



Annual Financial Statements and
Single Audit Report

June 30, 2019

Sacramento Employment
and Training Agency

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION



Independent Auditor's 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, 2019, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the SETA as of June 30, 2019, 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 changes in the total OPEB liability, 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.

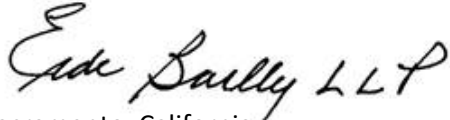
Other Information

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 accompanying 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* (Uniform Guidance) and is 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures 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 are 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 14, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SETA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SETA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sacramento, California

November 14, 2019

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. Please read it in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- As of June 30, 2019, SETA reported a combined fund balance of \$3,386,709, an increase of \$213,337 from last year.
- For the year ended June 30, 2019, SETA reported a net deficit of \$36,100,065 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, 2019, SETA's net position decreased by \$2,009,034 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 12 and 13 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, 2019

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 14-17 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 18-36 of this report.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, SETA reported a net deficit of \$36,100,065 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

	June 30,	
	2019	2018
Assets:		
Current and Other Assets	\$ 12,513,392	\$ 9,347,043
Capital Assets	3,275,221	692,331
Total Assets	<u>15,788,613</u>	<u>10,039,374</u>
Deferred Outflows of Resources	<u>23,068,601</u>	<u>29,421,650</u>
Liabilities:		
Other Liabilities	9,276,926	6,441,440
Non-current Liabilities	60,452,657	63,743,217
Total Liabilities	<u>69,729,583</u>	<u>70,184,657</u>
Deferred Inflows of Resources	<u>5,227,696</u>	<u>3,367,398</u>
Net Position:		
Investment in capital assets	3,275,221	692,331
Unrestricted	(39,375,286)	(35,075,611)
Total Net Position (Deficit)	<u>\$ (36,100,065)</u>	<u>\$ (34,383,280)</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Statement of Activities: SETA's grants and contract activities decreased net position by \$2,009,034. The table below indicates the changes in net position:

	Year ended June 30,	
	2019	2018
Program Revenues:		
Operating Grants and Contributions	<u>\$ 104,873,319</u>	<u>\$ 95,170,170</u>
General Revenues:		
Unrestricted Investment Earnings/(Loss)	<u>62,188</u>	<u>47,295</u>
Total Revenues	<u>104,935,507</u>	<u>95,217,465</u>
Expenses:		
Head Start/Early Head Start	77,292,943	72,671,196
Workforce Development	15,378,834	15,469,321
Other Programs	14,272,764	11,965,830
Total Expenses	<u>106,944,541</u>	<u>100,106,347</u>
Change in net position	<u>(2,009,034)</u>	<u>(4,888,882)</u>
Net Position (Deficit), beginning of year	<u>(34,091,031)</u>	<u>(29,202,149)</u>
Total Net Position (Deficit), end of year	<u>\$ (36,100,065)</u>	<u>\$ (34,091,031)</u>

SETA receives revenue from federal, state, and local grants and contributions 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 and the City of Sacramento. 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, 2019, SETA reported a total fund balance of \$3,386,709, which is an increase of \$213,337 compared to total fund balance of \$3,173,372 at June 30, 2018. 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.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Revenue Analysis: Total revenue received for the year ended June 30, 2019, totaled \$104,935,507. The table below presents the amounts of revenue and the percent of total by source for FYE 2019 and FYE 2018.

Revenues Classified by Source Governmental Funds

Revenues by Source	FYE 2019 <u>Amount</u>	Percent <u>of Total</u>	FYE 2018 <u>Amount</u>	Percent <u>of Total</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
Grant revenue	\$83,241,033	79.33%	\$77,928,209	81.84%	\$5,312,824	6.82%
Child care food revenue	1,470,631	1.40%	1,376,330	1.45%	94,301	6.85%
Intergovernmental	1,031,879	.98%	1,889,508	1.98%	(857,629)	(45.39%)
Investment income (loss)	62,188	0.06%	47,295	0.05%	14,893	31.49%
Miscellaneous income	385,719	0.37%	319,863	0.34%	65,856	20.59%
In-Kind contributions	18,744,057	17.86%	13,656,260	14.34%	5,087,797	37.26%
Total revenues	<u>\$104,935,507</u>	<u>100.00%</u>	<u>\$95,217,465</u>	<u>100.00%</u>	<u>\$9,718,042</u>	<u>10.21%</u>

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

- Grant revenue increased by \$5,312,824 during the fiscal year, primarily due to; a 2.6 percent COLA funding increase received for all Head Start programs; one-time program improvement funds received for the Head Start program; an increased standard reimbursement rate received from California Department of Education (CDE); and expending the full Maximum Reimbursable Amount (MRA) for CDE programs. Additionally, the Office of Refugee Resettlement (ORR) combined Targeted Assistance (TA) funds with Refugee Social Services (RSS) funds and revised the bases of allocation resulting in increased funding to Sacramento County.
- Intergovernmental revenue decreased by \$857,629, primarily due to the decreased funding in local training programs.
- Head Start In-Kind contributions increased by \$5,087,797 during the fiscal year. This increase is due to increased state funds received that benefited the Head Start program as well as an increase in volunteer hours.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

Expense Analysis: Expenditures for the year ended June 30, 2019, totaled \$104,722,170. The table below presents the expenditures summarized by granting source.

Expenditures Classified by Contribution Source Governmental Fund

Expenditures by Source	FYE 2019 <u>Amount</u>	Percent <u>of Total</u>	FYE 2018 <u>Amount</u>	Percent <u>of Total</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
Head Start/Early Head Start	\$ 77,236,179	73.75%	\$69,548,706	73.28%	\$7,687,473	11.05%
Workforce Development	14,295,504	13.65%	14,369,342	15.14%	(73,839)	(.051%)
Refugee Social Services	2,782,240	2.66%	1,848,488	1.95%	933,753	50.51%
Child Care Food Program	1,467,009	1.40%	1,377,721	1.45%	89,288	6.48%
State Department of Education	4,673,298	4.46%	3,766,016	3.97%	907,282	24.09%
Community Services Block Grant	1,783,956	1.70%	1,604,697	1.69%	179,260	11.17%
Targeted Refugee Assistance	558,322	0.53%	622,803	0.66%	(64,481)	(10.35%)
CalWORKS	1,072,644	1.03%	1,072,644	1.13%	-	0.00%
Other	853,018	0.81%	697,779	0.73%	155,237	22.25%
Total expenditures	\$104,722,170	100.0%	\$94,908,196	100.00%	\$9,813,973	10.34%

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

- Head Start/Early Head Start program costs increased due to a 2.6 percent COLA received, one-time program improvement projects, and offsetting expenditures relating to increased In-Kind contributions.
- Refugee Social Services program costs increased due to increased funding received from ORR based on revised allocation methodologies. The majority of RSS expenditures are incurred by subrecipients.
- State Department of Education program costs increased due to an increased standard reimbursement rate and the expansion of CDE programs to additional classrooms in order to earn and expend the Maximum Reimbursable Amount (MRA) of the contract.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

The table below presents the expenditures summarized by type.

