

**SACRAMENTO EMPLOYMENT  
AND TRAINING AGENCY**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2016

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### TABLE OF CONTENTS

	<u>PAGE</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Fund	12
Reconciliation of the Governmental Fund Balance to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities	15
Notes to Financial Statements	16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Expenditures Budget and Actual – General Fund	32
Schedule of SETA's Proportionate Share of the Net Pension Liability	33
Schedule of SETA's Contributions	34
<b>SINGLE AUDIT SECTION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by The Uniform Guidance	37
Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	44
Status of Prior Year Findings and Questioned Costs	46

## **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 major fund of the Sacramento Employment and Training Agency (SETA) as of and for the year ended June 30, 2016, 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 the 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or in 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Sacramento Employment and Training Agency, as of June 30, 2016, 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, Statement of Expenditures Budget and Actual – General Fund, Schedule of SETA's Proportionate Share of the Net Pension Liability, and Schedule of SETA's Contributions on pages 4 through 9 and 32 through 34 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.

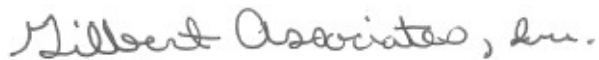
#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SETA's basic financial statements. The 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016, on our consideration of SETA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**November 8, 2016**

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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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, 2016. Please read it in conjunction with the basic financial statements included in this report.

### FINANCIAL HIGHLIGHTS

- As of June 30, 2016, SETA reported a combined fund balance of \$3,066,085, an increase of \$21,991 from last year.
- For the year ended June 30, 2016, SETA reported a net deficit of \$27,527,057 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, 2016, SETA's net position increased by \$4,038,352 primarily due to the GASB 68, offset by OPEB liability recognition and depreciation expense.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

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

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are on pages 16-31 of this report.

### 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, 2016, SETA reported a net deficit of \$27,527,057 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

	<u>2016</u>	<u>2015</u>
Assets:		
Other Assets	\$ 10,886,883	\$ 11,392,802
Capital Assets	588,977	648,876
Total Assets	<u>\$ 11,475,860</u>	<u>\$ 12,041,678</u>
Deferred Outflows of Resources	\$ 6,621,097	\$ 6,722,946
Liabilities:		
Other Liabilities	\$ 7,839,186	\$ 8,380,639
Non-current Liabilities	31,899,317	20,862,369
Total Liabilities	<u>\$ 39,738,503</u>	<u>\$ 29,243,008</u>
Deferred Inflows of Resources	\$ 5,885,511	\$ 21,087,025
Net Position:		
Invested in capital assets	\$ 588,977	\$ 648,876
Unrestricted	(28,116,034)	(32,214,285)
Total Net Deficit	<u>\$ (27,527,057)</u>	<u>\$ (31,565,409)</u>
Liabilities and Net Deficit	<u>\$ 18,096,957</u>	<u>\$ 18,764,624</u>



# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

**Statement of Activities:** SETA's grants and contract activities increased net position by \$4,038,352. The table below indicates the changes in net assets:

	<u>2016</u>	<u>2015</u>
Program Revenues:		
Grants and Contracts	\$ 97,667,510	\$ 98,366,451
Total Operating Grants and Contracts	97,667,510	98,366,451
General Revenues/(Loss):		
Unrestricted Investment Earnings/(Loss)	4,479	(7,406)
Total General Revenues/(Loss)	4,479	(7,406)
Total Revenue	<u>\$ 97,671,989</u>	<u>\$ 98,359,045</u>
Program Expenses:		
Head Start/Early Head Start	\$ 66,311,769	\$ 64,924,090
Workforce Development	12,660,527	14,727,156
Other Programs	14,661,341	14,747,829
Total Operating Grant Activities	<u>\$ 93,633,637</u>	<u>\$ 94,399,075</u>
Change in net position	<u>\$ 4,038,352</u>	<u>\$ 3,959,970</u>
Net deficit, beginning of year	<u>(31,565,409)</u>	<u>(35,525,379)</u>
Total net deficit, end of year	<u>\$ (27,527,057)</u>	<u>\$ (31,565,409)</u>

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

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

### 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, 2016, SETA reported a total fund balance of \$3,066,085, which is an increase of \$21,991 compared to total fund balance of \$3,044,094 at June 30, 2015. SETA's fund balance equals the authorized amounts in its custodial checking accounts, any prepaid expenses, amounts to cover the compensated absences balance, and amounts that are unassigned and spendable.

**Revenue Analysis:** Total revenue received for the year ended June 30, 2016, totaled \$97,671,989. The table below presents the amounts of revenue and the percent of total by source for FYE 2016 and FYE 2015.

