SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

INDEPENDENT AUDITORS' REPORT, FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2018

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Governing Board
Sacramento Employment and Training Agency
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Sacramento Employment and Training Agency (SETA), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SETA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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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 general fund of the SETA as of June 30, 2018, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, SETA adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* effective July 1, 2017. Our opinions are 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, budgetary comparison information, schedule of the proportionate share of the net pension liability, schedule of contributions, and schedule of changes in the total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of SETA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SETA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SETA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 17, 2018

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. Please read it in conjunction with the basic financial statements included in this report.

FINANCIAL HIGHLIGHTS

- As of June 30, 2018, SETA reported a combined fund balance of $3,173,372, an increase of $309,269 from last year.

- For the year ended June 30, 2018, SETA reported a net deficit of $34,091,031 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.

- For the year ended June 30, 2018, SETA's net position decreased by $4,888,882 primarily due to the accounting of pension expense in accordance to GASB 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide financial statements are on pages 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 17-35 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, 2018, SETA reported a net deficit of $34,091,031 due to the accounting of pension liability in accordance to GASB 68, which requires SETA to report net pension liability for the difference between the present value of projected pension benefits for the past services and restricted resources held in trust for the payment of benefits.

Statement of Net Position

	June 30, 2018	June 30, 2017
Assets:		
Other Assets	$ 9,347,043	$ 8,457,259
Capital Assets	692,331	772,022
Total Assets	10,039,374	9,229,281
Deferred Outflows of Resources	29,421,650	26,122,230
Liabilities:		
Other Liabilities	6,441,440	5,838,620
Non-current Liabilities	63,743,217	53,298,763
Total Liabilities	70,184,657	59,137,383
Deferred Inflows of Resources	3,367,398	4,877,273
Net Position:		
Investment in capital assets	692,331	772,022
Restricted	292,249	-
Unrestricted	(35,075,611)	(29,435,167)
Total Net Position (Deficit)	$ (34,091,031)	$ (28,663,145)

Statement of Activities: SETA's grants and contract activities decreased net position by $4,888,882. The table below indicates the changes in net assets:

Statement of Activities

	Year ended June 30,	
	2018	2017
Program Revenues:		
Grants and Contracts	$ 95,170,170	$ 96,660,246
Total Operating Grants and Contracts	95,170,170	96,660,246
General Revenues/(Loss):		
Unrestricted Investment Earnings/(Loss)	47,295	31,793
Total General Revenues/(Loss)	47,295	31,793
Total Revenue	95,217,465	96,692,039
Program Expenses:		
Head Start/Early Head Start	72,671,196	70,088,057
Workforce Development	15,469,321	15,251,478
Other Programs	11,965,830	12,488,592
Total Program Expenses	100,106,347	97,828,127
Change in net position	(4,888,882)	(1,136,088)
Net Position (Deficit), beginning of year, as restated	(29,202,149)	(27,527,057)
Total Net Position (Deficit), end of year	$ (34,091,031)	$ (28,663,145)

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

For the year ended June 30, 2018, SETA's beginning deficit in net position was restated for GASB 75.

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, 2018, SETA reported a total fund balance of $3,173,372, which is an increase of $309,269 compared to total fund balance of $2,864,103 at June 30, 2017. 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, 2018, totaled $95,217,465. The table below presents the amounts of revenue and the percent of total by source for FYE 2018 and FYE 2017.

Revenues Classified by Source
Governmental Funds

Revenues by Source	FYE 2018 Amount	Percent of Total	FYE 2017 Amount	Percent of Total	Increase/ (Decrease)	Percent Change
Grant revenue	$77,928,209	81.84%	$74,920,919	77.48%	$3,007,290	4.01%
Child care food revenue	1,376,330	1.45%	1,431,447	1.48%	(55,117)	(3.85%)
Intergovernmental	1,889,508	1.98%	3,317,994	3.43%	(1,428,486)	(43.05%)
Investment income (loss)	47,295	0.05%	31,793	0.03%	15,502	48.76%
Miscellaneous income	319,863	0.34%	218,629	0.23%	101,234	46.30%
In-Kind contributions	13,656,260	14.34%	16,771,257	17.35%	(3,114,997)	(18.57%)
Total revenues	$95,217,465	100.00%	$96,692,039	100.00%	($1,474,574)	(1.53%)

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

- Grant revenue increased by $3,007,290 during the fiscal year, primarily due to increased funding in Head Start, CDE and Refugee Social Services.

- Intergovernmental revenue decreased by $1,428,486, primarily due to the decreased funding in the CalWORKS Program.

- Head Start In-Kind contributions decreased by $3,114,997 during the fiscal year. This decrease is due to delayed receipt of in-kind revenue for the program year.

Expense Analysis: Expenditures for the year ended June 30, 2018, totaled $94,908,196. The table below presents the expenditures summarized by granting source.

Expenditures Classified by Functions/Programs
Governmental Fund

Expenditures by Functions/Programs	FYE 2018 Amount	Percent of Total	FYE 2017 Amount	Percent of Total	Increase/ (Decrease)	Percent Change
Head Start/Early Head Start	$69,548,706	73.28%	$69,728,927	71.96%	($180,221)	(0.26%)
Workforce Development	14,369,342	15.14%	14,914,689	15.39%	(545,347)	(3.66%)
Refugee Social Services	1,848,488	1.95%	1,444,898	1.49%	403,590	27.93%
Child Care Food Program	1,377,721	1.45%	1,439,761	1.49%	(62,040)	(4.31%)
State Department of Education	3,766,016	3.97%	3,240,335	3.34%	525,681	16.22%
Community Services Block Grant	1,604,697	1.69%	1,880,071	1.94%	(275,374)	(14.65%)
Targeted Refugee Assistance	622,803	0.66%	622,200	0.64%	603	0.10%
CalWORKS	1,072,644	1.13%	3,167,062	3.27%	(2,094,418)	(66.13%)
Other	697,779	0.74%	456,078	0.47%	241,701	53.00%
Total expenditures	$94,908,196	100.00%	$96,894,021	100.00%	($1,985,825)	(2.05%)

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

- Workforce Development program costs decreased primarily due to decreased funding.
- Refugee Social Services program costs increased due to increased funding.
- State Department of Education program costs increased due to increased funding.
- CalWORKS program costs decreased primarily due to decreased funding.

The table below presents the expenditures summarized by type.

