



Budget and Audit Committee Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2017-00078

January 24, 2017

Consent Item 02

Title: Fiscal Year 2015/16 Child Development Program Audit Report

Recommendation: Pass a Motion accepting and forwarding to City Council the Fiscal Year 2015/16 Child Development Program Audit.

Location: Citywide

Contact: Russell Robertson, Accounting Manager, (916) 808-1712; Leyne Milstein, Director, (916) 808-8491, Department of Finance

Presenter: None

Department: Finance

Attachments:

1-Description/Analysis

2-FY16 Child Development Program Audit Report

Description/Analysis

Issue Detail: The Fiscal Year (FY) 2015/16 Child Development Program Audit Report has been prepared to present the financial results of the 4th R Child Development Program for the fiscal year that ended June 30, 2016.

Policy Considerations: This report is consistent with the City's fiscal transparency and accountability principles.

Economic Impacts: None.

Environmental Considerations: Not applicable.

California Environmental Quality Act (CEQA): This action is not a project subject to CEQA because it involves only organizational or administrative activities that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines §15378(b)(5).)

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation : It is in the best interest of the City Council to receive and file the FY2015/16 Child Development Program Audit Report for the following reasons:

- This report is required by the California Department of Education and includes information necessary to comply with the California Department of Education Audit Guide.
- The public accounting firm of Vavrinek, Trine, Day & Co., LLP, has audited the 4th R Child Development Program's FY2015/16 financial statements and has rendered its unmodified opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles.

Financial Considerations: There are no financial considerations associated with this report.

Local Business Enterprise (LBE): No goods or services are being purchased under this report.

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
(An Enterprise Fund of the City of Sacramento,
California)**

Independent Auditors' Reports,
Financial Statements and Supplementary Information

For the Fiscal Year Ended June 30, 2016

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**
For the Fiscal Year Ended June 30, 2016

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CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
General Information
For the Fiscal Year Ended June 30, 2016

Agency: City of Sacramento - Child Development Program

Project Numbers: 34-2192-00-5

Type of Agency: Municipal Government

Address: City Hall
915 I Street, 4th Floor
Sacramento, CA 95814

Accountant: Russell Robertson, Accounting Division
City Hall
915 I Street, 4th Floor
Sacramento, CA 95814

Telephone: (916) 808-1712

Period Covered: July 1, 2015 - June 30, 2016

Number of Days of Agency Operation: 250 days

Scheduled Hours of Operation Each Day: 7:00 a.m. Opening
6:00 p.m. Closing
Open 11 hours



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Sacramento
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Child Development Program (Program), an enterprise fund of the City of Sacramento, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Program'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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Program, as of June 30, 2016, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Individual Fund Financial Statements

As discussed in Note A, the financial statements present only the Program, an enterprise fund of the City of Sacramento, California, and do not purport to, and do not, present fairly the financial position of the City of Sacramento, California as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Implementation of New Accounting Standards

Also, as discussed in Note A to the financial statements, the Program adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Program's Proportionate Share of the City of Sacramento's Net Pension Liability and the Schedule of Contributions on pages 20 and 21 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's basic financial statements. The general information and supplementary information, as listed in the table of contents are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The general information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of the City's internal control over financial reporting as it relates to the Child Development Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance as it relates to the Child Development Program.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
November 14, 2016

FINANCIAL STATEMENTS

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Statement of Net Position

June 30, 2016

ASSETS

Current assets:

Cash and investments held by City	\$ 1,203,988
Accounts receivable, net	250,264
Intangible asset, current portion	7,867
Total current assets	1,462,119

Noncurrent assets:

Restricted assets:	
Restricted cash and investments held by City	38,308
Intangible asset	151,433
Capital assets:	
Buildings and improvements	1,545,892
Less: accumulated depreciation	(948,651)
Capital assets, net	597,241
Total noncurrent assets	786,982
Total assets	2,249,101

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	404,655
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LIABILITIES

Current liabilities:

Accounts payable	65,852
Wages and employee benefits payable	213,956
Unearned revenue	171,534
Accrued claims and judgments	41,320
Current portion of compensated absences	11,058
Total current liabilities	503,720

