
Expenditures					
Program Costs:					
Subcontractor Services		17,000	17,000	17,000	17,000
Other Costs		15,078	15,078	15,078	15,078
Total Program Costs:		<u>32,078</u>	<u>32,078</u>	<u>32,078</u>	<u>32,078</u>
Total Expenditures	<u>\$ -</u>	<u>\$ 32,078</u>	<u>\$ 32,078</u>	<u>\$ 32,078</u>	<u>\$ 32,078</u>

SUPPLEMENTARY INFORMATION
CALIFORNIA DEPARTMENT OF EDUCATION (CDE) SCHEDULES

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	<u>CSPP-6384</u>	<u>CCTR-6190</u>	<u>Total CDE</u>	<u>Non-CDE Programs</u>	<u>Total</u>
Revenue and Support					
Grant Revenue	\$ 2,026,455	\$ 1,175,480	\$ 3,201,935	\$ 71,718,984	\$ 74,920,919
Child Care Food Reimbursements	315,314	97,905	413,219	1,018,228	1,431,447
Intergovernmental	-	-	-	3,317,994	3,317,994
Investment Income	-	-	-	31,793	31,793
Miscellaneous Income	-	-	-	189,033	189,033
In Kind Contributions	-	-	-	16,771,257	16,771,257
Family Fees	24,429	5,167	29,596	-	29,596
Total Revenue and Support	<u>2,366,198</u>	<u>1,278,552</u>	<u>3,644,750</u>	<u>93,047,289</u>	<u>96,692,039</u>
Expenses					
Salaries	1,278,750	633,424	1,912,174	21,511,954	23,424,128
Fringe Benefits	701,508	499,990	1,201,498	12,853,360	14,054,858
Books and Supplies	-	-	-	946,119	946,119
Services and Other Operating Expenses	385,940	145,138	531,078	41,684,510	42,215,588
Equipment Expense	-	-	-	222,121	222,121
Depreciation	-	-	-	194,056	194,056
In kind Contributions Expense	-	-	-	16,771,257	16,771,257
Total Expenses	<u>2,366,198</u>	<u>1,278,552</u>	<u>3,644,750</u>	<u>94,183,377</u>	<u>97,828,127</u>
Change in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,136,088)</u>	<u>\$ (1,136,088)</u>

Note

Salaries for the CCTR-6190 contract have been reduced by \$273,658 due to an Intra-Cost Recovery Adjustment.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF EXPENSES BY STATE CATEGORIES AND
RECONCILIATION TO GAAP EXPENSE REPORTING
YEAR ENDED JUNE 30, 2017**

<u>Expenditures</u>	<u>CSPP-6384</u>	<u>CCTR-6190</u>	<u>Total CDE Contracts</u>
Direct payments to providers			
1000 Certified Salaries	\$ 1,122,192	\$ 806,929	\$ 1,929,121
2000 Classified Salaries	156,558	100,153	256,711
3000 Employee Benefits	701,508	499,990	1,201,498
4000 Books and Supplies	-	-	-
5000 Services and other Operating Expenses	385,940	145,138	531,078
6500 Replacement Equipment	-	-	-
Total expenses claimed for reimbursement	2,366,198	1,552,210	3,918,408
Adjustments to Reconcile to GAAP Expense Reporting:			
Restricted Income: Child Nutrition Program	(315,314)	(97,905)	(413,219)
Restricted Income: Intra Cost Recovery	-	(273,658)	(273,658)
Statement of Activities (GAAP)	\$ 2,050,884	\$ 1,180,647	\$ 3,231,531

Additional Statement:

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENSES
YEAR ENDED JUNE 30, 2017**

	<u>CSPP-6384</u>	<u>CCTR-6190</u>	<u>Total CDE Contracts</u>
Unit Cost Under \$7,500			
Unit Cost Over \$7,500, with prior written CDE approval	\$ -	\$ -	\$ -
Unit Cost Over \$7,500, without prior CDE approval	-	-	-
	<hr/>	<hr/>	<hr/>
Total Equipment Expenses	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF REIMBURSABLE EXPENSES FOR RENOVATIONS AND REPAIRS
YEAR ENDED JUNE 30, 2017**