Expenditures by Type	Expenditures Classified by Type Governmental Fund			
	FYE 2019 <u>Amount</u>	Percent <u>of Total</u>	FYE 2018 <u>Amount</u>	Percent <u>of Total</u>
Salaries	\$24,981,661	23.86%	\$24,237,859	25.47%
Fringe Benefits	13,522,484	12.91%	12,030,134	12.91%
Space Costs	3,209,265	3.06%	3,180,820	3.34%
Services & Supplies	5,740,389	5.48%	5,411,245	5.69%
Equipment Expense	1,757,975	1.68%	104,620	0.11%
Subrecipient Costs	36,766,339	35.11%	36,287,258	38.13%
In Kind Match	18,744,057	17.90%	13,656,260	14.35%
Total Expenses	<u>\$104,722,170</u>	<u>100.00%</u>	<u>\$94,908,196</u>	<u>100.00%</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 of \$87,584,549 and the final budget. The revenues of \$86,121,201 were less than the original budget by \$1,393,099. The expenditures of \$85,978,112 were less than the original budget by \$1,606,437. Expenditures and revenues were less than budgeted due to grant funding periods crossing over multiple fiscal years allowing SETA to carry forward the remaining balances of the grant into the next fiscal year.

The Head Start In-Kind match is not included in the agency budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: SETA's investment in capital assets as of June 30, 2019, amounted to \$3,275,221 (net of accumulated depreciation). The \$2,582,890 increase from the prior year is due to the purchase of modular building, playground structures, and vehicles for the Head Start program as approved through the US Department of Health and Human Services.

Debt Administration: SETA has no long-term debt obligation.

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.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019**

ASSETS

Current Assets:

Cash and Investments	\$ 2,703,725
Accounts Receivable	8,983,054
Prepaid Expenses	187,882
Restricted Cash and Investments (CDE)	638,731
Total Current Assets	12,513,392

Non-Current Assets:

Capital Assets, net of depreciation	3,275,221
Total Assets	15,788,613

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	22,945,921
Deferred outflows related to OPEB	122,680
Total Deferred Outflows of Resources	23,068,601

LIABILITIES

Current Liabilities:

Accounts Payable	6,863,432
Accrued Salaries	1,082,037
Accrued Liabilities	3,505
Compensated Absences - Current Portion	150,243
Unearned Revenue	1,177,709
Total Current Liabilities	9,276,926

Non-current liabilities

Compensated Absences	1,849,283
OPEB Liability	2,338,834
Net Pension Liability	56,264,540
Total Non-current Liabilities	60,452,657
Total Liabilities	69,729,583

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	5,082,932
Deferred inflows related to OPEB	144,764
Total Deferred Inflows of Resources	5,227,696

NET POSITION

Investment in Capital Assets	3,275,221
Unrestricted	(39,375,286)
Total Net Position (Deficit)	\$ (36,100,065)

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, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u> <u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position Governmental Activities</u>
Head Start/Early Head Start	\$ 77,292,943	\$ 77,335,060	\$ 42,117
Workforce Development	15,378,834	14,308,575	(1,070,259)
Refugee Social Services	2,843,139	2,783,050	(60,089)
Child Care Food Programs	1,594,938	1,470,631	(124,307)
State Department of Education	5,268,747	4,702,056	(566,691)
Community Services Block Grant	1,888,343	1,782,060	(106,283)
Targeted Refugee Assistance	570,500	558,681	(11,819)
CalWORKS	1,167,413	1,072,644	(94,769)
Other	939,684	860,562	(79,122)
Total Governmental Activities	<u>\$ 106,944,541</u>	<u>\$ 104,873,319</u>	<u>(2,071,222)</u>
General Revenue:			
Unrestricted Investment Earnings/(Loss)			<u>62,188</u>
Change in net position			(2,009,034)
Net position, beginning of year			<u>(34,091,031)</u>
Net position, end of year			<u>\$ (36,100,065)</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, 2019**

ASSETS

Cash and Investments	\$ 2,703,725
Accounts Receivable	8,983,054
Prepaid Expenses	187,882
Restricted Cash and Investments	638,731
Total Assets	<u>\$ 12,513,392</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ 6,863,432
Accrued Salaries	1,082,037
Accrued Expenditures	3,505
Unearned Revenue	1,177,709
Total Liabilities	<u>9,126,683</u>

Fund Balance

Nonspendable	187,882
Assigned	1,999,526
Unassigned	1,199,301
Total Fund Balance	<u>3,386,709</u>
Total Liabilities and Fund Balance	<u>\$ 12,513,392</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, 2019**

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

Total Fund Balance, Governmental Fund	\$	3,386,709
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Amount by which cost of capital assets exceeds accumulated depreciation:</p>		
Historical Cost of Capital Assets:	\$	14,502,184
Accumulated Depreciation:		<u>(11,226,963)</u>
		<u>3,275,221</u>
<p>Long-term Liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Compensation Absences		1,999,526
OPEB Liability		2,338,834
Net Pension Liability		<u>56,264,540</u>
		<u>(60,602,900)</u>
<p>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.</p>		
Deferred outflows of resources related to pension		22,945,921
Deferred inflows of resources related to pension		<u>(5,082,932)</u>
		17,862,989
<p>Deferred outflows and inflows of resources relating to OPEB: In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.</p>		
Deferred outflows of resources related to OPEB		122,680
Deferred inflows of resources related to OPEB		<u>(144,764)</u>
		<u>(22,084)</u>
Total Net Position (Deficit), Governmental Activities	\$	<u><u>(36,100,065)</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, 2019**

REVENUES

Grant Revenue	\$ 83,241,033
Childcare Food Reimbursements	1,470,631
Intergovernmental Revenue	1,031,879
Interest Income	62,188
Miscellaneous Income	385,719
In-Kind Match	18,744,057
Total Revenues	<u>104,935,507</u>

EXPENDITURES

Current:

Head Start/Early Head Start	77,236,179
Workforce Development	14,295,504
Refugee Social Services	2,782,240
Child Care Food Programs	1,467,009
State Department of Education	4,673,298
Community Services Block Grant	1,783,956
Targeted Refugee Assistance	558,322
CalWORKS	1,072,644
Other	853,018
Total Expenditures	<u>104,722,170</u>

Net Change in Fund Balance 213,337

Fund Balance - Beginning of Year 3,173,372

Fund Balance - End of Year \$ 3,386,709

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, 2019**

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

Net change in Fund Balance, Governmental Fund	\$	213,337
<p>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.</p> <p>Amount by which depreciation expense exceeds capital outlay:</p>		
Amount of Capital Outlay	\$	2,938,028
Depreciation Expense		<u>(355,138)</u>
		<u>2,582,890</u>
<p>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.</p>		
		(143,089)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in Governmental Funds.</p>		
Change in OPEB Liability		(105,918)
Change in Net Pension Liability		<u>(4,556,254)</u>
		<u>(4,662,172)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(2,009,034)</u></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, 2019

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, 2019

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, 2019.