Expenditures Classified by Type
Governmental Fund

Expenditures by Type	FYE 2018 Amount	Percent of Total	FYE 2017 Amount	Percent of Total
Salaries	$24,237,859	25.47%	$23,424,125	24.17%
Fringe Benefits	12,030,134	12.91%	12,937,707	13.35%
Space Costs	3,180,820	3.34%	3,379,526	3.49%
Services & Supplies	5,411,245	5.69%	5,247,294	5.42%
Equipment Expense	104,620	0.11%	222,121	0.23%
Subrecipient Costs	36,287,258	38.13%	34,911,991	36.03%
In Kind Match	13,656,260	14.35%	16,771,257	17.31%
Total Expenditures	$94,908,196	100.00%	$96,894,021	100.00%

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 a budget increase of $259,274 from the original budget due to additional funding received during the fiscal year for Head Start, WIOA, and AARP. The underspent variance from budgeted to actual reflects awarded funds still available into future fiscal periods as allowed by the awarding agencies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: SETA's investment in capital assets as of June 30, 2018, amounted to $692,331 (net of accumulated depreciation).

Debt Administration: SETA's long term debt obligations as of June 30, 2018, amounted to $59,919,549 in Net Pension Liability, $2,235,000 in OPEB Liability and $1,856,437 in Compensated Absences.

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, California 95815.

FINANCIAL SECTION

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS		
Current Assets:		
Cash and investments	$	1,940,674
Accounts receivable		6,706,226
Prepaid expenses		407,894
Restricted cash and investments		292,249
Total Current Assets		9,347,043
Non-Current assets:		
Capital assets, net of depreciation		692,331
Total Assets		10,039,374
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension		29,315,650
Deferred outflows related to OPEB		106,000
Total Deferred Ouflows of Resources		29,421,650
LIABILITIES		
Current Liabilities:		
Accounts payable		4,402,069
Accrued liabilities		921,727
Compensated absences - current portion		267,769
Unearned revenue		849,875
Total Current Liabilities		6,441,440
Non-Current liabilities:		
Compensated absences		1,588,668
OPEB liability		2,235,000
Net pension liability		59,919,549
Total Non-Current Liabilities		63,743,217
Total Liabilities		70,184,657
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		3,241,398
Deferred inflows related to OPEB		126,000
Total Deferred Inlows of Resources		3,367,398
NET POSITION		
Investment in capital assets		692,331
Restricted for Child Development Programs		292,249
Unrestricted		(35,075,611)
Total Net Position (Deficit)	$	(34,091,031)

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue Total Governmental Activities
Head Start/Early Head Start	$ 72,671,196	$ 69,754,135	$ (2,917,061)
Workforce Development	15,469,321	14,391,829	(1,077,492)
Refugee Social Services	1,901,480	1,851,531	(49,949)
Child Care Food Programs	1,448,482	1,376,330	(72,152)
State Department of Education	4,302,980	3,792,729	(510,251)
Community Services Block Grant	1,707,940	1,604,621	(103,319)
Targeted Refugee Assistance	640,467	623,817	(16,650)
CalWORKS	1,194,630	1,072,644	(121,986)
Other	769,851	702,534	(67,317)
Total Governmental Activities	$ 100,106,347	$ 95,170,170	(4,936,177)
General Revenue:			
Unrestricted Investment Earnings			47,295
Change in net position			(4,888,882)
Net Position, Beginning of Year, as restated			(29,202,149)
Net Position, End of Year			$ (34,091,031)

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018

		General Fund
ASSETS		
Cash and investments	$	1,940,674
Accounts receivable		6,706,226
Prepaid expenses		407,894
Restricted cash and investments		292,249
Total Assets	$	9,347,043
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$	4,402,069
Accrued expenditures		921,727
Unearned revenue		849,875
Total Liabilities		6,173,671
Fund Balance		
Nonspendable		407,894
Restricted		292,249
Assigned		1,856,437
Unassigned		616,792
Total Fund Balance		3,173,372
Total Liabilities and Fund Balance	$	9,347,043

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

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

Total Fund Balance, Governmental Fund		$ 3,173,372
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Amount by which cost of capital assets exceeds accumulated depreciation:		
Historical cost of Capital Assets	$ 11,714,895	
Accumulated Depreciation:	(11,022,564)	
Total		692,331
Long-term Liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, incluing long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Compensation Absences	1,856,437	
OPEB Liability	2,235,000	
Net Pension Liability	59,919,549	
Total		(64,010,986)
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	29,315,650	
Deferred Inflows of Resources	(3,241,398)	
Total		26,074,252
Deferred outflows and inflows of resources relating to OPEB: In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred Outflows of Resources	106,000	
Deferred Inflows of Resources	(126,000)	
		(20,000)
Total Net Position (Deficit), Governmental Activities		$ (34,091,031)

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

		General Fund
REVENUES		
Grant revenue	$	77,928,209
Childcare food reimbursements		1,376,330
Intergovernmental revenue		1,889,508
Interest income		47,295
Miscellaneous income		319,863
In-Kind Match		13,656,260
Total Revenues		95,217,465
EXPENDITURES		
Current:		
Head Start/Early Head Start		69,548,706
Workforce Development		14,369,342
Refugee Social Services		1,848,488
Child Care Food Programs		1,377,721
State Department of Education		3,766,016
Community Services Block Grant		1,604,697
Targeted Refugee Assistance		622,803
CalWORKS		1,072,644
Other		697,779
Total Expenditures		94,908,196
Net Change in Fund Balance		309,269
Fund Balance - Beginning of Year		2,864,103
Fund Balance - End of Year	$	3,173,372

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:				
Net change in Fund Balance, Governmental Fund			$	309,269
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. Amount by which depreciation expense exceeds capital outlay:				
Amount of Capital Outlay	$	169,424		
Depreciation Expense		(249,115)		(79,691)
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.				(255,018)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in Governmental Funds.				
Change in OPEB Liability				(117,000)
Change in Net Pension Liability				(4,746,442)
Change in Net Position of Governmental Activities			$	(4,888,882)

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

Basis of Presentation

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Budgetary Information

SETA's annual expenditure budget is approved by SETA's Governing Board and adopted for SETA through the City and County of Sacramento's executive and legislative process. SETA is not authorized to exceed total budgeted expenditures. Any amendments that increase total budgeted expenditures must be approved by the Governing Board, as well as the City and County of Sacramento. There was no amendment to the original budget presented in the Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund during the year ended June 30, 2018.

Cost Allocation Plan

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

Capital Assets

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Deferred Inflows of Resources

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

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

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

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

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

Compensated Absences

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

Pensions

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Net Position and Fund Balance

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

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

Restricted Net Position – This category represents net position of SETA restricted for specific project or other restricted purpose.

Unrestricted Net Position – This category represents net position of SETA 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, 2018, SETA has $407,894 for prepaid expenditures that are considered nonspendable.

Restricted Fund Balance – This category presents those portions of fund balance which are restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which SETA cannot unilaterally alter. At June 30, 2018, SETA has $292,249 of restricted cash and investments in accordance with an agreement with the State. The agreement allows the establishment of a reserve account that can be used for reimbursable expenses for certified children for programs funded under contract with the California Department of Education. When the expenditures exceed the contracted maximum reimbursable amount (MRA) for a given year, SETA is allowed to utilize the reserve funds to cover the excess expenditures.