	CSPP-6384	CCTR-6190	Total CDE Contracts
Unit Cost Under \$10,000 per Item	\$ -	\$ -	\$ -
Unit Cost of \$10,000 or more per item with prior CDE written approval	-	-	-
Unit Cost of \$10,000 or more per item without prior CDE approval	-	-	-
Total	\$ -	\$ -	\$ -

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS
YEAR ENDED JUNE 30, 2017

<u>Expenditures</u>	<u>CSPP-6384</u>	<u>CCTR-6190</u>	<u>Total CDE Contracts</u>
Reimbursable Administrative Costs:			
Classified Salaries	\$ 156,558	\$ 64,681	\$ 221,239
Employee Benefits	75,859	29,091	104,950
Other Operating Expenses	50,338	32,359	82,697
Total	<u>\$ 282,755</u>	<u>\$ 126,131</u>	<u>\$ 408,886</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF REIMBURSABLE START-UP EXPENSES
YEAR ENDED JUNE 30, 2017**

	<u>CSPP-6384</u>	<u>CCTR-6190</u>	<u>Total CDE Contracts</u>
1000 Certificated Salaries	\$ -	\$ -	\$ -
2000 Classified Salaries	-	-	-
3000 Employee Benefits	-	-	-
4000 Books and Supplies	-	-	-
5000 Services and other Operating Expenses	-	-	-
Subtotal	-	-	-
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment	-	-	-
6500 Replace Equipment	-	-	-
Total	\$ -	\$ -	\$ -

Additional Statement:

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF REIMBURSABLE BUDGET IMPASSE CREDIT EXPENSES
YEAR ENDED JUNE 30, 2017**

	<u>CSPP-6384</u>	<u>CCTR-6190</u>	<u>Total CDE Contracts</u>
1000 Certificated Salaries	\$ -	\$ -	\$ -
2000 Classified Salaries	-	-	-
3000 Employee Benefits	-	-	-
4000 Books and Supplies	-	-	-
5000 Services and other Operating Expenses	-	-	-
Subtotal	-	-	-
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment	-	-	-
6500 Replace Equipment	-	-	-
Total	\$ -	\$ -	\$ -

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Sacramento Employment and Training Agency Vendor No. 2173

Fiscal Year Ended: June 30, 2017 Contract No. CSPP-6384

Independent Auditor's Name: Vavrinek, Trine, Day & Co., LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time	33,610		33,610	1.0000	33,610.000
Three-quarters-time	7,145		7,145	0.7500	5,358.750
One-half-time	24,286	(95)	24,191	0.6196	14,988.744
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time			-	1.2000	-
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6196	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6196	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6196	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6196	-
TOTAL DAYS OF ENROLLMENT	65,041	(95)	64,946		53,957.494
DAYS OF OPERATION	245		245		
DAYS OF ATTENDANCE	63,303	(95)	63,208		

NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

SETA adjustment to correct enrollment overclaim identified by the Independent Auditor.

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Sacramento Employment and Training Agency Vendor No. 2173

Fiscal Year End: June 30, 2017 Contract No. CSPP-6384

SECTION III - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED INCOME			
Child Nutrition Programs	\$315,314		\$315,314
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Other (Specify):			0
Subtotal	\$315,314	\$0	\$315,314
Transfer from Reserve - General			0
Transfer from Reserve - Professional Development			0
Subtotal	\$0	\$0	\$0
Family Fees for Certified Children	23,854	575	24,429
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
Other (Specify):			0
TOTAL REVENUE	\$339,168	\$575	\$339,743

SECTION IV - REIMBURSABLE EXPENSES			
<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries	1,122,002	190	1,122,192
2000 Classified Salaries	156,746	(188)	156,558
3000 Employee Benefits	701,459	49	701,508
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	383,023	2,917	385,940
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 0.00% (Rate is Self-Calculating)			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$2,363,230	\$2,968	\$2,366,198
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$280,671	\$2,084	\$282,755

FOR CDE-A&I USE ONLY:

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

YES

NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

YES

NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:
SETA adjusted expenditures to account for year end accruals and adjustments.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box and omit page 4 if there are no supplemental revenues or expenses to report.