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.

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	20-30
Machinery and Equipment	5
Computer Software	3-10

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Benefits provided by SETA's OPEB plan after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the OPEB liability in the next fiscal year.

Additional factors involved in the calculation of SETA's OPEB expense and OPEB liability include the changes in assumptions. This factor is recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 8 for further details related to these OPEB 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.

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.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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.

Restricted Net Position – This category represents net position of SETA with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) laws through constitutional provision or enabling legislation.

Unrestricted Net Position – This category represents net position of SETA that does not meet the definition of investment in capital assets or restricted.

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, 2019, SETA has \$187,882 for prepaid expenditures that are considered nonspendable.

Restricted Fund Balance – This category presents those portions of fund balance which are restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which SETA cannot unilaterally alter. At June 30, 2019, SETA has \$638,731 of restricted cash and investments in accordance with an agreement with the State. The agreement allows the establishment of a restricted account that can be used for reimbursable expenses for certified children for programs funded under contract with the California Department of Education. When the expenditures exceed the contracted maximum reimbursable amount (MRA) for a given year, SETA is allowed to utilize the reserve funds to cover the excess expenditures.

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 or committed. SETA management has the authority to assign portions of fund balance. At June 30, 2019, SETA has \$1,999,526 assigned to cover the outstanding compensated absences balance.

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

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 determined that the requirements of the Statement had no material impact to the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities government should include when disclosing information related to debt. This Statement is effective for reporting periods beginning after June 15, 2018. SETA has not determined the effect of this Statement. SETA has determined that the requirements of the Statement had no material impact to the financial statements.

Future Governmental Accounting Standards Board (GASB) Pronouncements

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. 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.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019. SETA has not determined the effect of this Statement.

GASB Statement No. 90 – In June 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The objective of these Statements are to improve the consistency and comparability of a reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018. SETA has not determined the effect on the financial statements.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. SETA has not determined the effect on the financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Cash and investments	\$ 2,703,725
Restricted cash and investments	638,731
Total Cash and Investments	<u>\$ 3,342,456</u>

Cash in Sacramento 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 Treasury’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 SETA in accordance with an agreement with the State.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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	\$65M/account	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, 2019, the weighted average maturity of the investments contained in the Treasury investment pool is approximately 320 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, 2019, SETA's funds were invested in the County of Sacramento Investment Pool.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 - CASH AND INVESTMENTS (Continued)

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 judgment 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, 2019 of \$3,190,956 is an uncategorized input, not defined as a level 1, level 2 or level 3 input.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2019:

	General Fund
Due from Federal government	\$ 8,258,771
Due from State government	327,223
Miscellaneous receivables	397,060
Totals	\$ 8,983,054

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 66,308	\$ -	\$ -	\$ 66,308
Capital assets, being depreciated:				
Building	297,910	1,996,797	-	2,294,707
Machinery and equipment	11,350,677	941,231	(150,739)	12,141,169
Total Capital Assets, Being Depreciated	11,648,587	2,938,028	(150,739)	14,435,876
Less accumulated depreciation for:				
Building	(149,782)	(43,711)	-	(193,493)
Machinery and equipment	(10,872,782)	(311,427)	150,739	(11,033,470)
Total Accumulated Depreciation	(11,022,564)	(355,138)	150,739	(11,226,963)
Total Capital Assets, Being Depreciated, Net	626,023	2,582,890	-	3,208,913
Governmental Activities Capital Assets, Net	\$ 692,331	\$ 2,582,890	\$ -	\$ 3,275,221

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

For the year ended June 30, 2019, depreciation expense was charged to programs/functions as follows:

<u>Governmental activities:</u>	
Workforce Development	\$ 212,761
Head Start/Early Head Start	84,124
Community Services Block Grant	19,715
Child Care Food Program	4,934
Targeted Refugee Assistance	2,707
Refugee Social Services	12,704
Other	18,193
Total Depreciation Expense	<u><u>\$ 355,138</u></u>

NOTE 5 - COMPENSATED ABSENCES

Compensated absences liability activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>July 1, 2019</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 1,856,437</u>	<u>\$ 1,750,830</u>	<u>\$ 1,607,741</u>	<u>\$ 1,999,526</u>	<u>\$ 150,243</u>

NOTE 6 - OPERATING LEASES

SETA leases certain office space under noncancellable operating lease agreements. Total lease payments for the year were \$2,806,891. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u>
2020	\$ 2,669,665
2021	2,385,916
2022	1,997,186
2023	1,966,778
2024	1,905,556
2025 - 2029	4,611,614
2030 - 2034	67,069
Total	<u><u>\$ 15,603,784</u></u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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.

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, 2019, 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).

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

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, 2019, were as follows:

	Tier I	Tier III	Tier V (PEPRA)
Employer	26.27%	27.95%	22.19%
Employee	3.18% of first \$161 of biweekly compensation, plus 4.78% of biweekly compensation over \$161	3.18% of first \$161 of biweekly compensation, plus 4.78% of biweekly compensation over \$161	7.93% of biweekly compensation

Total employer contributions to SCERS from SETA was \$7,294,346 for the year ended June 30, 2019.

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

As of June 30, 2019, SETA reported a liability of \$56,264,540 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was by an actuarial valuation as of June 30, 2018, 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 5.154 percent. At June 30, 2018, SETA's proportionate share of the total SCERS net pension liability (both Safety and Miscellaneous membership classes) was 2.869 percent, which was a decrease of 0.178 percent from its proportion measured as of June 30, 2017.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

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

For the fiscal year ended June 30, 2019, SETA recognized pension expense of \$11,871,533. At June 30, 2019, 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
SETA contributions subsequent to measurement date	\$ 7,294,346	\$ -
Differences between expected and actual experience	12,422	1,243,213
Changes of assumptions	13,866,375	-
Net differences between projected and actual earnings on pension plan investments	-	3,822,590
Changes in proportion and differences between employer's contributions and proportionate share of contributions	1,772,778	17,129
Total	\$ 22,945,921	\$ 5,082,932

The \$7,294,346 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, 2020. 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,	
2020	\$ 7,886,274
2021	5,056,300
2022	(926,474)
2023	(1,447,457)
	\$ 10,568,643

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2018 (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	7.0%
Inflation	3.00%
Salary Increases	4.5% to 10.75% (1)
Investment Rate of Return	7.0% (2)
Mortality:	
Healthy	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional scale MP-2016 set forward one year for males and no age adjustment for females
Disabled	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional scale MP-2016 set forward seven years for males and set forward eight 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2016.

