SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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Gilbert Associates, Inc.
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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, 2015, 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.

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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, 2015, 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.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015 SETA adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 10 and 34 through 36 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 6, 2015, 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.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 6, 2015

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, 2015. Please read it in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- As of June 30, 2015, SETA reported a combined fund balance of $3,044,094, an increase of $23,004 from last year.

- For the year ended June 30, 2015, SETA implemented Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71). The primary objectives of GASB 68 and GASB 71 are to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. GASB 68 requires that a net pension liability for the difference between the present value and projected pension benefits for the past service and restricted resources held in trust for the payment of benefits. The GASB rules only redefines pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pensions funding purposes. The GASB 68 requires a reinstatement of the net pension liability offset by the related deferred outflow of resources as of June 30, 2014. As of result, the beginning net position decreased by $36,638,482 as the cumulative effect of a change in the accounting principles which resulted in a net deficit of $31,565,409 as of June 30, 2015.

- As of June 30, 2015, SETA's net position increased by $3,959,970 primarily due to the implementation of 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, Youth Crime Prevention and CalWORKS Services. SETA does not engage in any business type activities.

Government-wide financial statements are on pages 11 and 12 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.

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 13-16 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 17-33 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, 2015, SETA reported a net deficit of $31,565,409 as the result of the implementation of 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. SETA has not restated the actual and pro forma effect of GASB 68 on the financial statements as of and for the year ended June 30, 2014. This data is not readily available as actuary studies for measurement dates prior to June 30, 2014, were not prepared in accordance with GASB 68.

Statement of Net Position

	2015	**2014**
Assets:		
Other Assets	$ 11,392,802	$ 11,386,805
Capital Assets	648,876	1,095,611
Total Assets	$ 12,041,678	$ 12,482,416
Deferred Outflows of Resources	$ 6,722,946	$ -
Liabilities:		
Other Liabilities	$ 8,380,639	$ 8,390,709
Non-current Liabilities	20,862,369	2,978,604
Total Liabilities	$ 29,243,008	$ 11,369,313
Deferred Inflows of Resources	$ 21,087,025	$ -
Net Position:		
Invested in capital assets	$ 648,876	$ 1,095,611
Unrestricted	(32,214,285)	17,492
Total Net Position (Net Deficit)	$ (31,565,409)	$ 1,113,103
Liabilities and Net Position	$ 18,764,624	$ 12,482,416

Statement of Activities: SETA's grants and contract activities increased net position by $3,959,970. The table below indicates the changes in net assets:

Statement of Activities

	2015	2014
Program Revenues:		
Grants and Contracts	$ 98,366,451	$ 94,689,346
Total Operating Grants and Contracts	98,366,451	94,689,346
General Revenues/(Loss):		
Unrestricted Investment Earnings/(Loss)	(7,406)	2,570
Total General Revenues/(Loss)	(7,406)	2,570
Total Revenue	$ 98,359,045	$ 94,691,916
Program Expenses:		
Head Start/Early Head Start	$ 64,924,090	$ 61,663,112
Workforce Development	14,727,156	19,530,052
Other Programs	14,747,829	14,060,732
Total Operating Grant Activities	$ 94,399,075	$ 95,253,896
Change in net position	$ 3,959,970	$ (561,980)
Total net position, beginning of year	1,113,103	1,675,083
Cumulative effect of change in accounting principles	(36,638,482)	-
Net deficit, beginning of year, as restated	(35,525,379)	-
Total net position (net deficit), end of year	$ (31,565,409)	$ 1,113,103

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

FINANCIAL ANALYSIS OF SETA'S FUNDS

As noted earlier, SETA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. SETA is a joint powers agency of the County of Sacramento 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, 2015, SETA reported a total fund balance of $3,044,094, which is an increase of $23,004 compared to total fund balance of $3,021,090 at June 30, 2014. 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, 2015, totaled $98,359,045. The table below presents the amounts of revenue and the percent of total by source for FYE 2015 and FYE 2014.