**AUDITED ATTENDANCE AND FISCAL REPORT
for General or Migrant Center-Based Programs**

Agency Name: Sacramento Employment and Training Agency Vendor No. 2173

Fiscal Year Ended: June 30, 2017 Contract No. CCTR-6190

Independent Auditor's Name: Vavrinek, Trine, Day & Co., LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus			-	2.006	-
Full-time			-	1.700	-
Three-quarters-time			-	1.275	-
One-half-time			-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus			-	1.652	-
Full-time			-	1.400	-
Three-quarters-time			-	1.050	-
One-half-time			-	0.770	-
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus			-	1.652	-
Full-time	14,978	(228)	14,750	1.400	20,650.000
Three-quarters-time	8,277		8,277	1.050	8,690.850
On-half-time	37		37	0.770	28.490
<i>Three Years and Older</i>					
Full-time-plus			-	1.180	-
Full-time			-	1.000	-
Three-quarters-time			-	0.750	-
One-half-time			-	0.550	-
<i>Exceptional Needs</i>					
Full-time-plus			-	1.416	-
Full-time			-	1.200	-
Three-quarters-time			-	0.900	-
One-half-time			-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.298	-
Full-time			-	1.100	-
Three-quarters-time			-	0.825	-
One-half-time			-	0.605	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.298	-
Full-time			-	1.100	-
Three-quarters-time			-	0.825	-
One-half-time			-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.770	-
Full-time			-	1.500	-
Three-quarters-time			-	1.125	-
One-half-time			-	0.825	-
TOTAL DAYS OF ENROLLMENT	23,292	(228)	23,064		29,369.340
DAYS OF OPERATION	245		245		
DAYS OF ATTENDANCE	23,078	(228)	22,850		

NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

SETA adjustment to correct enrollment overclaim identified by the Independent Auditor.

**AUDITED ATTENDANCE AND FISCAL REPORT
for General or Migrant Center-Based Programs**

Agency Name: Sacramento Employment and Training Agency Vendor No. 2173

Fiscal Year End: June 30, 2017 Contract No. CCTR-6190

SECTION III - REVENUE	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS	AUDIT ADJUSTMENT INCREASE OR	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED INCOME			
Child Nutrition Programs	\$97,905		\$97,905
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify): Intra-Cost Recovery	259,004	14,654	273,658
Subtotal	\$356,909	\$14,654	\$371,563
Transfer from Reserve			0
Family Fees for Certified Children	5,167		5,167
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
TOTAL REVENUE	\$362,076	\$14,654	\$376,730

SECTION IV - REIMBURSABLE EXPENSES

<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries	806,904	25	806,929
2000 Classified Salaries	100,292	(139)	100,153
3000 Employee Benefits	500,000	(10)	499,990
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	143,193	1,945	145,138
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 0.00% (Rate is Self-Calculating)			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$1,550,389	\$1,821	\$1,552,210
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$179,570	(\$53,439)	\$126,131

FOR CDE-A&I USE ONLY:

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

- YES
- NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

- YES
- NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

SETA adjusted expenditures to account for year end accruals and adjustments.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box and omit page 4 if there are no supplemental revenues or expenses to report.

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: Sacramento Employee and Training Agency

Fiscal Year End: June 30, 2017

Vendor No. 2173

Independent Auditor's Name: Vavrinek, Trine, Day & Co., LLP

RESERVE ACCOUNT TYPE (Check One): <input checked="" type="checkbox"/> Center Based <input type="checkbox"/> Resource and Referral <input type="checkbox"/> Alternative Payment	COLUMN A	COLUMN B	COLUMN C
	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT

LAST YEAR:

1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	\$154,453		\$154,453
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	\$0	\$0	\$0
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)			\$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$154,453	\$0	\$154,453

THIS YEAR:

5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$1,734		\$1,734
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
CSPP - General			
Contract No.			\$0
Contract No.			0
CSPP - Professional Development			
Contract No.			\$0
Contract No.			0
Subtotal	\$0	\$0	\$0
Other Contracts			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Subtotal	\$0	\$0	\$0
Total Transferred to Contracts from Reserve Account	\$0	\$0	\$0
7. Ending Balance on June 30, 2017 (column A must agree with this year's CDFS 9530-A, Section IV)	\$156,187	\$0	\$156,187

COMMENTS - If necessary, attach additional sheets to explain adjustments:

COMPLIANCE REPORTS



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

Governing Board
Sacramento Employment and Training Agency
Sacramento, California

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 general fund of the Sacramento Employment and Training Agency (SETA) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SETA's basic financial statements and have issued our report thereon dated November 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SETA'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 SETA's internal control. Accordingly, we do not express an opinion on the effectiveness of SETA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SETA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of the California Department of Education, 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 instances of non-compliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedules of findings and questioned costs as items 2017-001 and 2017-002.