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.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

Actuarial Assumptions

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 Large Cap Equity	17.00%	5.61%
U.S. Small Cap Equity	4.00%	6.37%
International Developed Equity	16.00%	6.96%
Emerging Markets Equity	4.00%	9.28%
High Yield Bonds	1.00%	3.65%
Bank Loans	1.00%	2.96%
Growth Oriented Absolute Return	3.00%	4.97%
Private Equity	9.00%	8.70%
Private Credit/Private Debt	4.00%	5.10%
Core/Core Plus Bonds	10.00%	1.06%
Global Bonds	3.00%	0.07%
U.S. Treasury	5.00%	0.16%
Diversifying Absolute Return	7.00%	3.04%
Real Estate	7.00%	4.37%
Real Assets	7.00%	7.74%
Commodities	2.00%	3.76%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 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, 2019**

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

Sensitivity of SETA’s Proportionate Share of the 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 7.00 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 (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SETA's Proportionate Share of Net Pension Liability	\$ 101,296,201	\$ 56,264,540	\$ 19,480,704

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’s defined benefit OPEB plan is a single-employer defined benefit OPEB plan administered by SETA. The 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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.

The amount of any dental subsidy/offset payments made available to annuitants is set by the SETA Governing Board. Neither SETA nor the 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, 2019**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided

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 2019. 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. As of June 30, 2019, the amount of benefits paid was \$122,680.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	41
Inactive employees entitled to but not yet receiving benefit payments	285
Active employees	502
Totals participants covered by OPEB Plan	828

Total OPEB Liability

As of June 30, 2019, SETA reported a liability of \$2,338,834 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

For the measurement period ended June 30, 2018, the total OPEB 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:	
Actuarial Valuation Date	June 30, 2017
Discount Rate	3.87%
Inflation	2.75%
Salary Increases	3.00%
Mortality, Retirement, Diability, Termination	SCERS 2013-2016 Experience Study
Merit Payroll Increases	
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2017
Healthcare Cost Trend Rate	7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87 percent for the Plan. The discount rate was based on the 20-Year General Obligation Bond Buyer Bond Index.

Changes of Assumptions: For the June 30, 2018 measurement period, the discount rate increased from 3.58 percent to 3.87 percent.

Changes in the Total OPEB Liability

The changes in the total OPEB liability, measured as of June 30, 2018 is as follows:

	Total OPEB Liability
Balance at June 30, 2018	\$ 2,235,000
Changes for the year:	
Service Cost	171,953
Interest	84,272
Assumption changes	(46,391)
Benefit payments	(106,000)
Net Changes	103,834
Balance at June 30, 2019	\$ 2,338,834

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of SETA as of the measurement date, calculated using the discount rate of 3.87 percent, as well as what SETA's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.87 percent) or 1 percentage-point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 2,503,824	\$ 2,338,834	\$ 2,182,421

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of SETA as of the measurement date, calculated using the current healthcare trend rate of 7.5 percent, as well as what SETA's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5% decreasing to 3.0% in 2076)	Current Trend (7.5% decreasing to 4.0% in 2076)	1% Increase (8.5% decreasing to 5.0% in 2076)
Total OPEB Liability	\$ 2,098,894	\$ 2,338,834	\$ 2,620,741

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, SETA recognized OPEB expense of \$228,598. At June 30, 2019, SETA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefits provided subsequent to measurement date	\$ 122,680	\$ -
Changes of assumptions	-	144,764
Total	\$ 122,680	\$ 144,764

The \$122,680 reported as deferred outflows of resources related to benefits provided subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	
2020	\$ (27,627)
2021	(27,627)
2022	(27,627)
2023	(27,627)
2024	(27,627)
Thereafter	(6,629)
	\$ (144,764)

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 \$1,072,644 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 2019, the County charged fees of \$135,191 for these services.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 (in-kind match) was \$18,744,057, 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, director's and officer's 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.

For the year ended June 30, 2019, SETA did not experience any loss exceeding insurance coverage.

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, 2019**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Grant revenue	\$ 79,824,540	\$ 79,824,540	\$ 83,241,033	\$ 3,416,493
Childcare food reimbursements	1,485,000	1,485,000	1,470,631	(14,369)
Intergovernmental revenue	5,772,469	5,772,469	1,031,879	(4,740,590)
Interest income	-	-	62,188	62,188
Miscellaneous income	502,539	502,539	385,719	(116,820)
Total Revenues	87,584,548	87,584,548	86,191,450	(1,393,098)
Expenditures:				
Head Start/Early Head Start	59,526,014	59,526,014	58,492,122	1,033,892
Workforce Development	14,436,248	14,436,248	14,295,504	140,744
Refugee Social Services	3,065,797	3,065,797	2,782,240	283,557
Child Care Food Programs	1,485,000	1,485,000	1,467,009	17,991
State Department of Education	4,179,829	4,179,829	4,673,298	(493,469)
Community Services Block Grant	1,888,797	1,888,797	1,783,956	104,841
Targeted Refugee Assistance	1,157,685	1,157,685	558,322	599,363
CalWORKS	1,072,640	1,072,640	1,072,644	(4)
Other	772,538	772,538	853,018	(80,480)
Total Expenditures	87,584,548	87,584,548	85,978,113	1,606,435
Change in Fund Balance	\$ -	\$ -	213,337	\$ 213,337
Fund Balance, Beginning of Year			3,173,372	
Fund Balance, End of Year			<u>\$ 3,386,709</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	\$ 58,492,122
In-Kind Contributions Expended	<u>18,744,057</u>
Head Start/Early Head Start - GAAP Basis	<u>\$ 77,236,179</u>
Total Revenues - Budgetary Basis	\$ 86,191,450
In-Kind Contributions Received	<u>18,744,057</u>
Head Start/Early Head Start - GAAP Basis	<u>\$ 104,935,507</u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

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

	2019	2018	2017	2016	2015
SETA's proportion of the net pension liability	2.869%	3.047%	2.868%	2.488%	2.303%
SETA's proportionate share of the net pension liability	\$ 56,264,540	\$ 59,919,549	\$ 50,343,812	\$ 28,610,225	\$ 17,754,848
SETA's covered payroll	\$ 22,960,285	\$ 22,471,328	\$ 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	245.05%	266.65%	219.25%	126.14%	77.89%
Plan fiduciary net position as a percentage of the total pension liability	84.67%	82.52%	83.21%	89.46%	93.16%
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule:

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

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

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 7,294,346	\$ 6,106,067	\$ 6,240,331	\$ 6,349,323	\$ 6,722,946
Contributions in relation to the contractually required contributions	<u>7,294,346</u>	<u>6,106,067</u>	<u>6,240,331</u>	<u>6,349,323</u>	<u>6,722,946</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SETA's covered payroll	\$ 23,851,731	\$ 22,960,285	\$ 22,471,328	\$ 22,961,773	\$ 22,681,888
Contributions as a percentage of covered payroll	30.58%	26.59%	27.77%	27.65%	29.64%

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
LAST 10 YEARS*

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service Cost	\$ 171,953	\$ 177,000
Interest	84,272	67,000
Assumption changes	(46,391)	(147,000)
Benefit payments	<u>(106,000)</u>	<u>(113,000)</u>
Net change in total OPEB liability	103,834	(16,000)
Total OPEB liability - beginning	<u>2,235,000</u>	<u>2,251,000</u>
Total OPEB liability - ending	<u>\$ 2,338,834</u>	<u>\$ 2,235,000</u>
Covered-employee payroll	\$ 22,960,285	\$ 24,315,060
Total OPEB liability as a percentage of their covered-employee payroll	10.19%	9.19%
Measurement date	June 30, 2018	June 30, 2017

Notes to Schedule:

*Fiscal year 2018 was the first year of implementation, therefore, only two years are shown.