Assigned Fund Balance – This category presents those portions of the fund balance that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. SETA management has the authority to assign portions of fund balance. At June 30, 2018, SETA has $1,856,437 assigned to cover the outstanding compensated absences balance.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Effect of New Governmental Accounting Standards Board (GASB) Pronouncements</u>

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for reporting periods beginning after June 15, 2017. SETA implemented this Statement effective July 1, 2017.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for reporting periods beginning after December 15, 2016. SETA has determined that the requirements of this Statement had no material impact to the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85¸ *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. SETA has determined that the requirements of this Statement had no material impact to the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. SETA has determined that the requirements of this Statement had no material impact to the financial statements.

<u>Future Governmental Accounting Standards Board (GASB) Pronouncements</u>

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Cash and investments in Sacramento County Treasury	$ 2,081,423
Cash on hand	151,500
Total Cash and Investments	$ 2,232,923

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash in Sacramento County Treasury

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

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

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

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

Restricted Cash and Investments

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

Investments Authorized by SETA's Investment Policy

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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2018, the weighted average maturity of the investments contained in the Treasury investment pool is approximately 309 days.

Credit Risk

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

Fair Value Measurements

SETA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. As of June 30, 2018, SETA’s funds were invested in the County of Sacramento Investment Pool.

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

Deposits and withdrawals are made on the basis of $1 and not fair value, accordingly, SETA’s proportionate share of investments in the County of Sacramento Investment Pool at June 30, 2018 of $2,081,423 is an uncategorized input, not defined as a level 1, level 2 or level 3 input.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2018:

	General Fund
Due from Federal government	$ 6,160,345
Due from State government	304,328
Miscellaneous receivables	241,553
Totals	$ 6,706,226

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 66,308	$ -	$ -	$ 66,308
Capital assets, being depreciated:				
Building	297,910	-	-	297,910
Machinery and equipment	11,397,024	169,424	(215,771)	11,350,677
Total Capital Assets, Being Depreciated	11,694,934	169,424	(215,771)	11,648,587
Less accumulated depreciation for:				
Building	(139,851)	(9,931)	-	(149,782)
Machinery and equipment	(10,849,369)	(239,184)	215,771	(10,872,782)
Total Accumulated Depreciation	(10,989,220)	(249,115)	215,771	(11,022,564)
Total Capital Assets, Being Depreciated, Net	705,714	(79,691)	-	626,023
Governmental Activities Capital Assets, Net	$ 772,022	$ (79,691)	$ -	$ 692,331

For the year ended June 30, 2018, depreciation expense was charged to programs/functions as follows:

Governmental activities:	
Workforce Development	$ 98,327
Head Start/Early Head Start	128,487
Community Services Block Grant	10,287
Child Care Food Program	1,904
Targeted Refugee Assistance	1,461
Refugee Social Services	4,382
Other	4,267
Total Depreciation Expense	$ 249,115

NOTE 5 - COMPENSATED ABSENCES

Compensated absences liability activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance July 1, 2018	Due Within One Year
Compensated Absences	$ 1,601,419	$ 1,719,621	$ 1,464,603	$ 1,856,437	$ 267,769

NOTE 6 - OPERATING LEASE OBLIGATIONS

SETA leases certain office space under noncancellable operating lease agreements. Total lease payments for the year were $2,820,153. Future minimum lease payments are as follows:

Year Ending June 30,	Total
2019	$ 2,554,267
2020	2,289,532
2021	2,030,067
2022	1,667,666
2023	1,665,419
2024-2027	5,925,423
Total	$ 16,132,374

NOTE 7 - EMPLOYEE RETIREMENT PLAN

Plan Description

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

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

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

Benefits Provided

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

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, 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 percent at age 50 to 1.5668 percent at age 62 and older).

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

Contributions

Pursuant to provisions of the 1937 Act, the Retirement Board recommends the annual contribution rates for adoption by the County Board of Supervisors, based on the recommendations of the SCERS consulting actuary. The actuarially determined contribution rate is determined as a percentage of payroll, and is the estimated amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Changes to contribution rates are effective on July 1st. SETA's contractually required contributions rates for the year ended June 30, 2018, were as follows:

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

Total employer contributions to SCERS from SETA was $6,106,067 for the year ended June 30, 2018.

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

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

As of June 30, 2018, SETA reported a liability of $59,919,549 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was by an actuarial valuation as of June 30, 2017, with separate calculations for each membership class. A separate net pension liability is calculated for each membership class by reducing the applicable total pension liability by a proportional share of the plan fiduciary net position. SETA's proportion of the net pension liability was based on the ratio of SETA's actual employer contributions in the measurement period to total actual contributions received for Miscellaneous members of SCERS in the measurement period, multiplied by the net pension liability attributed to the Miscellaneous membership class. SETA's proportionate share of the net pension liability for the Miscellaneous membership class was 4.950 percent. At June 30, 2017, SETA's proportionate share of the total SCERS net pension liability (both Safety and Miscellaneous membership classes) was 3.047 percent, which was an increase of 0.179 percent from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, SETA recognized pension expense of $10,852,509. At June 30, 2018, SETA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
SETA contributions subsequent to measurement date	$ 6,106,067	$ -
Differences between expected and actual experience	-	2,522,755
Changes of assumptions	18,554,756	319,783
Net differences between projected and actual earnings on pension plan investments	3,067,111	-
Changes in proportion and differences between employer's contributions and proportionate share of contributions	1,587,716	398,860
Total	$ 29,315,650	$ 3,241,398

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

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

The $6,106,067 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2019	$ 4,007,381
2020	9,121,158
2021	6,349,939
2022	489,707
	$ 19,968,185

Actuarial Assumptions

For the measurement period ended June 30, 2017 (measurement date), the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	7.0%
Inflation	3.25%
Salary Increases	4.5% to 11.5% (1)
Investment Rate of Return	7.0% (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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2013.

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes of Assumptions: For the June 30, 2017 measurement, the discount rate reduced from 7.5 percent to 7.0 percent.

NOTE 7 - EMPLOYEE RETIREMENT PLAN (Continued)

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

The following presents SETA's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.00 percent, as well as what SETA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
SETA's Proportionate Share of Net Pension Liability	$ 103,198,378	$ 59,919,549	$ 24,596,594

Pension Plan Fiduciary Net Position

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

SETA's defined benefit OPEB plan is a single-employer defined benefit OPEB plan administered by SETA. The plan provides medical insurance and dental insurance, and subsidy/offset payments as authorized and amended by the SETA Governing Board on an annual basis. The Board must approve the benefit annually or it is terminated. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

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

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided

Annuitants who retired for any reason on or before August 31, 2007 are eligible to receive a SETA-paid medical insurance subsidy/offset payment during calendar year 2018. Annuitants who retired after August 31, 2007 are not entitled to any subsidy/offset payment. The amount of any medical subsidy/offset payments made available to annuitants (who retired on or before August 31, 2007) is calculated based upon the annuitant's SCERS service credits. As of June 30, 2018, the amount of benefits paid was $106,000.