#### Revenues Classified by Source Governmental Funds

<u>Revenues by Source</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Grant revenue	\$ 72,905,369	74.63%	\$ 73,788,511	75.02%	\$ (883,142)	(1.20%)
Child care food revenue	1,482,109	1.52%	1,443,681	1.47%	38,428	2.66%
Intergovernmental	6,855,725	7.02%	6,980,530	7.10%	(124,805)	(1.79%)
Investment income (loss)	17,266	0.02%	(7,406)	(0.01%)	24,672	(333.14%)
Miscellaneous income	376,299	0.39%	287,702	0.29%	88,597	30.79%
In-Kind contributions	<u>16,035,221</u>	<u>16.42%</u>	<u>15,866,027</u>	<u>16.13%</u>	<u>169,194</u>	<u>1.07%</u>
Total revenues	<u>\$ 97,671,989</u>	<u>100.00%</u>	<u>\$ 98,359,045</u>	<u>100.00%</u>	<u>\$ (687,056)</u>	<u>(0.70%)</u>

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

- Revenue decreased by (\$883,142) during the fiscal year, primarily due to the decreased funding in the Workforce Development Program, offset by increased funding in Head Start and Refugee Social Services.
- Intergovernmental revenue decreased by (\$124,805), primarily due to the decreased funding in the CalWORKS Program.
- Head Start In-Kind contributions increased by \$169,194 during the fiscal year. This increase is due to increased in-kind revenue sources.

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

**Expense Analysis:** Expenditures for the year ended June 30, 2016, totaled \$97,649,998. The table below presents the expenditures summarized by granting source.

### Expenditures Classified by Grantor Governmental Fund

<u>Expenditures by Grantor</u>	<u>FYE 2016</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>FYE 2015</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
Head Start/Early Head Start	\$ 67,980,531	69.61%	\$ 66,245,515	67.37%	\$ 1,735,016	2.62%
Workforce Development	14,648,662	15.00%	17,206,216	17.50%	(2,557,554)	(14.86%)
Refugee Social Services	904,258	0.92%	701,914	0.71%	202,344	28.83%
Child Care Food Program	1,483,256	1.52%	1,443,373	1.47%	39,883	2.76%
State Department of Education	3,394,434	3.48%	3,363,050	3.42%	31,384	0.93%
Community Services Block Grant	1,765,536	1.81%	1,833,099	1.86%	(67,563)	(3.69%)
Targeted Refugee Assistance	468,215	0.48%	427,521	0.43%	40,694	9.52%
CalWORKS	6,668,278	6.83%	6,682,794	6.80%	(14,516)	(0.22%)
Other	336,828	0.35%	432,559	0.44%	(95,731)	(22.13%)
Total expenditures	<u>\$ 97,649,998</u>	<u>100.00%</u>	<u>\$ 98,336,041</u>	<u>100.00%</u>	<u>\$ (686,043)</u>	<u>(0.70%)</u>

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

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

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

The table below presents the expenditures summarized by type.

Expenditures Classified by Type Governmental Fund				
<u>Expenditures by Type</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>
Salaries	\$ 24,272,204	24.86%	\$ 23,961,288	24.37%
Fringe Benefits	13,018,217	13.33%	13,497,709	13.73%
Space Costs	3,838,436	3.93%	3,717,628	3.78%
Services & Supplies	5,449,994	5.58%	5,280,359	5.37%
Fixed Assets	319,539	0.33%	23,050	0.02%
Subrecipient Costs	34,716,387	35.55%	35,989,980	36.60%
In Kind Match	16,035,221	16.42%	15,866,027	16.13%
Total Expenses	<u>\$ 97,649,998</u>	<u>100.00%</u>	<u>\$ 98,336,041</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 and the final budget.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets:** SETA's investment in capital assets as of June 30, 2016, amounted to \$588,977 (net of accumulated depreciation).

**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.

### 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, 2016

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### ASSETS:

Cash and investments	\$ 4,650,036
Accounts receivable	5,947,331
Prepaid expenses	289,516
Capital assets, net	<u>588,977</u>

Total assets 11,475,860

**DEFERRED OUTFLOWS OF RESOURCES** 6,621,097

### LIABILITIES

#### Current liabilities:

Accounts payable	5,456,400
Accrued liabilities	1,222,036
Unearned revenue	1,142,362
Compensated absences	<u>18,388</u>

Total current liabilities 7,839,186

#### Non-current liabilities:

Compensated absences	1,816,807
OPEB liability	1,472,285
Net pension liability	<u>28,610,225</u>

Total non-current liabilities 31,899,317

Total liabilities 39,738,503

**DEFERRED INFLOWS OF RESOURCES** 5,885,511

### NET POSITION:

Net investment in capital assets	588,977
Unrestricted	<u>(28,116,034)</u>

Total net deficit \$ (27,527,057)