SUPPLEMENTARY INFORMATION

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

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 (CACFP)	10.558	34-1826-1-J	\$ -	\$ 1,459,706	\$ -	\$ 1,470,631	\$ -	
Total U.S. Department of Agriculture			-	1,459,706	-	1,470,631	-	
U.S. DEPARTMENT OF LABOR								
Passed-Through California Employment Development Department:								
WIOA Cluster:								
WIOA Adult Program	17.258	K8106655-500		1,711,860		405,744		
WIOA Adult Program	17.258	K9110045-201		575,091		575,091		
WIOA Adult Program	17.258	K9110045-202	1,425,553	3,065,866		3,065,866		
WIOA Adult Program	17.258	K9110045-500		1,641,124		1,263,614		
WIOA Adult Program	17.258	K7102059-1092		500,000		321,428		
WIOA Adult Program - Slingshot-Additional	17.258	K7102059-1105	15,789	66,000		20,019		
WIOA Adult Program - Disability Employment Accelerator	17.258	K7102059-1103	16,500	302,529		186,100		
WIOA Adult Program - Regional Organizers	17.258	K7102059-1089	11,553	85,718		14,995		
WIOA Adult Program - Regional Training Coordinator	17.258	K7102059-1087		200,000		33,426		
WIOA Adult Program - SlingShot Regional Plan Implementation	17.258	K8106655-1122	322,135	814,000		666,548		
WIOA Adult Program - CalJobs VOS Enhancement	17.258	K7102059-1090		10,000		10,000		
WIOA Adult Program - ELL Navigator	17.258	K7102059-1095	198,925	493,297		259,843		
WIOA Adult Program - Construction Pre-Apprenticeship Pipeline	17.258	K8106655-1129		250,000		215,476		
WIOA Adult Program - Work Exp Ed At-Risk Youth	17.258	K7102059-1101		400,000		84,052		
WIOA Adult Program - SlingShot Regional Plan Implementation	17.258	K9110045-1145		250,000		2,630		
Total WIOA Adult Program				1,990,455	10,365,485	-	7,124,832	-
WIOA Youth Activities	17.259	K8106655-301		3,714,085		18,906		
WIOA Youth Activities	17.259	K9110045-301	2,132,993	3,743,452		3,743,452		
WIOA Youth Activities	17.259	K9110045-302		11,449		11,449		
WIOA Youth Activities	17.259	AA011026-301		3,280,596		2,526		
Total WIOA Youth Activities				2,132,993	10,749,582	-	3,776,333	-
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K8106655-541	4,941	459,626		65,576		
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K9110045-540		63,562		63,562		
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K9110045-541	62,839	315,799		315,799		
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K8106655-293		74,829		3,313		
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K9110045-292		17,928		17,928		
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K9110045-293		70,527		70,527		
WIOA Dislocated Worker Formula Grants - Title I Dislocated Worker	17.278	K8106655-502		1,068,000		167,379		
WIOA Dislocated Worker Formula Grants - Title I Dislocated Worker	17.278	K9110045-501		571,741		571,741		
WIOA Dislocated Worker Formula Grants - Title I Dislocated Worker	17.278	K9110045-502	475,526	1,077,538		908,359		
Total WIOA Dislocated Worker Formula Grants				543,306	3,719,550	-	2,184,184	-
Total WIOA Cluster				4,666,754	24,834,617	-	13,085,349	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants - Storm NDWG 2018	17.277	K9110045-1091	197,934	350,000		330,188		
WIOA National Dislocated Worker Grants / WIA National Emergency Grants - WIOA TET NDWG	17.277	K9110045-1136	112,479	1,000,000		255,248		
Total WIOA National Dislocated Worker Grants / WIA National Emergency Grants			310,413	1,350,000	-	585,436	-	
Reentry Projects (RP) - WIOA RETAIN Demonstration Project	17.270	K9110045-1146		150,000		138		

The accompanying notes are an integral part of this schedule.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

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, Continued							
Passed-Through California Employment Development Department:							
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207	K9111209-1088		8,000		1,617	
Total Passed-Through California Employment Development Department			4,977,167	26,342,617	-	13,672,540	-
Total U.S. Department of Labor			4,977,167	26,342,617	-	13,672,540	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed-Through California Department of Education:							
CCDF Cluster:							
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CSPP-8409		229,200	2,492,929	229,200	2,492,929
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-8187		383,354	1,281,998	383,354	1,281,998
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund			-	612,554	3,774,927	612,554	3,774,927
Child Care and Development Block Grant	93.575	CSPP-8409		105,270		105,270	
Child Care and Development Block Grant	93.575	CCTR-8187		176,225		176,225	
Total Child Care and Development Block Grant			-	281,495	-	281,495	-
Total CCDF Cluster:			-	894,049	3,774,927	894,049	3,774,927
Total Passed-Through California Department of Education			-	894,049	3,774,927	894,049	3,774,927
Passed-Through California Department of Social Services:							
Refugee Targeted Assistance Program							
Refugee Targeted Assistance Program	93.584	TAFO1704	471,175	770,247		558,681	
Total Refugee Targeted Assistance Program			471,175	770,247	-	558,681	-
Refugee and Entrant Assistance—State-Administered Programs - Refugee Social Services	93.566	RESS1704	1,068,602	1,989,750		1,340,963	
Refugee and Entrant Assistance—State-Administered Programs - Refugee Social Services	93.566	RESS1806	1,259,965	5,113,478		1,424,309	
Refugee and Entrant Assistance—State-Administered Programs - Older Refugee Discretionary	93.566	ORSA1704	4,202	13,036		4,202	
Refugee and Entrant Assistance—State-Administered Programs - Older Refugee Discretionary	93.566	ORSA1804	4,742	25,970		13,576	
Total Refugee and Entrant Assistance—State-Administered Programs			2,337,511	7,142,234	-	2,783,050	-
Total Passed-Through California Department of Social Services			2,808,686	7,912,481	-	3,341,731	-
Passed-Through California Department of Community Services and Development:							
Community Service Block Grant	93.569	18F-5033	541,317	1,787,631		1,038,075	
Community Service Block Grant	93.569	19F-4033	368,513	1,767,288		708,986	
Community Service Block Grant - Discretionary	93.569	18F-5033		35,000		35,000	
Total Community Service Block Grant			909,830	3,589,919	-	1,782,061	-
Total Passed-Through California Department of Community Services and Development:			909,830	3,589,919	-	1,782,061	-
Direct Program:							
Head Start - Early Head Start	93.600	09CH010182-03-01	1,194,809	54,340,900		3,617,874	
Head Start - Early Head Start	93.600	09CH010182-04-04	24,510,358	59,015,579		53,546,170	
Head Start - Early Head Start Child Care Partnership	93.600	09HP0021-03-00	36,180	1,288,288		105,111	
Head Start - Early Head Start Child Care Partnership	93.600	09HP0021-04-01	733,658	2,048,781		1,321,848	
Total Head Start			26,475,005	116,693,548	-	58,591,003	-