Employees Covered By Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

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

Total OPEB Liability

As of June 30, 2018, SETA reported a liability of $2,235,000 for its total OPEB liability. The total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

For the measurement period ended June 30, 2017, the total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Actuarial Valuation Date	June 30, 2017
Discount Rate	3.58%
Inflation	2.75%
Salary Increases	3.00%
Mortality, Retirement, Diability, Termination Merit Payroll Increases	SCERS 2013-2016 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2017
Healthcare Cost Trend Rate	7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58 percent for the Plan. The discount rate was based on the 20-Year General Obligation Bond Buyer Bond Index.

Changes in the Total OPEB Liability

The changes in the total OPEB liability, measured as of June 30, 2017 is as follows:

	Total OPEB Liability
Balance at June 30, 2017	$ 2,251,000
Changes for the year:	
Service Cost	177,000
Interest	67,000
Assumption changes	(147,000)
Benefit payments	(113,000)
Net Changes	(16,000)
Balance at June 30, 2018	$ 2,235,000

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

The following presents the total OPEB liability of SETA as of the measurement date, calculated using the discount rate of 3.58 percent, as well as what SETA's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58 percent) or 1 percentage-point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	$ 2,396,000	$ 2,235,000	$ 2,084,000

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

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

	1% Decrease (6.5% decreasing to 3.0% in 2076)	Current Trend (7.5% decreasing to 4.0% in 2076)	1% Increase (8.5% decreasing to 5.0% in 2076)
Total OPEB Liability	$ 2,019,000	$ 2,235,000	$ 2,489,000

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the fiscal year ended June 30, 2018, SETA recognized OPEB expense of $223,000. At June 30, 2018, SETA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefits provided subsequent to measurement date	$ 106,000	$ -
Changes of assumptions	-	126,000
Total	$ 106,000	$ 126,000

The $106,000 reported as deferred outflows of resources related to benefits provided subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	
2019	$ 21,000
2020	21,000
2021	21,000
2022	21,000
2023	21,000
Thereafter	21,000
	$ 126,000

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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

NOTE 10 - RELATED PARTY TRANSACTIONS

During the current year, the County of Sacramento Department of Human Assistance provided funding in the amount of $1,072,644 for the operation of SETA's "one-stop" employment centers and other workforce development programs. Through its banking relationship with the County of Sacramento Treasury, substantially all of SETA's cash receipts, payment transactions, purchasing and payroll processing are processed by the County. During 2018, the County charged fees of $140,651 for these services.

NOTE 11 - MATCHING FUNDING AND NON-MONETARY EXCHANGES

SETA operates Head Start programs for the City and County of Sacramento under a grant from the Federal government. Under the terms of that grant, SETA and its delegate agencies are required to provide non-federal match of 20 percent of the total cost of the program. During the current fiscal year, the amount of matching funding provided was $13,656,260, which is 20 percent of the total program cost.

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

NOTE 12 - RISK MANAGEMENT

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

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

For the year ended June 30, 2018, SETA did not experience any loss exceeding insurance coverage.

NOTE 13 - PRIOR PERIOD ADJUSTMENT FOR CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

Governmental Activities	June 30, 2017 Previously Presented	Restatement	July 1, 2017 Restated
Other Postemployment Benefit (OPEB) Liability	$ -	$ (2,251,000)	$ (2,251,000)
Other Postemployment Benefit (OPEB) Obligation	(1,598,996)	1,598,996	-
Deferred Outflows of Resources	-	113,000	113,000
Net Position - Beginning of year	(28,663,145)	(539,004)	(29,202,149)

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
Revenues:				
Grant revenue	$ 76,380,688	$ 77,317,539	$ 77,928,209	$ 610,670
Childcare food reimbursements	1,485,000	1,485,000	1,376,330	(108,670)
Intergovernmental revenue	5,580,221	4,862,644	1,889,508	(2,973,136)
Interest income	-	-	47,295	47,295
Miscellaneous income	411,324	451,324	319,863	(131,461)
Total Revenues	83,857,233	84,116,507	81,561,205	(2,555,302)
Expenditures:				
Head Start/Early Head Start	56,537,518	56,662,550	55,892,446	770,104
Workforce Development	15,233,629	15,376,629	14,369,342	1,007,287
Refugee Social Services	2,269,755	2,269,755	1,848,488	421,267
Child Care Food Programs	1,485,000	1,485,000	1,377,721	107,279
State Department of Education	3,697,446	4,179,829	3,766,016	413,813
Community Services Block Grant	1,735,627	1,735,627	1,604,697	130,930
Targeted Refugee Assistance	855,261	855,261	622,803	232,458
CalWORKS	1,072,640	1,072,644	1,072,644	-
Other	970,357	961,599	697,779	263,820
Total Expenditures	83,857,233	84,598,894	81,251,936	3,346,958
Change in Fund Balance	$ -	$ (482,387)	309,269	$ 791,656
Fund Balance, Beginning of Year			2,864,103	
Fund Balance, End of Year			$ 3,173,372	

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	$ 55,892,446
In-Kind Contributions Expended	13,656,260
Head Start/Early Head Start - GAAP Basis	$ 69,548,706
Total Revenues - Budgetary Basis	$ 81,561,205
In-Kind Contributions Received	13,656,260
Head Start/Early Head Start - GAAP Basis	$ 95,217,465

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

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

	2018	2017	2016	2015
SETA's proportion of the net pension liability	3.047%	2.868%	2.488%	2.303%
SETA's proportionate share of the net pension liability	$ 59,919,549	$ 50,343,812	$ 28,610,225	$ 17,754,848
SETA's covered payroll	$ 22,471,328	$ 22,961,773	$ 22,681,888	$ 22,795,179
SETA's proportionate share of the net pension liability as a percentage of their covered payroll	266.65%	219.25%	126.14%	77.89%
Plan fiduciary net position as a percentage of the total pension liability	80.37%	83.21%	89.46%	93.16%
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule:

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF SETA'S PENSION CONTRIBUTIONS
LAST 10 YEARS*

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

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
LAST 10 YEARS*

		2018
Total OPEB liability		
Service Cost	$	177,000
Interest		67,000
Assumption changes		(147,000)
Benefit payments		(113,000)
Net change in total OPEB liability		(16,000)
Total OPEB liability - beginning		2,251,000
Total OPEB liability - ending	$	2,235,000
Covered-employee payroll	$	24,315,060
Total OPEB liability as a percentage of their covered-employee payroll		9.19%
Measurement date		June 30, 2017

Notes to Schedule:

*Fiscal year 2018 was the first year of implementation, therefore only one year is shown.