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue Operating Grants and Contracts	Net Revenue Total Governmental Activities
Head Start/Early Head Start	\$ 66,311,769	\$ 67,999,206	\$ 1,687,437
Workforce Development	12,660,527	14,647,252	1,986,725
Refugee Social Services	872,015	902,983	30,968
Child Care Food Program	1,433,554	1,482,109	48,555
State Department of Education	3,402,543	3,402,543	
Community Services Block Grant	1,595,914	1,766,010	170,096
Targeted Refugee Assistance	435,972	466,940	30,968
CalWORKS	6,602,512	6,663,678	61,166
Other	318,831	336,789	17,958
Total governmental activities	\$ 93,633,637	\$ 97,667,510	4,033,873
General revenue:			
Unrestricted investment gain			4,479
Change in net position			4,038,352
Net deficit, beginning of year			(31,565,409)
Net deficit, end of year			\$ (27,527,057)

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## BALANCE SHEET GOVERNMENTAL FUND JUNE 30, 2016

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<b>ASSETS:</b>	
Cash and investments	\$ 4,650,036
Accounts receivable	5,947,331
Prepaid expenditures	<u>289,516</u>
Total assets	<u>\$ 10,886,883</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 5,456,401
Accrued expenditures	1,222,035
Unearned revenue	<u>1,142,362</u>
Total liabilities	<u>7,820,798</u>
Fund balance:	
Nonspendable	289,516
Assigned	1,835,195
Unassigned	<u>941,374</u>
Total fund balance	<u>3,066,085</u>
Total liabilities and fund balance	<u>\$ 10,886,883</u>

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

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

Total fund balance, governmental fund \$ 3,066,085

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds. The historical cost of the capital assets is \$11,441,887, and the accumulated depreciation is \$10,852,910. 588,977

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

Compensated absences	\$ 1,835,195	
OPEB liability	1,472,285	
Net pension liability	<u>28,610,225</u>	
Total:		<u>(31,917,705)</u>

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

Deferred outflows of resources	\$ 6,621,097	
Deferred inflows of resources	<u>(5,885,511)</u>	
Total:		<u>735,586</u>

Total net deficit, governmental activities \$ (27,527,057)



# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2016

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**REVENUES:**

Grant revenue	\$ 72,905,369
Child care food revenue	1,482,109
Intergovernmental	6,855,725
Investment gain	17,266
Miscellaneous income	376,299
In-kind contributions	<u>16,035,221</u>
Total revenues	<u>97,671,989</u>

**EXPENDITURES:**

Head Start/Early Head Start	67,980,531
Workforce Development	14,648,662
Refugee Social Services	904,258
Child Care Food Program	1,483,256
State Department of Education	3,394,434
Community Services Block Grant	1,765,536
Targeted Refugee Assistance	468,215
CalWORKS	6,668,278
Other	<u>336,828</u>
Total expenditures	<u>97,649,998</u>

Net increase in fund balance	21,991
Fund balance, beginning of year	<u>3,044,094</u>
Fund balance, end of year	<u>\$ 3,066,085</u>

# 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, 2016

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

Net increase in fund balance, governmental fund \$ 21,991

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$422,105) exceeds capital outlay (\$362,206) in the period. (59,899)

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. (17,512)

OPEB: In governmental funds, OPEB costs are recognized when benefits are paid. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between OPEB costs and benefits paid was: (150,513)

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between pension expenses and actual employer contributions was:

Pension expenses	\$ 2,105,038
Contributions made	<u>(6,349,323)</u>

Total: 4,244,285

Change in net position of governmental activities \$ 4,038,352

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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### 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, 2016

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### 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 sixty 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 Statement of Expenditures Budget and Actual – General Fund during the year ended June 30, 2016.

### 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 fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

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

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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### Deferred Outflows/Deferred Inflows of Resources

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

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

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

### Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of SETA on the government-wide financial statements.

### 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.

### Net Position and Fund Balance

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets and unrestricted.

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

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

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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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, 2016, SETA has \$289,516 for prepaid expenditures that are considered nonspendable.

Restricted Fund Balance - This category presents those portions of the fund balance that are for specific purposes stipulated by constitution, external resource providers or enabling legislation. At June 30, 2016, SETA has no restricted fund balances.

Assigned Fund Balance - This category presents those portions of the fund balance that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted. SETA management has the authority to assign portions of fund balance. At June 30, 2016, SETA has \$1,835,195 assigned to cover the compensated absences balance.