Revenues Classified by Source
Governmental Funds

Revenues by Source	FYE 2015 Amount	Percent of Total	FYE 2014 Amount	Percent of Total	Increase/ (Decrease)	Percent Change
Grant revenue	$ 73,788,511	75.02%	$ 73,319,535	77.43%	$ 468,976	0.64%
Child care food revenue	1,443,681	1.47%	1,478,491	1.56%	(34,810)	(2.35%)
Intergovernmental	6,980,530	7.10%	6,218,286	6.57%	762,244	12.26%
Investment income (loss)	(7,406)	(0.01%)	2,570	0.00%	(9,976)	(388.17%)
Miscellaneous income	287,702	0.29%	267,707	0.28%	19,995	7.47%
In-Kind contributions	15,866,027	16.13%	13,405,327	14.16%	2,460,700	18.36%
Total revenues	$ 98,359,045	100.00%	$ 94,691,916	100.00%	$ 3,667,129	3.87%

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

- Grant revenue increased by $468,976 during the fiscal year, primarily due to the increased funding in the Head Start Program.
- Intergovernmental revenue increased by $762,244, primarily due to the increased funding in the CalWORKS Program.
- Head Start In-Kind contributions increased by $2,460,700 during the fiscal year. This increase is due to increased in-kind revenue sources.

Expense Analysis: Expenditures for the year ended June 30, 2015, totaled $98,336,041. The table below presents the expenditures summarized by granting source.

Expenditures Classified by Grantor
Governmental Fund

Expenditures by Grantor	FYE 2015 Amount	Percent of Total	FYE 2014 Amount	Percent of Total	Increase/ (Decrease)	Percent Change
Head Start/Early Head Start	$ 66,245,515	67.37%	$ 61,449,509	64.91%	$ 4,796,006	7.80%
Workforce Development	17,206,216	17.50%	19,214,465	20.30%	(2,008,249)	(10.45%)
Refugee Social Services	701,914	0.71%	654,708	0.69%	47,206	7.21%
Child Care Food Program	1,443,373	1.47%	1,474,399	1.56%	(31,026)	(2.10%)
State Department of Education	3,363,050	3.42%	3,159,885	3.34%	203,165	6.43%
Community Services Block Grant	1,833,099	1.86%	1,573,364	1.66%	259,735	16.51%
Targeted Refugee Assistance	427,521	0.43%	338,141	0.36%	89,380	26.43%
Human Trafficking	0	0.00%	286,955	0.30%	(286,955)	(100.00%)
CalWORKS	6,682,794	6.80%	6,078,661	6.42%	604,133	9.94%
Youth Crime Prevention	75,373	0.08%	96,037	0.10%	(20,664)	(21.52%)
Other	357,186	0.36%	339,417	0.36%	17,769	5.24%
Total expenditures	$ 98,336,041	100.0%	$ 94,665,541	100.0%	$ 3,670,500	3.88%

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

- Head Start program costs increased primarily due to in-kind contributions.
- Workforce Development and Human Trafficking program costs decreased primarily due to ending of discretionary funding.
- CalWORKS program costs increased due to additional funding.

The table below presents the expenditures summarized by type.

Expenditures Classified by Type
Governmental Fund

Expenditures by Type	FYE 2015 Amount	Percent of Total	FYE 2014 Amount	Percent of Total
Salaries	$ 23,961,288	24.37%	$ 24,291,887	25.66%
Fringe Benefits	13,497,709	13.73%	12,783,739	13.50%
Space Costs	3,717,628	3.78%	3,545,815	3.75%
Services & Supplies	5,280,359	5.37%	5,280,583	5.58%
Fixed Assets	23,050	0.02%	42,146	0.04%
Subrecipient Costs	35,989,980	36.60%	35,316,044	37.31%
In Kind Match	15,866,027	16.13%	13,405,327	14.16%
Total Expenses	$ 98,336,041	100.0%	$ 94,665,541	100.0%

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, 2015, amounted to $648,876 (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 Investment 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, 2015