Noncurrent Liabilities:

Compensated absences	249,035
Net OPEB obligation	275,000
Net Pension Liability	3,614,315
Total noncurrent liabilities	4,138,350
Total liabilities	4,642,070

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	505,687
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NET POSITION

Net investment in capital assets	597,241
Unrestricted	(3,091,242)
Total net position (deficit)	\$ (2,494,001)

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

<u>Operating revenues:</u>		
Government contracts		\$ 564,498
Subsidized parent fees		68,586
Unsubsidized parent fees		5,952,953
Miscellaneous		51,306
Total operating revenues		6,637,343
 <u>Operating expenses:</u>		
2000 Classified salaries		3,587,364
3000 Employee benefits		1,123,953
4000 Books and supplies		341,580
5000 Services and other operating expenses		340,775
Depreciation and amortization		85,161
Total operating expenses		5,478,833
Operating income		1,158,510
 <u>Nonoperating revenues (expenses):</u>		
Interest income (expense)		5,541
Change in net position		1,164,051
Total net position (deficit), beginning of year		(3,658,052)
Total net position (deficit), end of year		\$ (2,494,001)

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities:	
Receipts from customers and users	\$ 6,018,602
Receipts from State Department of Education	672,049
Payments to suppliers	(690,412)
Payments to employees	(5,116,391)
Net cash provided by operating activities	<u>883,848</u>
Cash flows from investing activities:	
Interest earned	<u>5,541</u>
Net increase in cash and cash equivalents	889,389
Cash and cash equivalents - beginning of year	352,907
Cash and cash equivalents - end of year	<u>\$ 1,242,296</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Cash and investments held by City	\$ 1,203,988
Restricted cash and investments held by City	38,308
Total cash and cash equivalents	<u>\$ 1,242,296</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,158,510</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	77,295
Amortization of intangible asset	7,866
Pension expense	(246,678)
Change in assets and liabilities:	
Accounts receivable	(54,243)
Accounts payable	(8,058)
Wages and employee benefits payable	11,722
Net OPEB obligation	41,000
Accrued claims and judgements	(185,638)
Compensated absences	(25,480)
Unearned revenue	107,552
Total adjustments	<u>(274,662)</u>
Net cash provided by operating activities	<u>\$ 883,848</u>

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

General

The City of Sacramento (City) administers the Child Development Program (Program). The Program provides school age childcare services and is funded by grants from the California State Department of Education (State) and parent fees. The accompanying financial statements present only the Child Development Program, an enterprise fund of the City, and are not intended to present fairly the financial position or changes in financial position or cash flows of the City in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The financial statements of the Program are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period in which the liability is incurred, regardless of the timing of related cash flows.

The principal operating revenues of the Program are state apportionments, parent fees, and miscellaneous revenues. Operating expenses include costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

New Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. This Statement was implemented effective July 1, 2015.

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is not effective until the fiscal year ending June 30, 2016. This Statement was implemented effective July 1, 2015. This Statement did not have a material impact to the financial statements.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015, or the 2016-2017 fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. This Statement was implemented effective July 1, 2015. This Statement did not have a material impact to the financial statements.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The City has early implemented this Statement for the year ended June 30, 2016.

Future Pronouncements

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The City has not determined its effect on the financial statements.

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

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. The City has not determined its effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is not effective until the fiscal year ending June 30, 2017. The City has not determined the effect of implementing this statement.

GASB Statement No. 78 – In December 2015, GASB issued Statement No 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The Statement is effective for the periods beginning after December 15, 2015. The City has not determined the effect of implementing this statement.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The City has not determined the effect of implementing this statement.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve 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. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the 2017-2018 fiscal year. The City has not determined the effect of implementing this statement.

Fair Value Measurement

As of July 1, 2015, the City retrospectively applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Program of City of Sacramento’s California Public Employees Retirement System (CalPERS) plans and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments and Restricted Cash and Investments Held by City

Cash and investments represent the Program's share of the City's investment pool. The City Council and City Treasurer provide oversight and is responsible for the control and safekeeping of all instruments of title for all investments of the funds. Interest earned on investments is prorated to individual funds based on their daily average cash balance. The value of the pool shares in the City, which may be withdrawn, is determined on an amortized cost basis.