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

## 2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Cash and investments in Sacramento County Treasury	\$ 4,498,536
Cash on hand	<u>151,500</u>
Total cash and investments	<u>\$ 4,650,036</u>

### Cash in County Treasury

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

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

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

### 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.

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have a greater sensitivity to changes in market interest rates. As of June 30, 2016, the weighted average maturity of the investments contained in the Treasury investment pool is approximately 253 days.

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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### 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.

### Derivative Investments

SETA did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

### 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2016:

	<u>General Fund</u>
Federal government	\$ 5,410,969
State government	476,424
Miscellaneous	<u>59,938</u>
Totals	<u>\$ 5,947,331</u>



# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 4. CAPITAL ASSETS

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 66,308			\$ 66,308
Capital assets, being depreciated:				
Building	297,910			297,910
Machinery and equipment	<u>11,386,008</u>	<u>\$ 362,206</u>	<u>\$ (670,545)</u>	<u>11,077,669</u>
Total capital assets, being depreciated	<u>11,683,918</u>	<u>362,206</u>	<u>(670,545)</u>	<u>11,375,579</u>
Less accumulated depreciation for:				
Building	(119,991)	(9,930)		(129,921)
Machinery and equipment	<u>(10,981,359)</u>	<u>(412,175)</u>	<u>670,545</u>	<u>(10,722,989)</u>
Total accumulated depreciation	<u>(11,101,350)</u>	<u>(422,105)</u>	<u>670,545</u>	<u>(10,852,910)</u>
Total capital assets, being depreciated, net	<u>582,568</u>	<u>(59,899)</u>		<u>522,669</u>
Governmental activities capital assets, net	<u>\$ 648,876</u>	<u>\$ (59,899)</u>	<u>\$</u>	<u>\$ 588,977</u>

For the year ended June 30, 2016, depreciation expense was charged to functions as follows:

**Governmental activities:**

Workforce Development	\$	223,412
Head Start/Early Head Start		159,017
Community Services Block Grant		18,775
DHA CalWorks		6,743
Child Care Food Program		5,347
Targeted Refugee Assistance		3,411
Refugee Social Services		3,411
Other		<u>1,989</u>
Total depreciation expense	<u>\$</u>	<u>422,105</u>

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 5. COMPENSATED ABSENCES

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. Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 1,817,683	\$ 1,607,039	\$ (1,589,527)	\$ 1,835,195	\$ 18,388

### 6. OPERATING LEASE OBLIGATIONS

SETA leases certain office space under noncancellable operating lease agreements. Total lease payments for the year were \$3,394,366. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u>
2017	\$ 2,758,080
2018	2,117,045
2019	2,010,764
2020	1,777,904
2021	1,493,739
2022 - 2026	6,615,789
2027	707,035
Total	<u>\$ 17,480,356</u>

### 7. EMPLOYEE RETIREMENT PLAN

#### Plan Description

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

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

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

SCERS issues a stand-alone financial report, which is available at its office, located in Sacramento, California or from [www.scers.org](http://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, 2016, 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: 1/90<sup>th</sup> of the first \$350 of final compensation, plus 1/60<sup>th</sup> 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% at age 50 to 1.5668% at age 62 and older).

The monthly allowance for Tier V (PEPRA) members is calculated as follows: 1/90<sup>th</sup> of the first \$350 of final compensation, plus 1/60<sup>th</sup> 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% at age 52 to 2.500% at age 67 and older).

### Contributions

Pursuant to provisions of the 1937 Act, the Retirement Board recommends the annual contribution rates for adoption by the County Board of Supervisors, based on the recommendations of the SCERS consulting actuary. The actuarially determined contribution rate is determined as a percentage of payroll, and is the estimated amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Changes to contribution rates are effective on July 1<sup>st</sup>. SETA's contractually required contributions rates for the year ended June 30, 2016, were as follows:

	<u>Tier I</u>	<u>Tier III</u>	<u>Tier V (PEPRA)</u>
Employer	26.16%	28.26%	22.48%
Employee	3.17% of first \$161 of biweekly compensation, plus 4.75% of biweekly compensation over \$161	3.19% of first \$161 of biweekly compensation, plus 4.78% of biweekly compensation over \$161	8.12% of biweekly compensation

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Contributions to SCERS from SETA were \$6,349,323 for the year ended June 30, 2016.

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

As of June 30, 2016, SETA reported net pension liabilities for its proportionate share of the net pension liability of \$28,610,225.