ASSETS:	
Cash and investments	$ 4,888,602
Accounts receivable	6,064,899
Prepaid expenses	439,301
Capital assets, net	648,876
Total assets	12,041,678
DEFERRED OUTFLOWS OF RESOURCES	6,722,946
LIABILITIES	
Current liabilities:	
Accounts payable	5,832,508
Accrued liabilities	974,849
Unearned revenue	1,541,351
Compensated absences	31,931
Total current liabilities	8,380,639
Non-current liabilities:	
Compensated absences	1,785,752
OPEB liability	1,321,772
Net pension liability	17,754,845
Total non-current liabilities	20,862,369
Total liabilities	29,243,008
DEFERRED INFLOWS OF RESOURCES	21,087,025
NET POSITION:	
Net investment in capital assets	648,876
Unrestricted	(32,214,285)
Total net deficit	$ (31,565,409)

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenue	Net (Expense) Revenue
Functions/Programs	**Expenses**	**Operating Grants and Contracts**	**Total Governmental Activities**
Head Start/Early Head Start	$ 64,924,090	$ 66,260,577	$ 1,336,487
Workforce Development	14,727,156	17,208,515	2,481,359
Refugee Social Services	672,390	701,163	28,773
Child Care Food Program	1,417,962	1,443,681	25,719
State Department of Education	3,367,744	3,367,744	
Community Services Block Grant	1,702,808	1,836,620	133,812
Targeted Refugee Assistance	397,997	426,770	28,773
CalWORKS	6,682,794	6,682,794	
Youth Crime Prevention	108,206	78,368	(29,838)
Other	397,928	360,219	(37,709)
Total governmental activities	$ 94,399,075	$ 98,366,451	3,967,376
	General revenue:		
	Unrestricted investment loss		(7,406)
	Change in net position		3,959,970
	Net position, beginning of year, as previously reported		1,113,103
	Cumulative effect of change in accounting principles		(36,638,482)
	Net deficit, beginning of year, as restated		(35,525,379)
	Net deficit, end of year		$ (31,565,409)

The notes to financial statements are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2015

ASSETS:		
Cash and investments	$	4,888,602
Accounts receivable		6,064,899
Prepaid expenditures		439,301
Total assets	$	11,392,802
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	5,832,508
Accrued expenditures		974,849
Unearned revenue		1,541,351
Total liabilities		8,348,708
Fund balance:		
Nonspendable		439,301
Assigned		1,817,683
Unassigned		787,110
Total fund balance		3,044,094
Total liabilities and fund balance	$	11,392,802

The notes to financial statements are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

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

Total fund balance, governmental fund			$ 3,044,094
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 $11,750,226, and the accumulated depreciation is $11,101,350.			648,876
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 liablities relating to governmental activities consist of:			
Compensated absences		$ 1,817,683	
OPEB liability		1,321,772	
Net pension liability		17,754,845	
	Total:		(20,894,300)
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		$ 6,722,946	
Deferred inflows of resources		(21,087,025)	
	Total:		(14,364,079)
Total net deficit, governmental activities			$ (31,565,409)

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

REVENUES:	
Grant revenue	$ 73,788,511
Child care food revenue	1,443,681
Intergovernmental	6,980,530
Investment loss	(7,406)
Miscellaneous income	287,702
In-kind contributions	15,866,027
Total revenues	98,359,045
EXPENDITURES:	
Head Start/Early Head Start	66,245,515
Workforce Development	17,206,216
Refugee Social Services	701,914
Child Care Food Program	1,443,373
State Department of Education	3,363,050
Community Services Block Grant	1,833,099
Targeted Refugee Assistance	427,521
CalWORKS	6,682,794
Youth Crime Prevention	75,373
Other	357,186
Total expenditures	98,336,041
Net increase in fund balance	23,004
Fund balance, July 1, 2014	3,021,090
Fund balance, June 30, 2015	$ 3,044,094

The notes to financial statements are an integral part of this statement.

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, 2015

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

Net increase in fund balance, governmental fund			$ 23,004
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 ($479,471) exceeds capital outlay ($32,736) in the period.			(446,735)
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.			(30,410)
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:			(105,447)
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		$ 2,203,388	
Contributions made		(6,722,946)	
	Total:		4,519,558
Change in net position of governmental activities			$ 3,959,970

The notes to financial statements are an integral part of this statement.

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.

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, 2015.

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 accounting office. SETA allocates its costs based on the relative benefit received by the programs or activities.