The accompanying notes are an integral part of this schedule.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<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, Continued							
Passed-Through Sacramento County Department of Human Assistance							
TANF Cluster:							
Temporary Assistance For Needy Families (TANF) - DHA One Stop Shared Costs	93.558	CW-205-19		1,072,644		1,072,644	
Total TANF Cluster			-	1,072,644	-	1,072,644	-
Total U.S. Department of Health and Human Services			30,200,775	130,162,641	3,774,927	65,681,488	3,774,927
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 35,177,942	\$ 157,964,964	\$ 3,774,927	\$ 80,824,659	\$ 3,774,927

The accompanying notes are an integral part of this schedule.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal and state award activity of Sacramento Employment and Training Agency (SETA) under programs of the federal and state government for the year ended June 30, 2019. 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 \$18,744,057. 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, 2019**

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

CONTRACT #18F-5033

	<u>1/1/18-6/30/18</u>	<u>7/1/18-3/31/19</u>	<u>Total Audited Costs</u>	<u>Total Reported Expenses</u>	<u>Total Budget</u>
Revenue					
Grant Revenue	<u>\$ 749,556</u>	<u>\$ 1,073,075</u>	<u>\$ 1,822,631</u>	<u>\$ 1,822,631</u>	<u>\$ 1,822,631</u>
Expenditures					
Administrative Costs:					
Salaries & Wages	91,480	71,996	163,476	163,476	148,951
Fringe Benefits	40,345	46,515	86,860	86,860	87,304
Operating Expense	457	119	576	576	524
Out of State Travel	-	-	-	-	-
Subcontractor Services	-	-	-	-	-
Other costs	<u>27,662</u>	<u>43,597</u>	<u>71,260</u>	<u>71,260</u>	<u>64,823</u>
Total Admin Costs:	<u>159,944</u>	<u>162,228</u>	<u>322,172</u>	<u>322,172</u>	<u>301,602</u>
Program Costs:					
Salaries & Wages	148,342	137,203	285,545	285,545	259,586
Fringe Benefits	60,603	73,911	134,514	134,514	122,285
Operating Expense	2,030	1,820	3,850	3,850	3,500
Equipment	-	-	-	-	2,574
Out of State Travel	-	2,000	2,000	2,000	2,000
Subcontractor Services	308,239	541,317	849,556	849,556	914,355
Other costs	<u>70,398</u>	<u>154,597</u>	<u>224,995</u>	<u>224,995</u>	<u>216,729</u>
Total Program Costs:	<u>589,612</u>	<u>910,847</u>	<u>1,500,459</u>	<u>1,500,459</u>	<u>1,521,029</u>
Total Expenditures	<u>\$ 749,556</u>	<u>\$ 1,073,075</u>	<u>\$ 1,822,631</u>	<u>\$ 1,822,631</u>	<u>\$ 1,822,631</u>

SUPPLEMENTARY INFORMATION
CALIFORNIA DEPARTMENT OF EDUCATION (CDE) SCHEDULES

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>CSPP-8409</u>	<u>CCTR-8171</u>	<u>Total CDE</u>	<u>Non-CDE Programs</u>	<u>Total</u>
Revenue and Support					
Grant Revenue	\$ 2,827,399	\$ 1,841,577	\$ 4,668,976	\$ 78,572,057	\$ 83,241,033
Child Care Food Reimbursements	400,695	112,418	513,113	957,518	1,470,631
Intergovernmental	-	-	-	1,031,879	1,031,879
Investment Income	-	-	-	62,188	62,188
Miscellaneous Income	-	-	-	352,639	352,639
In Kind Contributions	-	-	-	18,744,057	18,744,057
Family Fees	23,457	9,623	33,080	-	33,080
Total Revenue and Support	<u>3,251,551</u>	<u>1,963,618</u>	<u>5,215,169</u>	<u>99,720,338</u>	<u>104,935,507</u>
 Expenses					
Salaries	1,726,396	1,147,205	2,873,601	22,108,059	24,981,660
Fringe Benefits	938,187	619,399	1,557,586	12,107,988	13,665,574
Books and Supplies	-	-	-	973,043	973,043
Services and Other Operating Expenses	586,968	197,014	783,982	45,683,112	46,467,094
Equipment Expense	-	-	-	1,757,975	1,757,975
Depreciation	-	-	-	355,138	355,138
In kind Contributions Expense	-	-	-	18,744,057	18,744,057
Total Expenses	<u>3,251,551</u>	<u>1,963,618</u>	<u>5,215,169</u>	<u>101,729,372</u>	<u>106,944,541</u>
 Change in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,009,034)</u>	<u>\$ (2,009,034)</u>

Note

Salaries and Fringe for CSPP-8409 have been reduced by \$172,475 due to an Intra-Cost Recovery Adjustment
 Salaries and Fringe for CCTR-8171 have been reduced by \$50,308 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, 2019**

<u>Expenditures</u>	<u>CSPP-8409</u>	<u>CCTR-8171</u>	<u>Total CDE Contracts</u>
Direct payments to providers			
1000 Certified Salaries	\$ 1,525,510	\$ 1,057,799	\$ 2,583,309
2000 Classified Salaries	200,886	89,406	290,292
3000 Employee Benefits	938,187	619,399	1,557,586
4000 Books and Supplies	-	-	-
5000 Services and other Operating Expenses	586,968	197,014	783,982
6500 Replacement Equipment	-	-	-
	<u>3,251,551</u>	<u>1,963,618</u>	<u>5,215,169</u>
Total expenses claimed for reimbursement			
Adjustments to Reconcile to GAAP Expense Reporting:			
Restricted Income: Child Nutrition Program	<u>(400,695)</u>	<u>(112,418)</u>	<u>(513,113)</u>
Statement of Activities (GAAP)	<u><u>\$ 2,850,856</u></u>	<u><u>\$ 1,851,200</u></u>	<u><u>\$ 4,702,056</u></u>