SETA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was by an actuarial valuation as of June 30, 2015, with separate calculations for each membership class. A separate net pension liability is calculated for each membership class by reducing the applicable total pension liability by a proportional share of the plan fiduciary net position. SETA's proportion of the net pension liability was based on the ratio of SETA's actual employer contributions in the measurement period to total actual contributions received for Miscellaneous members of SCERS in the measurement period, multiplied by the net pension liability attributed to the Miscellaneous membership class. SETA's proportionate share of the net pension liability for the Miscellaneous membership class was 4.684%. SETA's proportionate share of the total SCERS net pension liability (both Safety and Miscellaneous membership classes) was 2.488%, which was an increase of 0.185% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2016, SETA recognized pension expense of \$2,105,038. At June 30, 2016, SETA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Pension contributions subsequent to measurement date	\$ 6,349,323	
Differences between expected and actual experience in the total pension liability		\$ 3,061,838
Changes of assumptions or other inputs		1,240,153
Net difference between projected and actual earnings on plan investments	271,774	
Changes in proportion and differences between employer's contributions and proportionate share of contributions		1,583,520
Total	<b><u>\$ 6,621,097</u></b>	<b><u>\$ 5,885,511</u></b>

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The \$6,349,323 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$ (2,955,328)
2018	(2,955,328)
2019	(2,239,780)
2020	2,536,699

### Actuarial Assumptions

For the measurement period ended June 30, 2015 (measurement date), the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

<sup>(1)</sup> Varies by service, including inflation

<sup>(2)</sup> Net of pension plan investment expenses, including inflation

These and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2013.

### Discount Rate

The discount rate used to measure the total pension liability was 7.50% 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

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	22.50%	5.98%
International Equity	22.50%	7.23%
Fixed Income	20.00%	1.25%
Hedge Funds	10.00%	3.20%
Private Equity	10.00%	12.82%
Real Assets	15.00%	5.64%
Total	100.00%	5.67%
Inflation		3.25%
Expense Adjustment		(0.40)%
Risk Adjustment		(1.02)%
Total Long-Term Expected Rate of Return		7.50%

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

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

	<u>Discount Rate – 1%</u> <u>(6.50%)</u>	<u>Current Discount Rate</u> <u>(7.50%)</u>	<u>Discount Rate + 1%</u> <u>(8.50%)</u>
SETA's Proportionate Share of Net Pension Liability	\$ 58,174,665	\$ 28,610,225	\$ 4,154,164

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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### 8. OTHER POSTEMPLOYMENT BENEFITS

#### Plan Description

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

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

Annuitants who retired for any reason on or before August 31, 2007 are eligible to receive a SETA-paid medical insurance subsidy/offset payment during calendar year 2016. Annuitants who retired after August 31, 2007 are not entitled to any subsidy/offset payment.

The amount of any medical subsidy/offset payments made available to annuitants (who retired on or before August 31, 2007) is calculated based upon the annuitant's SCERS service credits. The amount of any dental subsidy/offset payments made available to annuitants is set by the SETA Governing Board. Neither SETA nor the Sacramento County Employees Retirement System (SCERS) guarantees that a subsidy/offset payment will be made available to annuitants for the purchase of medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of SETA employment or SCERS membership.

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

For the calendar year 2016, the amount of the subsidy/offset payments is as follows:

<u>Years of SCERS service credit payment</u>	<u>Amount of subsidy/offset</u>
Less than 10 years	\$ 72
10 years but less than 15 years	90
15 years but less than 20 years	108
20 years but less than 25 years	126
25 years or more	144
Dental Coverage	0

Approximately fifty-nine (59) employees met the eligibility requirement and nineteen (19) received the insurance subsidy as of June 30, 2016. SETA's current contributions for postemployment benefits consist of eligible retirees on a pay-as-you-go basis and the implicit subsidy. These financial statements assume that pay-as-you-go funding will continue.

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	244,068
Interest on net OPEB obligation		0
Adjustment to annual required contribution		0
Annual OPEB cost (expense)		244,068
Contributions made:		
Pay-as-you-go		(23,436)
Implicit Subsidy		(70,119)
Increase in net OPEB obligation		150,513
Net OPEB obligation – beginning of year		1,321,772
Net OPEB obligation – end of year	\$	1,472,285

The SETA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 173,118	\$ 67,244	38.84%	\$ 1,216,325
6/30/15	183,858	78,411	42.65%	1,321,772
6/30/16	244,068	93,555	38.33%	1,472,285

### Funding Status and Progress

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

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



# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Actuarial Methods and Assumptions

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

In the June 30, 2015 actuarial valuation, the entry age normal and level percent of payroll actuarial cost method was used. The actuarial assumptions utilized a 4.0% discount rate, increases in aggregate payroll of 3.25%, general inflation of 3.0%, and a medical trend rate of 7.0%, reduced by decrements of 0.5% each year to an ultimate rate of 5%. The UAAL is being amortized as a level percent of payroll. The remaining amortization period at June 30, 2016, was twenty-two (22) years.