SETA's Response to Findings

SETA's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. SETA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
November 15, 2017



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

Governing Board
Sacramento Employment and Training Agency
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited the Sacramento Employment and Training Agency's (SETA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SETA's major federal programs for the year ended June 30, 2017. SETA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Varrinick, Trine, Day & Co. LLP

Sacramento, California
November 15, 2017

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>No</u>

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>93.600</u>	<u>Head Start</u>
<u>17.258/17.259/17.278</u>	<u>WIOA Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$2,283,499</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

II. FINANCIAL STATEMENT FINDINGS

FINDING 2017-001

CDE PROGRAM ELIGIBILITY

Criteria:

California Department of Education Program Requirements for California State Preschool Program (CSPP) states that in order for the family to be eligible for enrollment in federal and state subsidized child care services, families shall meet at least one requirement in each of the following areas. Eligibility shall be established by 1, 2, 3 or 4 below:

1. Family is current aid recipient;
2. Family is income eligible;
3. Family is homeless; or
4. Family has children who are recipients of protective services, or whose children have been identified as being abused, neglected, or exploited, or at risk of being abused, neglected, or exploited.

Condition Found:

Instance of Non-Compliance – For one (1) of the forty (40) applications selected for review, the child was determined to be eligible to receive CDE, however the family income exceeded State Income Eligibility Guidelines.

Questioned Costs:

We identified no questioned costs in our tests of compliance with this requirement.

Context:

The condition noted above was identified during our review of the grant applications.

Cause:

SETA's procedures for verifying eligibility did not correctly detect the eligibility for this applicant.

Effect:

As a result of the condition noted, there is an increased risk of non-compliance with the eligibility requirements.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Recommendation:

We recommend SETA strengthen its policies and procedures to ensure the applicant's eligibility of recipients is properly determined.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

FINDING 2017-002

CDE PROGRAM REPORTING

Criteria:

California Department of Education Program Requirements for California State Preschool Program (CSPP) states that the certification of eligibility is a formal process the Contractor goes through to collect information and documentation to determine that the family and/or child meets the criteria for receipt of subsidized child care and development services prior to enrollment in the program. Required documents are listed in the Family Data File Documentation section. All information and documentation collected is maintained in the Family Data File (EC 8263(a)(1) and 8263(a)(2) and 5 CCR 18078). The contractor shall designate the staff persons authorized to certify eligibility. Prior to initial enrollment and at the time of recertification, an authorized representative of the contractor shall:

1. Certify each family's/child's eligibility and need for child care and development services after reviewing the completed application for services and documentation contained in the family data file.
2. Issue a Notice of Action, Application for Services or a Notice of Action, Recipient of Services.
3. At the time of certification and recertification, families shall be informed of their responsibility to notify the contractor, within five (5) calendar days, of any changes in family income, family size, or need for child care and development services. (EC 8263(a)(1), 8263(a)(2) and 5 CCR 18078).

Condition Found:

Instance of Non-Compliance – For one (1) of the sixteen (16) samples selected for review, no evidence of Notice of Action was issued to support the full-time (FT) status claimed by SETA.

Questioned Costs:

We identified no questioned costs in our tests of compliance with this requirement.

Context:

The condition noted above was identified during our review of the quarterly reports submitted to CDE.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Cause:

SETA does not have proper procedures in place for verifying that enrollment and attendance information is properly reported to CDE.

Effect:

As a result of the condition noted, there is an increased risk of non-compliance with the reporting requirements.

Recommendation:

We recommend SETA strengthen its policies and procedures to ensure proper reporting of enrollment and attendance information to CDE.

View of Responsible Officials and Planned Corrective Action:

See separate corrective action plan.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

No matters were reported.