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, 2019

	<u>CSPP-8409</u>	<u>CCTR-8171</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	<u>-</u>	<u>-</u>	<u>-</u>
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, 2019**

	<u>CSPP-8409</u>	<u>CCTR-8171</u>	<u>Total CDE Contracts</u>
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	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Expenditures</u>	<u>CSPP-8409</u>	<u>CCTR-8171</u>	<u>Total CDE Contracts</u>
Reimbursable Administrative Costs:			
Classified Salaries	\$ 200,886	\$ 89,406	\$ 290,292
Employee Benefits	104,595	47,483	152,078
Other Operating Expenses	<u>55,186</u>	<u>24,231</u>	<u>79,417</u>
Total	<u><u>\$ 360,667</u></u>	<u><u>\$ 161,120</u></u>	<u><u>\$ 521,787</u></u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF REIMBURSABLE START-UP EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>CSPP-8409</u>	<u>CCTR-8171</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	<u>-</u>	<u>-</u>	<u>-</u>
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment	-	-	-
6500 Replace Equipment	-	-	-
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF REIMBURSABLE BUDGET IMPASSE CREDIT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>CSPP-8409</u>	<u>CCTR-8171</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	<u>-</u>	<u>-</u>	<u>-</u>
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment	-	-	-
6500 Replace Equipment	-	-	-
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time	28,961		28,961	1.0000	28,961
Three Years and Older Three-quarters-time	3,550		3,550	0.7500	2,662.5
Three Years and Older One-half-time	46,443		46,443	0.6193	28,762.1499
Exceptional Needs Full-time-plus				1.6166	0
Exceptional Needs Full-time				1.3700	0
Exceptional Needs Three-quarters-time				1.0275	0
Exceptional Needs One-half-time				0.6193	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0

Fiscal Year Ending	June 30, 2019	
Contract Number	CSPP	8409
Vendor Code	2173	

Full Name of Contractor Sacramento Employment and Training Agency

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				2.0237	0
Severely Disabled Full-time				1.7150	0
Severely Disabled Three-quarters-time				1.2863	0
Severely Disabled One-half-time				0.6193	0
TOTAL DAYS OF ENROLLMENT	78,954		78,954	N/A	60,385.6499
DAYS OF OPERATION	240		240	N/A	N/A
DAYS OF ATTENDANCE	77,519		77,519	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3-5) and continue to Revenue Section on page 6.

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Toddlers (18 up to 36 months) Full-time-plus				1.8880	0
Toddlers (18 up to 36 months) Full-time				1.6000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.2000	0
Toddlers (18 up to 36 months) One-half-time				0.6193	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.6193	0
Exceptional Needs Full-time-plus				1.6166	0
Exceptional Needs Full-time				1.3700	0
Exceptional Needs Three-quarters-time				1.0275	0
Exceptional Needs One-half-time				0.6193	0

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0

Fiscal Year Ending	June 30, 2019	
Contract Number	CSPP	8409
Vendor Code	2173	

Full Name of Contractor Sacramento Employment and Training Agency

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Severely Disabled Full-time-plus				2.0237	0
Severely Disabled Full-time				1.7150	0
Severely Disabled Three-quarters-time				1.2863	0
Severely Disabled One-half-time				0.6193	0
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT				N/A	0

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 3 - Revenue	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Child Nutrition Programs	400,695		400,695
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
Restricted Income - Subtotal	400,695		400,695
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
Transfer from Reserve Total			
Family Fees for Certified Children	18,538	4,919	23,457
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income: Fees for Non-Certified Children			
Unrestricted Income: Head Start			
Unrestricted Income - Other:			
Total Revenue	419,233	4,919	424,152

Fiscal Year Ending	June 30, 2019	
Contract Number	CSPP	8409
Vendor Code	2173	

Full Name of Contractor **Sacramento Employment and Training Agency**

Section 4 - Reimbursable Expenses	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	1,520,624	4,886	1,525,510
2000 Classified Salaries	200,886		200,886
3000 Employee Benefits	938,206	-19	938,187
4000 Books and Supplies			
5000 Services and Other Operating Expenses	586,969	-1	586,968
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (Include in Administrative Cost)			
Non-Reimbursable (State Use Only)			
Total Reimbursable Expenses	3,246,685	4,866	3,251,551
Total Administrative Cost (included in section 4 above)	360,667		360,667

Approved Indirect Cost Rate:

Comments:

NO SUPPLEMENTAL REVENUE Check this box and omit Page 8.

Fiscal Year Ending

Contract Number

Vendor Code

Full Name of Contractor

Section 5 - Supplemental Revenue	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Enhancement Funding			
Other:			
Other:			
Total Supplemental Revenue			

Section 6 - Supplemental Expenses	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment/Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-reimbursable Expenses 6100-6500 Non-reimbursable Capital Outlay			
Total Supplemental Expenses			

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 7 - Summary	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Total Certified Days of Enrollment	78,954		78,954
Days of Operation	240		240
Days of Attendance	77,519		77,519
Total Non-Certified Days of Enrollment			
Restricted Program Income	400,695		400,695
Transfer from Reserve			
Family Fees for Certified Children	18,538	4,919	23,457
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	3,246,685	4,866	3,251,551
Total Administrative Cost	360,667		360,667

Total Certified Adjusted Days of Enrollment
 Total Non-Certified Adjusted Days of Enrollment

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

Eligibility, enrollment and attendance records are being maintained as required (check YES or NO): Yes No
 Reimbursable expenses claimed on page 7 are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO): Yes No

Include any comments in the Comments box on page 7. If necessary, attach additional sheets to explain adjustments.

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Infants (up to 18 months) Full-time-plus				2.4426	0
Infants (up to 18 months) Full-time				2.0700	0
Infants (up to 18 months) Three-quarters-time				1.5525	0
Infants (up to 18 months) One-half-time				1.1385	0
FCCH Infants (up to 18 months) Full-time-plus				2.2656	0
FCCH Infants (up to 18 months) Full-time				1.9200	0
FCCH Infants (up to 18 months) Three-quarters-time				1.4400	0
FCCH Infants (up to 18 months) One-half-time				1.0560	0
Toddlers (18 up to 36 months) Full-time-plus				1.8880	0
Toddlers (18 up to 36 months) Full-time	19,204		19,204	1.6000	30,726.4
Toddlers (18 up to 36 months) Three-quarters-time	10,158		10,158	1.2000	12,189.6
Toddlers (18 up to 36 months) One-half-time	30		30	0.8800	26.4
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.5500	0

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Exceptional Needs Full-time-plus				1.6166	0
Exceptional Needs Full-time				1.3700	0
Exceptional Needs Three-quarters-time				1.0275	0
Exceptional Needs One-half-time				0.7535	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0

Fiscal Year Ending	June 30, 2019	
Contract Number	CCTR	8187
Vendor Code	2173	

Full Name of Contractor Sacramento Employment and Training Agency

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Severely Disabled Full-time-plus				2.0237	0
Severely Disabled Full-time				1.7150	0
Severely Disabled Three-quarters-time				1.2863	0
Severely Disabled One-half-time				0.9433	0

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
TOTAL DAYS OF ENROLLMENT	29,392		29,392	N/A	42,942.4
DAYS OF OPERATION	240		240	N/A	N/A
DAYS OF ATTENDANCE	29,069		29,069	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 4-6) and continue to Revenue Section on page 7.