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
6/30/11	\$ 0	\$ 2,310,892	\$ 2,310,892	0%	\$ 26,483,224	8.73%
6/30/13	\$ 0	\$ 1,430,333	\$ 1,430,333	0%	\$ 25,670,185	5.57%
6/30/15	\$ 0	\$ 1,888,088	\$ 1,888,088	0%	\$ 23,961,288	7.88%

## 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.

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.

## 10. RELATED PARTY TRANSACTIONS

During the current year, the County of Sacramento Department of Human Assistance provided funding in the amount of \$6,663,680 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 2016, the County charged fees of \$146,344 for these services.

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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### **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 matching funding equal to 20% of the grant for the grant year August 1, 2015 to July 31, 2016. During the current fiscal year, the amount of matching funding provided was \$16,035,221 which is 31% of the expenditures during the fiscal year.

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.

### **12. RISK MANAGEMENT**

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

### **13. USES OF ESTIMATES TO PREPARE FINANCIAL STATEMENTS**

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## STATEMENT OF EXPENDITURES BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenditures			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Head Start/Early Head Start	\$ 53,574,151	\$ 53,574,151	\$ 51,945,310	\$ 1,628,841
Workforce Development	18,631,903	18,631,903	14,648,662	3,983,241
Refugee Social Services	927,901	927,901	904,258	23,643
Child Care Food Programs	1,485,000	1,485,000	1,483,256	1,744
State Department of Education	3,290,048	3,290,048	3,394,434	(104,386)
Community Services Block Grant	1,689,625	1,689,625	1,765,536	(75,911)
Targeted Refugee Assistance	480,910	480,910	468,215	12,695
CalWORKS	8,345,228	8,345,228	6,668,278	1,676,950
Other	168,000	168,000	336,828	(168,828)
Total governmental funds	\$ 88,592,766	\$ 88,592,766	\$ 81,614,777	\$ 6,977,989

Note: No expenditures exceeded allowable grant funds for this period.

### Notes to Required Supplementary Information

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	\$ 51,945,310
In-Kind Contributions Expended	16,035,221
Head Start/Early Head Start - GAAP Basis	\$ 67,980,531

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## SCHEDULE OF SETA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2016 LAST 10 YEARS\*

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	<u>Measurement Date</u>	
	<u>2015</u>	<u>2014</u>
SETA's proportion of the net pension liability	2.488%	2.303%
SETA's proportionate share of the net pension liability	\$ 28,610,225	\$ 17,754,848
SETA's covered employee payroll	\$ 22,681,888	\$ 22,795,179
SETA's proportionate share of the net pension liability as a percentage of their covered employee payroll	126.14%	77.89%
Plan fiduciary net position as a percentage of the total pension liability	89.46%	93.16%

### Notes to Schedule:

**Change of benefit terms.** There were no changes to the benefit terms.

**Changes in assumptions.** There were no changes in assumptions.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## SCHEDULE OF SETA'S CONTRIBUTIONS AS OF JUNE 30, 2016 LAST 10 YEARS\*

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	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 6,349,323	\$ 6,722,946
Contributions in relation to the contractually required contributions	<u>6,349,323</u>	<u>6,722,946</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
SETA's covered-employee payroll	\$ 22,961,773	\$ 22,681,888
Contributions as a percentage of covered-employee payroll	27.65%	29.64%

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

**SINGLE AUDIT SECTION**

**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**

**Independent Auditor's Report**

**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 major fund of the Sacramento Employment and Training Agency (SETA) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SETA's basic financial statements, and have issued our report thereon dated November 8, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 of 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 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of 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.



**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**November 8, 2016**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

**Governing Board  
Sacramento Employment and Training Agency  
Sacramento, California**

**Report on Compliance for Each Major Federal Program**

We have audited Sacramento Employment and Training Agency's (SETA's) 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, 2016. 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 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 on 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, 2016.