Current Year GASB Implementation

For the year ended June 30, 2015, SETA implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The primary objectives of GASB 68 and GASB 71 are to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. GASB 68 requires employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Since GASB 68 requires retroactive application, the net pension liability offset by the related deferred outflow of resources as of June 30, 2014, reduces the beginning net position as of June 30, 2015. As a result, for the year ended June 30, 2015, the beginning net position decreased by $36,638,482 as the cumulative effect of a change in accounting principles.

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:

Asset Class	Years
Buildings	30
Machinery and Equipment	5
Computer Software	3-10

Deferred Outflows/Deferred Inflows of Resources

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

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

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

Compensated Absences

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

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.

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, 2015, SETA has $439,301 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, 2015, 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, 2015, SETA has $1,817,683 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, 2015 are classified in the accompanying financial statements as follows:

Cash and investments in Sacramento County Treasury	$	4,737,102
Cash on hand		151,500
Total cash and investments	$	4,888,602

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 determined on an amortized cost basis, which may be different than the fair value of SETA's position in the pool.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

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.

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	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, 2015, the weighted average maturity of the investments contained in the Treasury investment pool is approximately 262 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.

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, 2015:

	General Fund
Federal government	$ 5,612,581
State government	417,877
Miscellaneous	34,441
Totals	$ 6,064,899

4. CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 66,308			$ 66,308
Capital assets, being depreciated:				
Building	297,910			297,910
Machinery and equipment	12,101,354	$ 32,736	$ (748,082)	11,386,008
Total capital assets, being depreciated	12,399,264	32,736	(748,082)	11,683,918
Less accumulated depreciation for:				
Building	(110,061)	(9,930)		(119,991)
Machinery and equipment	(11,259,900)	(469,541)	748,082	(10,981,359)
Total accumulated depreciation	(11,369,961)	(479,471)	748,082	(11,101,350)
Total capital assets, being depreciated, net	1,029,303	(446,735)		582,568
Governmental activities capital assets, net	$ 1,095,611	$ (446,735)	$	$ 648,876

For the year ended June 30, 2015, depreciation expense was charged to functions as follows:

Governmental activities:		
Workforce Development	$	281,244
Head Start/Early Head Start		156,576
Community Services Block Grant		22,356
Child Care Food Program		4,671
Youth Crime Prevention		1,237
Targeted Refugee Assistance		3,654
Refugee Social Services		3,654
Other		6,079
Total depreciation expense	$	479,471

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, 2015, was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Compensated Absences	$ 1,787,273	$ 1,619,694	$ (1,589,284)	$ 1,817,683	$ 31,931

6. OPERATING LEASE OBLIGATIONS

SETA leases certain office space under noncancellable operating lease agreements. Total lease payments for the year were $3,282,719. Future minimum lease payments are as follows:

Year Ending June 30,		Total
2016	$	3,286,683
2017		1,879,366
2018		701,676
2019		572,413
2020		130,352
Total	$	6,570,490

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, 2015, and applicable to members employed at SETA, are summarized as follows:

	Tier I	Tier III	Tier V (PEPRA)
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% at age 50 to 1.5668% 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% 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 1st. SETA's contractually required contributions rates for the year ended June 30, 2015, were as follows:

	Tier I	**Tier III**	**Tier V (PEPRA)**
Employer	30.00%	30.39%	24.19%
Employee	3.62% of first $161 of biweekly compensation, plus 5.43% of biweekly compensation over $161	3.46% of first $161 of biweekly compensation, plus 5.18% of biweekly compensation over $161	8.78% of biweekly compensation

Contributions to SCERS from SETA were $6,722,946 for the year ended June 30, 2015.

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

As of June 30, 2015, SETA reported net pension liabilities for its proportionate share of the net pension liability of $17,754,845.

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, 2014, and the total pension liability for the Plan used to calculate the net pension liability was by an actuarial valuation as of June 30, 2014, 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 4.698%. SETA's proportionate share of the total SCERS net pension liability (both Safety and Miscellaneous membership classes) was 2.303%.