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CHILD DEVELOPMENT PROGRAMS
 A U D 9500 Page 4 of 10 (06/19)

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Infants (up to 18 months) Full-time-plus				2.4426	0
Infants (up to 18 months) Full-time				2.0700	0
Infants (up to 18 months) Three-quarters-time				1.5525	0
Infants (up to 18 months) One-half-time				1.1385	0
FCCH Infants (up to 18 months) Full-time-plus				2.2656	0
FCCH Infants (up to 18 months) Full-time				1.9200	0
FCCH Infants (up to 18 months) Three-quarters-time				1.4400	0
FCCH Infants (up to 18 months) One-half-time				1.0560	0
Toddlers (18 up to 36 months) Full-time-plus				1.8880	0
Toddlers (18 up to 36 months) Full-time				1.6000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.2000	0
Toddlers (18 up to 36 months) One-half-time				0.8800	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.5500	0

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Exceptional Needs Full-time-plus				1.6166	0
Exceptional Needs Full-time				1.3700	0
Exceptional Needs Three-quarters-time				1.0275	0
Exceptional Needs One-half-time				0.7535	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Severely Disabled Full-time-plus				2.0237	0
Severely Disabled Full-time				1.7150	0
Severely Disabled Three-quarters-time				1.2863	0
Severely Disabled One-half-time				0.9433	0

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT				N/A	0

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CHILD DEVELOPMENT PROGRAMS
 A U D 9500 Page 7 of 10 (06/19)

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 3 - Revenue	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Child Nutrition Programs	112,418		112,418
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
Restricted Income - Subtotal	112,418		112,418
Transfer From Reserve			
Family Fees for Certified Children	9,197	426	9,623
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income: Fees for Non-Certified Children			
Unrestricted Income: Head Start			
Unrestricted Income - Other			
Total Revenue	121,615	426	122,041

Fiscal Year Ending
 Contract Number
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Full Name of Contractor

Section 4 - Reimbursable Expenses	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	1,057,494	305	1,057,799
2000 Classified Salaries	89,407	-1	89,406
3000 Employee Benefits	619,467	-68	619,399
4000 Books and Supplies			
5000 Services and Other Operating Expenses	197,014		197,014
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (Include in Administrative Cost)			
Non-Reimbursable (State Use Only)			
Total Reimbursable Expenses	1,963,382	236	1,963,618
Total Administrative Cost (included in Section 4 above)	161,121	-1	161,120

Approved Indirect Cost Rate:

Comments:

NO SUPPLEMENTAL REVENUE Check this box and omit Page 9.

Fiscal Year Ending

Contract Number

Vendor Code

Full Name of Contractor

Section 5 - Supplemental Revenue	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit
Enhancement Funding			
Other:			
Other:			
Total Supplemental Revenue			

Section 6 - Supplemental Expenses	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment/Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-reimbursable Expenses 6100-6500 Non-reimbursable Capital Outlay			
Total Supplemental Expenses			

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CHILD DEVELOPMENT PROGRAMS
 A U D 9500 Page 10 of 10 (06/19)

Fiscal Year Ending
 Contract Number
 Vendor Code

Full Name of Contractor

Section 7 - Summary	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit
Total Certified Days of Enrollment	29,392		29,392
Days of Operation	240		240
Days of Attendance	29,069		29,069
Total Non-Certified Days of Enrollment			
Restricted Program Income	112,418		112,418
Transfer from Reserve			
Family Fees for Certified Children	9,197	426	9,623
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	1,963,382	236	1,963,618
Total Administrative Cost	161,121	-1	161,120

Total Certified Adjusted Days of Enrollment

Total Non-Certified Adjusted Days of Enrollment

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

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

Reimbursable expenses claimed on page 8 are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO): Yes No

Include any comments in the 'Comments' box on page 8. If necessary, attach additional sheets to explain adjustments.

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED RESERVE ACCOUNT ACTIVITY REPORT
 A U D 9530-A Page 1 of 1 (06/19)

Fiscal Year End	June 30, 2019
Reserve Account Type	Center-Based
Vendor Code	2173

Full Name of Contractor Sacramento Employment and Training Agency

Prior Year - Reserve Account Activity		Per 2017-18 AUD 9530-A		
1. Beginning Balance (2017-18 Ending Balance)		626,974		
2. Plus Transfers to Reserve Account:		Per CDNFS 9530		
Contract No.				
Contract No.				
Contract No.				
Contract No.				
Contract No.				
Contract No.				
Total Transferred from PY Contracts to Reserve				
3. Less Excess Reserve to be Billed				
4. Ending Balance on PY Post-Audit CDNFS 9530		626,974		
Current Year - Reserve Account Activity		Column A	Column B	Column C
		CDNFS 9530-A	Audit Adjustments	Per Audit
5. Plus Interest Earned This Year on Reserve		11,757		11,757
6. Less Transfers to Contracts from Reserve:				
CSPP General-Contract No.				
CSPP General-Contract No.				
CSPP Professional Development-Contract No.				
CSPP Professional Development-Contract No.				
Subtotal CSPP Transfers				
Other Contract No.				
Other Contract No.				
Other Contract No.				
Other Contract No.				
Other Contract No.				
Subtotal Other Contract Transfers				
Total Transferred to Contracts from Reserve Account				
7. Ending Balance on June 30, 2019		638,731		638,731

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

COMPLIANCE REPORTS



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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, 2019, and the related notes to the financial statements, which collectively comprise SETA’s basic financial statements and have issued our report thereon dated November 14, 2019.

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.

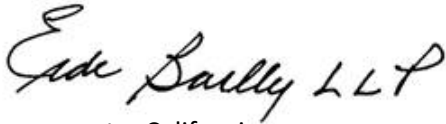
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of non-compliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 14, 2019



**Independent Auditor's Report on Compliance for Each Major Federal Program
and 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, 2019. 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.

Auditor's 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, 2019.

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.



Sacramento, California
November 14, 2019

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared 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>93.566</u>	<u>Refugee and Entrant Assistance—State-Administered Programs</u>
<u>93.600</u>	<u>Head Start</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$2,424,740</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, 2019**

II. FINANCIAL STATEMENT FINDINGS

None reported.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019**

None noted.