Restricted cash and investments is the amount of reserves held by the Program for center-based programs in accordance with an agreement with the State.

Allowance for Doubtful Accounts

Management periodically reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts as necessary. Management considers factors such as historical experience, credit quality, and the age of the accounts receivable balances in determining the appropriate allowance. As of June 30, 2016, the Program's allowance for doubtful accounts was \$34,800.

Intangible Asset

The intangible asset is from a shared facility use agreement where the Child Development Program made payments in 2006 of \$236,000 to Rio Linda Unified School District for the construction and use of a child care classroom facility at a Rio Linda school site.

The program is allowed to operate the child care center and collect third party fees at the Regency Park School site based on the joint use agreement. The expenses are being amortized over the 30-year life of the right-to-use agreement using the straight line method.

Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$20,000, and an estimated useful life greater than one year. Capital assets are recorded at historical cost. Depreciation of capital assets is provided on the straight-line method over estimated useful lives between 5 and 30 years.

Compensated Absences

Program employees accrue vacation, sick, holiday and compensatory time off benefits. Employees may accumulate vacation time up to 480 hours. Sick pay vests and may be accumulated until retirement. An employee with sixty or more days of accumulated sick leave at the end of a calendar year may elect to receive a 25% payment of any unused sick leave earned in the previous year. The amount of sick leave paid is deducted from the employee's total accumulation. Upon retirement, employees with a minimum of 20 years of City service have the option of converting their sick leave accumulation into California Public Employees' Retirement System (CalPERS) service credit hours, or receiving a cash payment of one-third of the vested accumulated sick leave. Employees who leave the City and are not retiring forfeit any remaining sick leave. The Program records unpaid accrued vacation and sick leave as an expense and related liability as the benefits are earned.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue represents resources received from the State that the Program has not yet earned.

Accrued Claims and Judgments

Accrued claims and judgements represent the actuarially determined liability for the first year of claims and salary continuation in the City's workers compensation program. This liability was reported in the prior year as wages and employee benefits payable.

Net Position

When both restricted and unrestricted resources are available for use, it is the Program's policy to use restricted resources first, then unrestricted resources as they are needed.

Statement of Cash Flows

For purposes of the statement of cash flows, the Program considers cash and cash equivalents to include all pooled cash and investments, including restricted assets, as these pooled balances have the general characteristics of a demand deposit account.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE B – CASH AND INVESTMENTS

All of the Program's cash and investments are included in the City's investment pool, which is described in the City's Comprehensive Annual Financial Report (CAFR). The City, as a charter city, has adopted its own investment guidelines, which are consistent with the requirements of the California Government Code. The City Council and City Treasurer provide oversight of the City's investment pool and reaffirm its investment policy on a quarterly basis. The value of the pool shares that may be withdrawn at any time is determined on an amortized cost basis, which is different than the fair value of the Program's position in the pool. The City's investment pool is not rated and has a weighted average maturity of 1.88 years as of June 30, 2016. Additional information regarding investment risk of the City's pool, including interest rate and credit risk, can be found in the City's CAFR.

Restricted cash and investments is the amount of reserves held by the Program for center-based programs in accordance with an agreement with the State.

The Program has no deposit or investment policy that addresses a specific type of risk. Investments held in the City's investment pool are available on demand and are stated at cost plus interest, which approximates fair value.

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

The Program categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs. As of June 30, 2016, the Program held no individual investments. All funds are invested in the City 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. The Program's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals from the pool are made on the basis of \$1 and not fair value. Accordingly, the Program's proportionate share of investments in the City's Investment Pool at June 30, 2016 of \$1,242,296, is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and improvements	\$ 1,545,892	\$ -	\$ -	\$ 1,545,892
Less accumulated depreciation	(871,356)	(77,295)	-	(948,651)
Capital assets, net	<u>\$ 674,536</u>	<u>\$ (77,295)</u>	<u>\$ -</u>	<u>\$ 597,241</u>

NOTE D – COMPENSATED ABSENCES

Changes in compensated absences during the fiscal year ended June 30, 2016 were as follows:

	Balance	Additions	Deletions	Balance	One Year
Compensated absences	<u>\$ 285,573</u>	<u>\$ 365,138</u>	<u>\$ (390,618)</u>	<u>\$ 260,093</u>	<u>\$ 11,058</u>

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE E – OPERATING LEASES

As of June 30, 2016, the Program has a lease for its administrative office with the Sacramento County Office of Education, which expires on June, 30, 2018. The Program can terminate the lease with at least six months notice to the lessor. Operating lease expenses for the fiscal year ended June 30, 2016 were \$37,951. The future lease payments for upcoming fiscal years are as follows:

Fiscal Year Ending June 30,	Future Minimum Lease Payments
2017	\$ 96,310
2018	98,105
Total	\$ 194,415

NOTE F – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City provides post-retirement medical and dental benefits to retirees who retire directly from the City through a single-employer defined benefit OPEB plan (the Plan). To be eligible for the City paid benefits, retirees must be at least age 50 with 10 years of City service at retirement, or have 30 years of service with no age requirement. The Program’s employees participate in the City’s plan.

Funding Policy

The Plan’s funding policy provides for periodic contributions by the City. The contribution rate is determined on an annual basis by an independent actuary and authorized by the City Council. The contribution rate is based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The current ARC rate is 11.9 percent of annual covered payroll. Currently, the City is contributing to the plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost recorded by the Program is calculated by the City and represents an allocation of the total ARC of the City, adjusted for interest and other adjustments. The allocation is based upon the Program’s percentage share of the City’s yearly pay-as-you go costs. The Program’s OPEB obligation as of June 30, 2016 based off the June 30, 2015 valuation allocated to the Program was calculated as follows:

Annual required contribution (ARC)	\$ 63,000
Interest on net OPEB obligation	11,000
Adjustment to annual required contribution	(17,000)
Annual OPEB cost (expense)	57,000
Contributions made	(16,000)
Increase in net OPEB obligation	41,000
Net OPEB obligation - Beginning of year	234,000
Net OPEB obligation - End of year	\$ 275,000

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE F – OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Program’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 52,000	33%	\$ 192,000
June 30, 2015	60,000	30%	234,000
June 30, 2016	57,000	28%	275,000

Additional disclosure detail required by GASB Statement No. 45, regarding the City’s OPEB plan is presented in City’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

NOTE G – RETIREMENT PLAN

Plan Description – All qualified permanent and probationary employees of the Program are eligible to participate in the City’s Miscellaneous Employee Pension Plan (Plan), an agent-multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at: <http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of annual salary	1.4% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.82%	6.75%
Required employer contribution rates	15.67%	15.67%

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE G – RETIREMENT PLAN (CONTINUED)

Contributions – Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Program is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

Employee contribution rates for the fiscal year ended June 30, 2016, were 6.82% for the Classic Plan Members and 6.75% for the PEPRA Plan members. The Program’s proportionate share of the City’s contributions to the miscellaneous plan was \$404,655 for the year ended June 30, 2016.

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

As of June 30, 2016, the Program reported a net pension liability of \$3,614,315 for its proportionate share of the City’s miscellaneous plan’s net pension liability.

The net pension liability of the Plan was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Program’s proportion of the City’s miscellaneous pension plan’s net pension liability was based on the Program’s fiscal year 2016 contributions to the City’s miscellaneous pension plan relative to the total contributions of the City has a whole. The Program’s proportionate share of the City’s miscellaneous pension plan’s net pension liability as of June 30, 2014 and 2015 was 1.61% and 1.55%, respectively.

For the year ended June 30, 2016, the Program recognized pension expense of \$217,947. At June 30, 2016, the Program reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions paid by the Program subsequent to measurement date	\$ 404,655	
Changes of assumptions		\$ 204,273
Differences between actual and expected experience		89,861
Changes in proportion		113,947
Net differences between projected and actual earnings on pension plan investments		97,606
Total	\$ 404,655	\$ 505,687

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE G – RETIREMENT PLAN (CONTINUED)

The amount of \$404,655 reported as deferred outflows of resources related to pensions, resulting from the Program’s contributions to the City’s plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Year ended June 30</u>		
2017	\$	(291,426)
2018		(269,948)
2019		(76,647)
2020		<u>132,334</u>
Total		<u><u>(505,687)</u></u>

Actuarial Assumptions – The Program’s proportion of the City’s total pension liabilities in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions.