For the fiscal year ended June 30, 2015, SETA recognized pension expense of $2,203,388. At June 30, 2015, 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
Pension contributions subsequent to measurement date	$ 6,722,946	
Differences between expected and actual experience in the total pension liability		$ 3,251,963
Changes of assumptions or other inputs		1,716,816
Net difference between projected and actual earnings on plan investments		14,052,113
Changes in proportion and differences between employer's contributions and proportionate share of contributions		2,066,133
Total	$ 6,722,946	$ 21,087,025

The $6,722,946 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	$ (5,451,021)
2017	(5,451,021)
2018	(5,451,021)
2019	(4,733,962)
Total	$ (21,087,025)

Actuarial Assumptions

For the measurement period ended June 30, 2014 (measurement date), the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

(1) Varies by service, including inflation
(2) Net of pension plan investment expenses, including inflation

These and all other actuarial assumptions used in the June 30, 2014 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 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, adding expected inflation, and subtracting expected investment expenses and a risk margin.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%

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

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:

	Discount Rate – 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
SETA's Proportionate Share of Net Pension Liability	$ 44,219,558	$ 17,754,845	$ (4,104,499)

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 2015. Annuitants who retire 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 retire 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 2015, the amount of the subsidy/offset payments is as follows:

Years of SCERS service credit payment	Amount of subsidy/offset
Less than10 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, 2015. SETA's current contributions for postemployment benefits consist of eligible retirees on a pay-as-you-go basis and the implicit subsidy. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 183,858
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	183,858
Contributions made:	
Pay-as-you-go	(24,912)
Implicit Subsidy	(53,499)
Increase in net OPEB obligation	105,447
Net OPEB obligation – beginning of year	1,216,325
Net OPEB obligation – end of year	$ 1,321,772

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, 2015 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/13	$ 325,650	$ 114,300	35.10%	$ 1,110,451
6/30/14	173,118	67,244	38.84%	1,216,325
6/30/15	183,858	78,411	42.65%	1,321,772

Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability was $1,430,333 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $1,430,333.

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.

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, 2013, actuarial valuation, the entry age normal, 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 7.5%, 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, 2015, was 23 years.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/09	$ 0	$ 1,901,796	$ 1,901,796	0%	$ 24,594,186	7.73%
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%

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 $6,579,520 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 2015, the County charged fees of $154,459 for these services.

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, 2014 to July 31, 2015. During the current fiscal year, the amount of matching funding provided was $15,866,027 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, 2015

	Expenditures			
Functions/Programs	**Original Budget**	**Final Budget**	**Actual**	**Variance Positive (Negative)**
Head Start/Early Head Start	$ 51,057,991	$ 51,057,991	$ 50,379,488	$ 678,503
Workforce Development	21,259,797	21,259,797	17,206,216	4,053,581
Refugee Social Services	850,793	850,793	701,914	148,879
Child Care Food Programs	1,600,000	1,600,000	1,443,373	156,627
State Department of Education	3,105,714	3,105,714	3,363,050	(257,336)
Community Services Block Grant	1,862,086	1,862,086	1,833,099	28,987
Targeted Refugee Assistance	301,224	301,224	427,521	(126,297)
CalWORKS	7,968,117	7,968,117	6,682,794	1,285,323
Youth Crime Prevention	59,460	59,460	75,373	(15,913)
Other	345,507	345,507	357,186	(11,679)
Total governmental funds	$ 88,410,689	$ 88,410,689	$ 82,470,014	$ 5,940,675

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	$ 50,379,488
In-Kind Contributions Expended	15,866,027
Head Start/Early Head Start - GAAP Basis	$ 66,245,515

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF SETA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2015 LAST 10 YEARS*

		2015
SETA's proportion of the net pension liability		2.303%
SETA's proportionate share of the net pension liability	$	17,754,845
SETA's covered employee payroll (2014)	$	23,517,228
SETA's proportionate share of the net pension liability as a percentage of their covered employee payroll		75.50%
Plan fiduciary net position as a percentage of the total pension liability		93.16%

Notes to Schedule:

Change of benefit terms. In 2015, there were no changes to the benefit terms.