**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 our 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.



**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**November 8, 2016**

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

	<u>CFDA#</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed-Through California Department of Education:				
Program Name:				
Child Care Food Program	10.558	34-1826-1-J	<u>                    </u>	\$ 1,482,109
Total U.S. Department of Agriculture			<u>                    </u>	<u>1,482,109</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Cluster				
Passed-Through California Employment Development Department:				
Program Name:				
WIA Title I Adult Formula	17.258	K594781-202	\$ 21,649	742,932
WIA Title I Adult Formula	17.258	K594781-500		470,388
WIOA Title I Adult Formula	17.258	K698382-201		309,990
WIOA Title I Adult Formula	17.258	K698382-202	2,402,683	3,399,170
WIOA Title I Adult Formula	17.258	K698382-500		688,056
WIOA 15% Veterans Employment Assistance	17.258	K594781-1029		82,765
Workforce Accelerator Fund 2	17.258	K594781-1036		100,000
Slingshot-Accelerating Income Mobility	17.258	K594781-1026	78,931	108,183
Total WIA/WIOA Adult Programs			<u>2,503,263</u>	<u>5,901,484</u>
Program Name:				
WIA Title I Youth Formula	17.259	K594781-301	46,640	662,332
WIOA Title I Youth Formula	17.259	K698382-301	2,221,591	3,249,293
Total WIA/WIOA Youth Programs			<u>2,268,231</u>	<u>3,911,625</u>
Program Name:				
WIOA Rapid Response	17.278	K698382-540		62,686
WIOA Rapid Response	17.278	K698382-541		345,489
WIOA Rapid Response Layoff Aversion	17.278	K698382-292		17,323
WIOA Rapid Response Layoff Aversion	17.278	K698382-293		95,478
WIOA Title I Dislocated Worker	17.278	K698382-501	9,629	609,661
WIOA Title I Dislocated Worker	17.278	K698382-502		1,520,162
WIOA 25% Veterans Employment Assistance	17.278	K594781-1030		73,247
WIOA 25% Veterans Employment Assistance	17.278	K698382-1030		6,463
Total WIOA Dislocated Worker Programs			<u>9,629</u>	<u>2,730,509</u>
Passed-Through South Bay Workforce Investment Board:				
Program Name:				
WIA 25% Additional Assistance	17.278	13-WO-66	3,803	110,108
Total Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Cluster			<u>4,784,926</u>	<u>12,653,726</u>
Passed-through California Employment Development Department:				
Program Name:				
Wagner Peysner DEI	17.207	K597241-1017	63,519	262,108

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

	<u>CFDA#</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
National Emergency Grants				
Passed-Through California Employment Development Department:				
National Response Emergency Grant DWT NEG	17.277	K491038-343	4,500	136,421
WIOA Sector Partnerships NEG	17.277	K698382-1028	<u>30,838</u>	<u>329,912</u>
Total National Emergency Grants			<u>35,338</u>	<u>466,333</u>
Total U.S. Department of Labor			<u>4,883,783</u>	<u>13,382,167</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed-Through California Department of Education:				
Program Name:				
Child Care and Development Block Fund	93.596	CSPP-5371		309,220
Child Care and Development Block Grant	93.575	CSPP-5371		106,065
Child Care and Development Block Fund	93.596	CCTR-5191		366,293
Child Care and Development Block Grant	93.575	CCTR-5191		<u>178,608</u>
Total Child Care and Development Block Grant Cluster				<u>960,186</u>
Total Passed-Through California Department of Education				<u>960,186</u>
Passed-Through California Department of Social Services:				
Program Name:				
Targeted Refugee Assistance	93.584	TAFO 1404	61,360	100,026
Targeted Refugee Assistance	93.584	TAFO 1504	<u>263,842</u>	<u>303,466</u>
Total Targeted Refugee Assistance			<u>325,202</u>	<u>403,492</u>
Program Name:				
Refugee Social Services	93.566	RESS 1404	197,293	341,460
Refugee Social Services	93.566	RESS 1504	<u>478,705</u>	<u>561,523</u>
Total Refugee Social Services			<u>675,998</u>	<u>902,983</u>
Program Name:				
Targeted Refugee Assistance	93.576	TARL 1404	2,902	6,753
Targeted Assistance Discretionary	93.576	TART 1403	6,050	15,707
Targeted Assistance Discretionary	93.576	TART 1503	<u>40,988</u>	<u>40,988</u>
Total Older Refugee Discretionary			<u>49,940</u>	<u>63,448</u>
Total Passed-Through California Department of Social Services			<u>1,051,140</u>	<u>1,369,923</u>
Passed-Through California Department of Community Services and Development:				
Program Name:				
Community Service Block Grant	93.569	15F-2033	381,699	875,036
Community Service Block Grant	93.569	16F-5033	385,898	815,973
Community Service Block Grant - Disc	93.569	15F-2426	<u>39,271</u>	<u>75,000</u>
Total Community Service Block Grant			<u>806,868</u>	<u>1,766,009</u>
Total Passed-Through California Department of Community Services and Development			<u>806,868</u>	<u>1,766,009</u>