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Mortality	2014 CalPERS Experience Study

(1) Depending on age, service and type of employment

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website at:

<http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports.xml>

Changes of assumptions – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE G – RETIREMENT PLAN (CONTINUED)

In determining the long-term expected 7.65% rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using the building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Pension Board effective on July 1, 2014.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1 - 10 ⁽¹⁾</u>	<u>Real Return Years 11+ ⁽²⁾</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	<u>100%</u>		

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Program's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE G – RETIREMENT PLAN (CONTINUED)

Sensitivity of the Program’s proportionate share of the City’s Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate – The following presents the Program’s proportionate share of the City’s Miscellaneous Plan’s net pension liability, calculated using the discount rate for the Plan, as well as what the Program’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.65%
Net Pension Liability	\$	6,028,032
Current Discount Rate		7.65%
Net Pension Liability	\$	3,614,315
1% Increase		8.65%
Net Pension Liability	\$	1,637,538

Pension Plan Fiduciary Net Position – Detailed information the City’s collective net pension liability is available in the City’s separately issued Comprehensive Annual Financial Report (CAFR). The City’s financial statements may be obtained by contacting the City of Sacramento’s Finance Department. That report may be obtained on the internet at www.cityofsacramento.org.

Payable to the Pension Plan

At June 30, 2016, the Program reported a payable of \$568 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016. The payable is a result of the pay period ending prior to the end of the fiscal year and disbursed subsequent to the end of the fiscal year.

NOTE H – CONTINGENCIES

The Program has received state and federal funding 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, management of the Program believes that any required reimbursements will not be material.

NOTE I – RISK MANAGEMENT

The City is exposed to various risks of loss related to workers’ compensation, torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City self-insures and/or carries commercial insurance. Earthquake damage is not included in the property insurance coverage carried by the City. All funds of the City participate in the program and make payments to the Risk Management Internal Service Fund based on estimates of the amounts needed to pay operating costs, insurance premiums, and prior and current year claims.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Required Supplementary Information**

Schedule of the Program's Proportionate Share of the City of Sacramento's Net Pension Liability (Miscellaneous Plan)

Last Ten Years*

	2015		2016
Program's proportion of the City's Miscellaneous Plan net pension liability	1.61%		1.55%
Program's proportionate share of the City's Miscellaneous Plan's net pension liability	\$ 3,455,257	\$	3,614,515
Covered payroll **	\$ 2,435,903	\$	2,512,120
Program's proportionate share of the City's Miscellaneous Plan's net pension liability as a percentage of covered-employee payroll	141.85%		143.88%
Miscellaneous Plan fiduciary net position as a percentage of the total Miscellaneous Plan's pension liability	78.92%		77.69%
Measurement date:	June 30, 2014		June 30, 2015

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

** - Covered - employee payroll was restated during FY 2016 to reflect the implementation of GASB 82

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**
Required Supplementary Information

Schedule of Contributions
Last Ten Years*

	<u>2015</u>	<u>2016</u>
Actuarially determined contributions	\$ 367,072	\$ 404,655
Contributions in relation to the actuarially determined contribution	<u>367,072</u>	<u>404,655</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$ 2,512,120	\$ 2,637,182
Contributions as a percentage of covered-employee payroll	14.61%	15.34%

Notes to Schedule

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

** - Covered - employee payroll was restated during FY 2016 to reflect the implementation of GASB 82

SUPPLEMENTARY INFORMATION

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
 Schedule of Federal and State Awards
 For the Fiscal Year Ended June 30, 2016

Grantor	Federal CFDA Number	Grantor's Number	Award Amount			Expenses		
			Federal	State	Total	Federal	State	Total
Department of Health and Human Services: Passed through California Department of Education: Child Care and Development Fund (CCDF) Cluster CCDF General Center Child Care	93.575/93.596	CCTR-5184	<u>\$ 347,851</u>	<u>\$ 369,671</u>	<u>\$ 717,522</u>	<u>\$ 289,673</u>	<u>\$ 271,567</u>	<u>\$ 561,240</u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