SUPPLEMENTARY INFORMATION

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA#	Grant Number	Passed Through to Subrecipients	Award Amount Federal	Award Amount State	Expenditures Federal	Expenditures State
U.S. DEPARTMENT OF AGRICULTURE							
Passed-Through California Department of Education:							
Child and Adult Care Food Program	10.558	34-1826-1-J	$ -	$ 1,485,000	$ -	$ 1,376,330	$ -
Total U.S. Department of Agriculture			-	1,485,000	-	1,376,330	-
U.S. DEPARTMENT OF LABOR							
Passed-Through California Employment Development Department:							
WIOA Cluster:							
WIOA Adult Program	17.258	K7102059-500	270,318	2,319,181	-	450,874	-
WIOA Adult Program	17.258	K8106655-202	-	449,240	-	449,240	-
WIOA Adult Program	17.258	K8106655-201	1,302,601	3,057,543	-	3,057,543	-
WIOA Adult Program	17.258	K8106655-500	-	1,673,000	-	1,306,116	-
WIOA Adult Program - VEAP PY 16/17	17.258	K7102059-1092	-	500,000	-	178,572	-
WIOA Adult Program - VEAP PY 15/17	17.258	K594781-1029	-	222,222	-	-	-
WIOA Adult Program - Slingshot-Accelerating Income Mobility	17.258	K594781-1026	-	282,506	-	-	-
WIOA Adult Program - Slingshot-Accelerating Income Mobility	17.258	K7102059-1026	552,435	706,648	-	610,604	-
WIOA Adult Program - Slingshot-Additional	17.258	K7102059-1105	45,981	66,000	-	45,981	-
WIOA Adult Program - Disability Employment Accelerator	17.258	K698382-1064	2,995	185,714	-	86,767	-
WIOA Adult Program - Disability Employment Accelerator	17.258	K7102059-1103	21,500	350,000	-	116,429	-
WIOA Adult Program - High Performing Boards	17.258	K7102059-1080	-	-	-	-	-
WIOA Adult Program - Regional Organizers	17.258	K7102059-1089	3,900	85,718	-	70,723	-
WIOA Adult Program - Regional Training Coordinator	17.258	K7102059-1087	-	200,000	-	151,752	-
WIOA Adult Program - SlingShot Regional Plan Implementation	17.258	K8106655-1122	62,200	814,000	-	147,452	-
WIOA Adult Program - ELL Navigator	17.258	K7102059-1095	146,699	500,000	-	233,454	-
WIOA Adult Program - Work Exp Ed At-Risk Youth	17.258	K7102059-1101	45,400	400,000	-	193,231	-
Total WIOA Adult Program			2,454,029	11,811,772	-	7,098,738	-
WIOA Youth Activities	17.259	K7102059-301	86,390	3,763,899	-	193,341	-
WIOA Youth Activities	17.259	K8106655-301	2,196,253	3,695,179	-	3,695,179	-
Total WIOA Youth Activities			2,282,643	7,459,078	-	3,888,520	-
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K7102059-541	-	257,755	-	-	-
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K8106655-540	-	43,361	-	43,361	-
WIOA Dislocated Worker Formula Grants - Rapid Response	17.278	K8106655-541	31,047	456,212	-	394,050	-
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K7102059-293	-	73,080	-	-	-
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K8106655-292	-	12,230	-	12,230	-
WIOA Dislocated Worker Formula Grants - Rapid Response Layoff Aversion	17.278	K8106655-293	-	71,516	-	71,516	-
WIOA Dislocated Worker Formula Grants - Dislocated Worker	17.278	K7102059-502	33,883	796,270	-	47,498	-
WIOA Dislocated Worker Formula Grants - Dislocated Worker	17.278	K8106655-501	-	511,382	-	511,382	-
WIOA Dislocated Worker Formula Grants - Dislocated Worker	17.278	K8106655-502	429,843	1,033,032	-	900,621	-
WIOA Dislocated Worker Formula Grants - Implementation	17.278	K698382-1055	-	117,889	-	28,960	-
WIOA Dislocated Worker Formula Grants - Implementation	17.278	K698382-1056	-	43,385	-	8,856	-
WIOA Dislocated Worker Formula Grants - Implementation CCD	17.278	K698382-1057	-	55,000	-	-	-
WIOA Dislocated Worker Formula Grants - Implementation CCD	17.278	K698382-1069	-	20,000	-	-	-
WIOA Dislocated Worker Formula Grants - Incentivize Regional Imp	17.278	K698382-1067	119,762	250,000	-	147,000	-
Total WIOA Dislocated Worker Formula Grants			614,535	3,741,112	-	2,165,474	-
Total WIOA Cluster:			5,351,207	23,011,962	-	13,152,732	-

The accompanying notes are an integral part of this schedule.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA#	Grant Number	Passed Through to Subrecipients	Award Amount Federal	Award Amount State	Expenditures Federal	Expenditures State
U.S. DEPARTMENT OF LABOR, Continued							
Passed-Through California Employment Development Department:							
WIOA National Dislocated Worker Grants / WIA National Emergency Grants - Sector Partnerships NEG	17.277	K698382-1028	$ -	$ 850,000	$ -	$ 242,265	$ -
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - Storm NDWG 2017	17.277	K7102059-1091	127,256	200,000	-	171,835	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grant - Storm NDWG 2017	17.277	K8106655-1091	168,428	300,000	-	300,000	-
Total WIOA National Dislocated Worker Grants / WIA National Emergency Grants:			295,684	1,350,000	-	714,100	-
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207	K597241-1017	40,701	582,774	-	65,233	-
Total Passed-Through California Employment Development Department:			5,687,592	24,944,736	-	13,932,065	-
Total U.S. Department of Labor			5,687,592	24,944,736	-	13,932,065	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed-Through California Department of Education:							
CCDF Cluster:							
Child Care and Development Block Grant	93.575	CSPP-7408	-	108,036	1,693,252	107,903	1,693,252
Child Care and Development Block Grant	93.575	CCTR-7191		175,158	-	167,087	-
Total Child Care and Development Block Grant			-	283,194	1,693,252	274,990	1,693,252
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CSPP-7408		235,223	655,431	234,934	317,613
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-7191	-	381,060	931,669	363,502	889,569
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund			-	616,283	1,587,100	598,436	1,207,182
Total CCDF Cluster:			-	899,477	3,280,352	873,426	2,900,434
Total Passed-Through California Department of Education			-	899,477	3,280,352	873,426	2,900,434
Passed-Through California Department of Social Services:							
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.584	TAFO1504	64,378	544,774	-	90,162	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.584	TAFO1604	234,047	739,208	-	322,089	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.584	TAFO1704	204,433	770,247	-	211,566	-
Total Refugee and Entrant Assistance State/Replacement Designee Administered Programs			502,858	2,054,229	-	623,817	-
Refugee and Entrant Assistance Targeted Assistance Grants	93.566	RESS1504	132,271	1,333,766	-	212,674	-
Refugee and Entrant Assistance Targeted Assistance Grants	93.566	RESS1605	747,183	1,789,299	-	975,788	-
Refugee and Entrant Assistance Targeted Assistance Grants	93.566	RESS1704	626,844	1,883,255	-	648,787	-
Refugee and Entrant Assistance Targeted Assistance Grants - Older Refugee Discretionary	93.566	ORSA1605	3,095	12,529	-	5,448	-
Refugee and Entrant Assistance Targeted Assistance Grants - Older Refugee Discretionary	93.566	ORSA1704	8,834	13,036	-	8,834	-
Total Refugee and Entrant Assistance Targeted Assistance Grants			1,518,227	5,031,885	-	1,851,531	-
Total Passed-Through California Department of Social Services:			2,021,085	7,086,114	-	2,475,348	-