Changes in assumptions. In 2015, there were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF SETA'S CONTRIBUTIONS
AS OF JUNE 30, 2015
LAST 10 YEARS*

		2015
Contractually required contribution (actuarially determined)	$	6,722,946
Contributions in relation to the contractually required contributions		6,722,946
Contribution deficiency (excess)	$	0
SETA's covered-employee payroll (2015)	$	23,184,532
Contributions as a percentage of covered-employee payroll		29.00%

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown

SINGLE AUDIT SECTION

Gilbert Associates, Inc.
CPAs and Advisors
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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, 2015, and the related notes to the financial statements, which collectively comprise SETA's basic financial statements, and have issued our report thereon dated November 6, 2015.

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.

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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.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 6, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SETA's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to each of its major 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

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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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 6, 2015

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	CFDA#	Grant Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through California Department of Education:			
Program Name:			
Child Care Food Program	10.558	34-1826-1-J	$ 1,443,681
Total U.S. Department of Agriculture			1,443,681
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act Cluster			
Passed-Through California Employment Development Department:			
Program Name:			
WIA Title I Adult Formula	17.258	K491038-500	1,685,716
WIA Title I Adult Formula	17.258	K594781-201	272,354
WIA Title I Adult Formula	17.258	K594781-202	2,832,163
WIA Title I Adult Formula	17.258	K594781-500	1,517,311
WIA 15% VEAP SFP	17.258	K386317-216	42,530
WIA 15% WAF VETS	17.258	K491038-1007	80,000
WIA 15% Slingshot Project	17.258	K594781-1026	20,000
Total WIA Adult Programs			6,450,074
Program Name:			
WIA Title I Youth Formula	17.259	K491038-301	215,117
WIA Title I Youth Formula	17.259	K594781-301	3,363,753
Total WIA Youth Activities			3,578,870
Program Name:			
WIA Rapid Response	17.278	K491038-541	176,289
WIA Rapid Response	17.278	K594781-540	77,152
WIA Rapid Response	17.278	K594781-541	466,822
WIA Rapid Response Layoff Aversion	17.278	K594781-293	135,665
WIA Title I Dislocated Worker	17.278	K594781-502	1,424,137
WIA Title I Dislocated Worker	17.278	K491038-502	1,002,040
WIA Title I Dislocated Worker	17.278	K594781-501	563,563
WIA 25% Workforce Accelerator Fund	17.278	K491038-1004	70,000
WIA 25% Veterans Employment Assistance	17.278	K386317-217	122,262
Total WIA Dislocated Worker Formula Grants			4,037,930
Passed-Through South Bay Workforce Investment Board:			
Program Name:			
WIA 25% Additional Assistance	17.278	13-WO-66	1,349,144
Total Workforce Investment Act Cluster			15,416,018

The notes to schedule of federal awards are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	CFDA#	Grant Number	Expenditures
Passed-through California Employment Development Department:			
Wagner Peyser DEI	17.207	K597241-1017	99,377
National Emergency Grants			
Passed-Through California Employment Development Department:			
National Response Emergency Grant DWT NEG	17.277	K491038-343	164,173
Passed-Through South Bay Workforce Investment Board:			
National Emergency Grants (NEG) Public Sector	17.277	11-W121	226,290
Total National Emergency Grants			390,463
Total U.S. Department of Labor			15,905,858
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through California Department of Education:			
Program Name:			
Child Care and Development Block Grant	93.596	CSPP-4379	257,127
Child Care and Development Block Grant	93.575	CSPP-4379	141,464
Child Care and Development Block Grant	93.596	CCTR-4194	341,075
Child Care and Development Block Grant	93.575	CCTR-4194	187,651
Total Child Care and Development Block Grant Cluster			927,317
Total Passed-Through California Department of Education			927,317
Passed-Through California Department of Social Services:			
Program Name:			
Targeted Refugee Assistance	93.584	TAFO 1304	120,179
Targeted Refugee Assistance	93.584	TAFO 1404	258,967
Total Targeted Refugee Assistance			379,146
Program Name:			
Refugee Social Services	93.566	RESS 1304	253,566
Refugee Social Services	93.566	RESS 1404	436,612
Total Refugee Social Services			690,178
Program Name:			
Targeted Refugee Assistance	93.576	TARL 1304	10,985
Targeted Refugee Assistance	93.576	TARL 1404	11,157
Targeted Assistance Discretionary	93.576	TART 1303	9,457
Targeted Assistance Discretionary	93.576	TART 1403	27,010
Total Older Refugee Discretionary			58,609
Total Passed-Through California Department of Social Services			1,127,933