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

	CFDA#	Grant Number	Passed Through to Subrecipients	Expenditures
Direct Program through Office of Head Start:				
Program Name:				
Head Start/Early Head Start	93.600	09CH0012/32	(437)	(437)
Head Start/Early Head Start	93.600	09CH0012/33-01	537,085	3,347,877
Head Start/Early Head Start	93.600	09CH010182-01-00	21,470,910	47,048,514
Early Head Start Child Care Partnership	93.600	09HP0021-01-02	1,468,637	1,568,033
Total Head Start			23,476,195	51,963,987
Passed-Through County Department of Human Assistance				
Program Name				
DHA One Stop Shared Costs	93.558	CW-205-16		4,000,000
DHA CAL WORKS OJT	93.558	CW-233-15/A-1		(11,374)
DHA OJT/ESE Expansion	93.558	CW-235-15		(32,699)
DHA CAL WORKS OJT	93.558	CW-233-16	627,041	974,585
DHA CAL WORKS OJT/GED VESL	93.558	CW-236-16	351,637	356,037
DHA CAL WORKS OJT/ESE	93.558	CW-235-16	871,551	1,083,823
Total CalWORKS (Temporary Assistance for Needy Families)			1,850,229	6,370,372
Total U.S. Department of Health and Human Services			27,184,432	62,430,477
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed-Through Sacramento County Office of Education:				
Program Name:				
Race to the Top - Early Learning Challenge	84.412A			8,750
Total U.S. Department of Education				8,750
<b>Total Expenditures of Federal Awards</b>			<b>\$ 32,068,215</b>	<b>\$ 77,303,503</b>

# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

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### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Sacramento Employment and Training Agency (SETA) under programs of the federal government for the year ended June 30, 2016. 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 the Agency differ from the amounts presented in this schedule by SETA's in-kind match of \$16,035,221. 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 assets of SETA.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### 3. 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 AWARDS FOR THE YEAR ENDED JUNE 30, 2016

### 4. SUPPLEMENTAL STATEMENTS OF REVENUE AND EXPENDITURES AS REQUIRED BY THE CALIFORNIA DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

Contract No. 15F-2033

	<b>1/1/15- 6/30/15</b>	<b>7/1/15- 6/30/16</b>	<b>Total Audited Costs</b>	<b>Total Reported Expenses</b>	<b>Total Budget</b>
Revenue					
Grant revenue	\$ 782,405	\$ 875,036	\$ 1,657,441	\$ 1,657,441	\$ 1,657,441
Expenditures					
Administrative Costs:					
Salaries and wages	53,421	16,341	69,762	69,762	63,781
Fringe benefits	28,442	4,194	32,636	32,636	29,754
Operating expenses & equipment	1,129	4,745	5,874	5,874	14,737
Other costs	30,256	7,744	38,000	38,000	38,000
Total Admin Costs:	113,248	33,024	146,272	146,272	146,272
Program Costs:					
Salaries and wages	77,359	226,025	303,384	303,384	278,334
Fringe benefits	33,010	108,519	141,528	141,528	129,843
Operating expenses & equipment	7,428	21,096	28,524	28,524	65,260
Subcontractor costs	453,027	376,973	830,000	830,000	830,000
Other costs	98,333	109,399	207,732	207,732	207,732
Total Program Costs:	669,157	842,012	1,511,169	1,511,169	1,511,169
Total Expenditures	\$ 782,405	\$ 875,036	\$ 1,657,441	\$ 1,657,441	\$ 1,657,441

Contract No. 15F-2426

	<b>7/1/15- 6/30/16</b>	<b>Total Audited Costs</b>	<b>Total Reported Expenses</b>	<b>Total Budget</b>
Revenue				
Grant revenue	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Expenditures				
Administrative Costs:				
Salaries and wages	1,705	1,705	1,705	1,705
Fringe benefits	813	813	813	813
Total Admin Costs:	2,518	2,518	2,518	2,518
Program Costs:				
Salaries and wages	15,118	15,118	15,118	13,819
Fringe benefits	6,585	6,585	6,585	6,585
Operating expenses & equipment	3,038	3,038	3,038	3,038
Subcontractor costs	42,366	42,366	42,366	40,540
Other costs	5,375	5,375	5,375	8,500
Total Program Costs:	72,482	72,482	72,482	72,482
Total Expenditures	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000



# SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

### A. SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes  No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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Head Start Program	93.600
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Dollar threshold used to distinguish between Type A and Type B programs:

\$2,319,105

Auditee qualified as low-risk auditee?

Yes  No

# **SACRAMENTO EMPLOYMENT AND TRAINING AGENCY**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016**

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### **B. FINANCIAL STATEMENTS FINDINGS**

None.

### **C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

### **D. STATE COMPLIANCE FINDINGS AND QUESTIONED COSTS**

None.

**SACRAMENTO EMPLOYMENT AND TRAINING AGENCY**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**STATUS OF PRIOR YEAR AUDIT FINDINGS**

None reported in prior year.