The accompanying notes are an integral part of this schedule.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA#	Grant Number	Passed Through to Subrecipients	Award Amount Federal	Award Amount State	Expenditures Federal	Expenditures State
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, Continued							
Passed-Through California Department of Community Services and Development:							
Community Services Block Grant	93.569	17F-2033	$ 505,231	$ 1,758,773	$ -	$ 855,065	$ -
Community Services Block Grant	93.569	18F-5033	308,239	1,822,631	-	749,556	-
Total Community Services Block Grant:			813,470	3,581,404	-	1,604,621	-
Direct Program:							
Head Start/Early Head Start	93.600	09CH010182-02-02	3,671,290	51,739,289	-	4,036,074	-
Head Start/Early Head Start	93.600	09CH010182-03-01	24,494,022	56,026,478	-	50,723,026	-
Head Start/Early Head Start	93.600	09CH010182-01-00	(532)	50,734,861	-	(532)	-
Head Start - EHS Child Care Partnership	93.600	09HP0021-02-02	127,652	1,436,549	-	149,174	-
Head Start - EHS Child Care Partnership	93.600	09HP0021-03-00	1,002,575	1,815,971	-	1,183,177	-
Total Head Start			29,295,007	161,753,148	-	56,090,919	-
Passed-Through Sacramento County Department of Human Assistance:							
TANF Cluster:							
TANF Cluster - DHA One Stop Shared Costs	93.558	CW-205-18	-	1,072,644	-	1,072,644	-
Total TANF Cluster:			-	1,072,644	-	1,072,644	-
Total U.S. Department of Health and Human Services			32,129,562	174,392,787	3,280,352	62,116,958	2,900,434
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			$ 37,817,154	$ 200,822,523	$ 3,280,352	$ 77,425,353	$ 2,900,434

The accompanying notes are an integral part of this schedule.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal and state award activity of Sacramento Employment and Training Agency (SETA) under programs of the federal and state government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Actual expenditures of SETA differ from the amounts presented in this schedule by SETA's in-kind match of $13,656,260. Because the Schedule presents only a selected portion of the operations of SETA, it is not intended to and does not present the financial position or changes in net position or fund balance of SETA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

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

NOTE 4 - INDIRECT COST RATE

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

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

Contract# 17F-2033

	1/1/17- 6/30/17	7/1/17- 12/31/17	Audited Costs	Reported Expenses	Total Budget
Revenue					
Grant Revenue	$903,707	$855,065	$1,758,772	$1,758,772	$1,758,773
Expenditures					
Administrative Costs:					
Salaries & Wages	86,772	58,733	145,505	145,505	144,349
Fringe Benefits	40,501	31,603	72,104	72,104	70,948
Operating Expense and Equipment	-	458	458	458	458
Out of State Travel	-	-	-	-	-
Subcontractor Services	-	-	-	-	-
Other costs	31,654	30,599	62,253	62,253	64,566
Total Admin Costs:	158,927	121,393	280,320	280,320	280,320
Program Costs:					
Salaries & Wages	178,408	151,255	329,663	329,663	307,605
Fringe Benefits	72,053	58,730	130,783	130,783	121,224
Operating Expense and Equipment	595	1,368	1,963	1,963	1,964
Out of State Travel	-	-	-	-	-
Subcontractor Services	402,997	438,873	841,870	841,870	866,870
Other costs	90,727	83,446	174,173	174,173	180,791
Total Program Costs:	744,780	733,672	1,478,452	1,478,452	1,478,453
Total Expenditures	$ 903,707	$ 855,065	$ 1,758,772	$ 1,758,772	$ 1,758,773

SUPPLEMENTARY INFORMATION
CALIFORNIA DEPARTMENT OF EDUCATION (CDE) SCHEDULES

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	CSPP-7408	CCTR-7191	Total CDE	Non-CDE Programs	Total
Revenue and Support					
Grant Revenue	$ 2,353,702	$ 1,420,158	$ 3,773,860	$ 74,154,349	$ 77,928,209
Child Care Food Reimbursements	351,488	108,179	459,667	916,663	1,376,330
Intergovernental	-	-	-	1,889,508	1,889,508
Investment Income	-	-	-	47,295	47,295
Miscellaneous Income	-	-	-	300,993	300,993
In Kind Contributions	-	-	-	13,656,260	13,656,260
Family Fees	12,496	6,374	18,870	-	18,870
Total Revenue and Support	2,717,686	1,534,711	4,252,397	90,965,068	95,217,465
Expenses					
Salaries	1,512,783	960,658	2,473,441	21,788,409	24,261,850
Fringe Benefits	791,332	490,478	1,281,810	15,583,338	16,865,148
Books and Supplies	-	-	-	925,545	925,545
Services and Other Operating Expenses	413,571	142,259	555,830	43,487,979	44,043,809
Equipment Expense	-	-	-	104,620	104,620
Depreciation	-	-	-	249,115	249,115
In kind Contributions Expense	-	-	-	13,656,260	13,656,260
Total Expenses	2,717,686	1,593,395	4,311,081	95,795,266	100,106,347
Change in Net Position	$ -	$ (58,684)	$ (58,684)	$ (4,830,198)	$ (4,888,882)

Note

Salaries for the CCTR-7191 contract have been reduced by $38,007 and Fringe Benefits reduced by $20,676 due to an Intra-Cost Recovery Adjustment.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF EXPENSES BY STATE CATEGORIES AND RECONCILIATION TO GAAP EXPENSE REPORTING YEAR ENDED JUNE 30, 2018

Expenditures	CSPP-7408	CCTR-7191	Total CDE Contracts
Direct payments to providers			
1000 Certified Salaries	$ 1,338,352	$ 869,621	$ 2,207,973
2000 Classified Salaries	174,431	91,037	265,468
3000 Employee Benefits	791,332	490,478	1,281,810
5000 Services and other Operating Expenses	413,571	142,259	555,830
Total expenses claimed for reimbursement	2,717,686	1,593,395	4,311,081
Adjustments to Reconcile to GAAP Expense Reporting:			
Restricted Income: Child Nutrition Program	(351,488)	(108,179)	(459,667)
Restricted Income: Intra Cost Recovery	-	(58,684)	(58,684)
Statement of Activities (GAAP)	$ 2,366,198	$ 1,426,532	$ 3,792,730