The notes to schedule of federal awards are an integral part of this statement.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	CFDA#	Grant Number	Expenditures
Passed-Through California Department of Community Services and Development:			
Program Name:			
Community Service Block Grant	93.569	14F-3033	1,054,215
Community Service Block Grant	93.569	15F-2033	782,405
Total Community Service Block Grant			1,836,620
Direct Program through Office of Head Start:			
Program Name:			
Head Start/Early Head Start	93.600	09CH0012/33-01	47,656,952
Head Start/Early Head Start	93.600	09CH0012/32	2,684,243
Early Head Start Child Care Partnership	93.600	09HP0021/01	53,356
Total Head Start			50,394,551
Passed-Through California Heath Benefits Exchange			
State Planning and Establishment Grants for the Affordable Care Act Exchange	93.525	12-E9120	304,010
Passed-Through California Department of Human Assistance			
Program Name			
DHA One Stop Shared Costs	93.558	CW-205-15	4,000,000
DHA CAL WORKS OJT	93.558	CW-233-15/A-1	2,400,852
DHA OJT/ESE Expansion	93.558	CW-235-15	186,354
Total CalWORKS (Temporary Assistance for Needy Families)			6,587,206
Total U.S. Department of Health and Human Services			61,177,637
U.S. DEPARTMENT OF JUSTICE			
Passed-Through the County of Sacramento			
Program Name:			
Second Chance Act Technology Career Training	16.812		4,870
Total U.S. Department of Justice			4,870
Total Expenditures of Federal Awards			**$ 78,532,046**

The notes to schedule of federal awards are an integral part of this statement.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards of Sacramento Employment and Training Agency (SETA) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Actual expenditures of the Agency differ from the amounts presented in this schedule by SETA's in-kind match of $15,866,027.

2. PASS-THROUGH AWARDS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, SETA provided federal awards to subrecipients as follows:

Program	Federal CFDA Number	Amount Provided to Subrecipients
Head Start	93.600	$ 22,847,034
Workforce Investment Act Cluster	17.258, 17.259, 17.278	6,589,588
Refugee Social Services	93.566	499,413
Targeted Assistance Discretionary	93.576	30,271
Older Refugee Discretionary	93.584	10,951
Targeted Refugee Assistance	93.584	304,700
Community Services Block Grant	93.569	921,107
CalWORKS (Temporary Assistance for Needy Families)	93.558	2,282,658
State Planning and Establishment Grants for the Affordable Care Act Exchange	93.525	200,338
Total		$ 33,686,060

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

Contract No. 14F-3033

	1/1/14-6/30/14	7/1/14-6/30/15	Total
Revenue			
Grant revenue	$ 588,494	$ 1,054,215	$ 1,642,709
Expenditures			
Salaries and wages	93,831	288,459	382,290
Fringe benefits	55,847	111,023	166,870
Operating expenses & equipment	36,948	24,168	61,116
Out of state travel		4,000	4,000
Subcontractor costs	309,560	520,440	830,000
Other costs	92,308	106,125	198,433
Total Expenditures	588,494	1,054,215	1,642,709
Excess (deficiency) of revenues over (under) expenditures	$	$	$

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	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

Type of auditor's report issued:	Unmodified			
Internal control over major programs:				
• Material weaknesses identified?	______	Yes	✓	No
• Significant deficiencies identified?	______	Yes	✓	None reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	______	Yes	✓	No
Type of auditor's report issued on compliance for major programs:	Unmodified			

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Head Start Program	93.600
CalWORKS (Temporary Assistance for Needy Families	93.558

Dollar threshold used to distinguish between Type A and Type B programs:	$2,355,961			
Auditee qualified as low-risk auditee?	✓	Yes	______	No

B. FINANCIAL STATEMENTS FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. STATE COMPLIANCE FINDINGS AND QUESTIONED COSTS

None.

E. STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported in prior year.