Additional Statement:

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

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENSES
YEAR ENDED JUNE 30, 2018

	CSPP-7408	CCTR-7191	Total CDE Contracts
Unit Cost Under $7,500			
Unit Cost Over $7,500, with prior written CDE approval	$ -	$ -	$ -
Unit Cost Over $7,500, without prior CDE approval	$ -	$ -	$ -
Total Equipment Expenses	**$ -**	**$ -**	**$ -**

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF REIMBURSABLE EXPENSES FOR RENOVATIONS AND REPAIRS
YEAR ENDED JUNE 30, 2018

	CSPP-7408	CCTR-7191	Total CDE Contracts
Unit Cost Under $10,000 per Item	$ -	$ -	$ -
Unit Cost of $10,000 or more per item with prior CDE written approval	-	-	-
Unit Cost of $10,000 or more per item without prior CDE approval	-	-	-
Total	$ -	$ -	$ -

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Expenses	CSPP-7408	CCTR-7191	Total CDE Contracts
Reimbursable Administrative Costs:			
Classified Salaries	$ 174,431	$ 53,030	$ 227,461
Employee Benefits	83,240	23,298	106,538
Other Operating Expenses	42,165	21,798	63,963
Total	$ 299,837	$ 98,125	$ 397,962

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF REIMBURSABLE START-UP EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	CSPP-7408	CCTR-7191	Total CDE Contracts
1000 Certificated Salaries	$ -	$ -	$ -
2000 Classified Salaries	-	-	-
3000 Employee Benefits	-	-	-
4000 Books and Supplies	-	-	-
5000 Services and other Operating Expenses	-	-	-
Subtotal	-	-	-
6100/6200 Other Approved Capital Outlay	$ -	$ -	$ -
6400 New Equipment	-	-	-
6500 Replace Equipment	-	-	-
Total	$ -	$ -	$ -

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SCHEDULE OF REIMBURSABLE BUDGET IMPASSE CREDIT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	CSPP-7408	CCTR-7191	Total CDE Contracts
1000 Certificated Salaries	$ -	$ -	$ -
2000 Classified Salaries	-	-	-
3000 Employee Benefits	-	-	-
4000 Books and Supplies	-	-	-
5000 Services and other Operating Expenses	-	-	-
Subtotal	-	-	-
6100/6200 Other Approved Capital Outlay	$ -	$ -	$ -
6400 New Equipment	-	-	-
6500 Replace Equipment	-	-	-
Total	$ -	$ -	$ -

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL PROGRAMS
A U D 8501 Page 1 of 9 (09/18)

Fiscal Year Ending	June 30, 2018
Contract Number	CSPP-7408
Vendor Code	2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Three and Four Year Olds Full-time-plus				1.1800	0
Three and Four Year Olds Full-time	27,125		27,125	1.0000	27,125
Three and Four Year Olds Three-quarters-time	4,754		4,754	0.7500	3,565.5
Three and Four Year Olds One-half-time	47,449		47,449	0.6193	29,385.1657
Exceptional Needs Full-time-plus				1.4160	0
Exceptional Needs Full-time				1.2000	0
Exceptional Needs Three-quarters-time				0.9000	0
Exceptional Needs One-half-time				0.6193	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL PROGRAMS
A U D 8501 Page 2 of 9 (09/18)

Fiscal Year Ending: June 30, 2018

Contract Number: CSPP-7408

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				1.7700	0
Severely Disabled Full-time				1.5000	0
Severely Disabled Three-quarters-time				1.1250	0
Severely Disabled One-half-time				0.6193	0
TOTAL DAYS OF ENROLLMENT	79,328		79,328	N/A	60,075.6657
DAYS OF OPERATION	244		244	N/A	N/A
DAYS OF ATTENDANCE	77,976		77,976	N/A	N/A

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

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL PROGRAMS
A U D 8501 Page 6 of 9 (09/18)

Fiscal Year Ending: June 30, 2018

Contract Number: CSPP-7408

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 3 - Revenue	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Child Nutrition Programs			
Restricted Income - County Maintenance of Effort (EC Section 8279)	360,942	-9,454	351,488
Restricted Income - Other:			
Restricted Income - Subtotal	**360,942**	**-9,454**	351,488
Transfer from Reserve General			
Transfer from Reserve Professional Development			
Transfer from Reserve Total			
Family Fees for Certified Children	12,404	92	12,496
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income: Fees for Non-Certified Children			
Unrestricted Income: Head Start			
Unrestricted Income - Other:			
Total Revenue	**373,346**	**-9,362**	**363,984**

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL PROGRAMS
A U D 8501 Page 7 of 9 (09/18)

Fiscal Year Ending: June 30, 2018

Contract Number: CSPP-7408

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 4 - Reimbursable Expenses	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	1,338,352		1,338,352
2000 Classified Salaries	174,431		174,431
3000 Employee Benefits	791,269	63	791,332
4000 Books and Supplies			
5000 Services and Other Operating Expenses	423,206	-9,635	413,571
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (Include in Administrative Cost)			
Non-Reimbursable (State Use Only)			
Total Reimbursable Expenses	**2,727,258**	**-9,572**	**2,717,686**
Total Administrative Cost (included in section 4 above)	299,837		299,837

Approved Indirect Cost Rate:

Comments:

☐ No Supplemental Revenue check this box and omit Page 8.

Fiscal Year Ending: June 30, 2018

Contract Number: CSPP-7408

Full Name of Contractor: Sacramento Employment and Training Agency

Vendor Code: 2173

Section 7 - Summary	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Total Certified Days of Enrollment 79,328	79,328		79,328
Days of Operation	244		244
Days of Attendance	77,976		77,976
Total Non-Certified Days of Enrollment			
Restricted Program Income	360,942	-9,454	351,488
Transfer from Reserve			
Family Fees for Certified Children	12,404	92	12,496
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	2,727,258	-9,572	2,717,686
Total Administrative Cost	299,837		299,837

Total Certified Adjusted Days of Enrollment: 60,075.6657

Total Non-Certified Adjusted Days of Enrollment: 0

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

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

☒ Yes
☐ No

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

☒ Yes
☐ No

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

CALIFORNIA DEPARTMENT OF EDUCATION AUDITED ATTENDANCE AND FISCAL REPORT FOR CHILD DEVELOPMENT PROGRAMS
A U D 9500 Page 1 of 10 (09/18)

Fiscal Year Ending: June 30, 2018

Contract Number: CCTR-7191

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Infants (up to 18 months) Full-time-plus				2.006	0
Infants (up to 18 months) Full-time				1.700	0
Infants (up to 18 months) Three-quarters-time				1.275	0
Infants (up to 18 months) One-half-time				0.935	0
FCCH Infants (up to 18 months) Full-time-plus				1.652	0
FCCH Infants (up to 18 months) Full-time				1.400	0
FCCH Infants (up to 18 months) Three-quarters-time				1.050	0
FCCH Infants (up to 18 months) One-half-time				0.770	0
Toddlers (18 up to 36 months) Full-time-plus				1.652	0
Toddlers (18 up to 36 months) Full-time	15,834		15,834	1.400	22,167.6
Toddlers (18 up to 36 months) Three-quarters-time	8,767		8,767	1.050	9,205.35
Toddlers (18 up to 36 months) One-half-time	27		27	0.770	20.79
Three Years and Older Full-time-plus				1.180	0
Three Years and Older Full-time				1.000	0
Three Years and Older Three-quarters-time				0.750	0
Three Years and Older One-half-time				0.550	0

Fiscal Year Ending: June 30, 2018

Contract Number: CCTR-7191

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Severely Disabled Full-time-plus				1.770	0
Severely Disabled Full-time				1.500	0
Severely Disabled Three-quarters-time				1.125	0
Severely Disabled One-half-time				0.825	0

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
TOTAL DAYS OF ENROLLMENT	**24,628**		**24,628**	N/A	**31,393.74**
DAYS OF OPERATION	242		**242**	N/A	N/A
DAYS OF ATTENDANCE	24,426		**24,426**	N/A	N/A

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

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CHILD DEVELOPMENT PROGRAMS
A U D 9500 Page 7 of 10 (09/18)

Fiscal Year Ending: June 30, 2018

Contract Number: CCTR-7191

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 3 - Revenue	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Child Nutrition Programs	109,607	-1,428	108,179
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:	0	58,684	58,684
Restricted Income - Subtotal	**109,607**	**57,256**	**166,863**
Transfer From Reserve			
Family Fees for Certified Children	7,203	-829	6,374
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income: Fees for Non-Certified Children			
Unrestricted Income: Head Start			
Unrestricted Income - Other			
Total Revenue	**116,810**	**56,427**	**173,237**

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CHILD DEVELOPMENT PROGRAMS
A U D 9500 Page 8 of 10 (09/18)

Fiscal Year Ending: June 30, 2018

Contract Number: CCTR-7191

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 4 - Reimbursable Expenses	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	869,621		869,621
2000 Classified Salaries	91,037		91,037
3000 Employee Benefits	489,448	1,030	490,478
4000 Books and Supplies			
5000 Services and Other Operating Expenses	144,654	-2,395	142,259
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (Include in Administrative Cost)			
Non-Reimbursable (State Use Only)			
Total Reimbursable Expenses	**1,594,760**	**-1,365**	**1,593,395**
Total Administrative Cost (included in Section 4)	**156,746**	**-58,621**	**98,125**

Approved Indirect Cost Rate:

Comments:

☐ No Supplemental Revenue check this box and omit Page 9.

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED ATTENDANCE AND FISCAL REPORT FOR
CHILD DEVELOPMENT PROGRAMS
A U D 9500 Page 10 of 10 (09/18)

Fiscal Year Ending: June 30, 2018

Contract Number: CCTR-7191

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Section 7 - Summary	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative Per Audit
Total Certified Adjusted Days of Enrollment	24,628		24,628
Days of Operation	242		242
Days of Attendance	24,426		24,426
Total Non-Certified Days of Enrollment			
Restricted Program Income	109,607	57,256	166,863
Transfer from Reserve			
Family Fees for Certified Children	7,203	-829	6,374
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	1,594,760	-1,365	1,593,395
Total Administrative Cost	156,746	-58,621	98,125

Total Certified Adjusted Days of Enrollment: 31,393.74

Total Non-Certified Adjusted Days of Enrollment: 0

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

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

- [x] Yes
- [ ] No

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

- [x] Yes
- [ ] No

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

CALIFORNIA DEPARTMENT OF EDUCATION
AUDITED RESERVE ACCOUNT ACTIVITY REPORT
A U D 9530-A Page 1 of 1 (11/18)

Fiscal Year End: June 30, 2018

Reserve Account Type: Center-Based

Vendor Code: 2173

Full Name of Contractor: Sacramento Employment and Training Agency

Prior Year - Reserve Account Activity			Per 2016-17 AUD 9530-A
1. Beginning Balance (2016-17 Ending Balance)			156,187
2. Plus Transfers to Reserve Account:			Per CDNFS 9530
Contract No.CSPP-6384			131,697
Contract No.			
Contract No.			
Contract No.			
Contract No.			
Contract No.			
Total Transferred from PY Contracts to Reserve			131,697
3. Less Excess Reserve to be Billed			
4. Ending Balance on PY Post-Audit CDNFS 9530			287,884
Current Year - Reserve Account Activity	**Column A Per CDNFS 9530-A**	**Column B Audit Adjustments**	**Column C Per Audit**
5. Plus Interest Earned This Year On Reserve Funds	4,365		4,365
6.Less Transfers to Contracts from Reserve Account:			
CSPP General - Contract No.			
CSPP General - Contract No.			
CSPP Professional Development Contract No.			
CSPP Professional Development Contract No.			
Subtotal CSPP Transfers			
Other Contract No.			
Other Contract No.			
Other Contract No.			
Other Contract No.			
Other Contract No.			
Subtotal Other Contract Transfers			
Total Transferred to Contracts from Reserve Account			
7. Ending Balance on June 30, 2018	292,249		292,249

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

COMPLIANCE REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Sacramento Employment and Training Agency
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Sacramento Employment and Training Agency (SETA) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SETA's basic financial statements and have issued our report thereon dated December 17, 2018. Our report included an emphasis of matter regarding SETA's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective July 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SETA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness SETA's internal control. Accordingly, we do not express an opinion on the effectiveness of SETA's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether SETA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of the California Department of Education, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

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

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 17, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

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

Governing Board
Sacramento Employment and Training Agency
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited the Sacramento Employment and Training Agency's (SETA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SETA's major federal programs for the year ended June 30, 2018. SETA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, SETA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 17, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditors' report issued on whether the financial statements audited were in accordance with GAAP:	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$2,322,761
Auditee qualified as low-risk auditee?	Yes

II. FINANCIAL STATEMENT FINDINGS

None Reported.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported.

SACRAMENTO EMPLOYMENT AND TRAINING AGENCY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding No.	Description Name / Description	CFDA No.	Compliance Requirement	Status of Corrective Action
2017-001	CDE Program Eligibility	Not Applicable	CDE Program Eligibility	Implemented
2017-002	CDE Program Reporting	Not Applicable	CDE Program Reporting	Implemented