	CDE Contract CCTR-5184	Non CDE Sites	Total
<u>Revenue and Support</u>			
Federal apportionment	\$ 289,673	\$ -	\$ 289,673
State apportionment	271,567	-	271,567
Subsidized parent fees	67,285	-	67,285
Restricted other income	1,958	15	1,973
Unsubsidized parent fees	2,105,088	3,836,582	5,941,670
Unrestricted contributions and other income	54,946	10,229	65,175
Interest income	-	5,541	5,541
Total revenue and support	2,790,517	3,852,367	6,642,884
<u>Expenses</u>			
2000 Classified salaries	1,604,163	1,983,201	3,587,364
3000 Employee benefits	862,482	261,471	1,123,953
4000 Books and Supplies	146,894	194,686	341,580
5000 Services and other operating expenses	181,985	158,790	340,775
Depreciation	-	85,161	85,161
Total expenses	2,795,524	2,683,309	5,478,833
Change in net position	\$ (5,007)	\$ 1,169,058	\$ 1,164,051

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Expenses by State Categories
For the Fiscal Year Ended June 30, 2016

<u>Expenses</u>	CDE Contract CCTR-5184
2000 Classified salaries	\$ 1,604,163
3000 Employee benefits	862,482
4000 Books and supplies	146,894
5000 Services and other operating expenses	181,985
Total expenses claimed for reimbursement	<u>\$ 2,795,524</u>

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Reimbursable Equipment Expenses
For the Fiscal Year Ended June 30, 2016**

	CDE Contract CCTR-5184
<u>Unit Cost Under \$7,000 Per Item</u>	
None	\$ -
Subtotal	-
 <u>Unit Cost Over \$7,500 Per Item with prior Written Approval</u>	
None	-
Subtotal	-
 <u>Unit Cost Over \$7,500 Per Item without prior Written Approval</u>	
None	-
Subtotal	-
 Total	 \$ -

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Reimbursable Expenses for Renovations and Repairs
For the Fiscal Year Ended June 30, 2016**

	<u>CDE Contract CCTR-5184</u>
<u>Unit Cost Under \$10,000 Per Item</u>	
None	\$ -
Subtotal	<u>-</u>
 <u>Unit Cost \$10,000 or More Per Item With Prior Written Approval</u>	
None	-
Subtotal	<u>-</u>
 <u>Unit Cost \$10,000 or More Per Item Without Prior Written Approval</u>	
None	-
Subtotal	<u>-</u>
 Total	 <u><u>\$ -</u></u>

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Reimbursable Administrative Costs
For the Fiscal Year Ended June 30, 2016**

<u>Category</u>	<u>Reimbursable Administrative Costs</u>	<u>CDE Contract CCTR - 5184</u>
2000	Classified salaries	\$ 198,542
3000	Employee benefits	78,521
4000	Books and supplies	16,898
5000	Services and other operating expenses	<u>116,643</u>
	Total	<u><u>\$ 410,604</u></u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Child Attendance
General Center Child Care
Project Number 34-2192-00-5 (CCTR-5184)
For the Fiscal Year Ended June 30, 2016

Report Period	Certified Families						Noncertified Families
	Total Days of Operation	Total Days of Enrollment	Total Days of Attendance	Total Adjusted Days of Enrollment	Average Daily Enrollment	Percent of Attendance	Total Adjusted Days of Enrollment
July	22	2,504	2,484	2,497	119	99%	3,348
August	21	2,331	2,321	2,017	96	100%	4,592
September	21	2,322	2,269	1,482	71	98%	5,634
October	22	2,552	2,547	1,613	73	100%	5,852
November	19	2,067	2,061	1,398	78	100%	4,386
December	20	2,149	2,140	1,530	76	100%	4,440
January	19	2,097	2,081	1,292	68	99%	4,999
February	20	2,162	2,146	1,356	68	99%	5,067
March	22	2,242	2,230	1,513	69	99%	5,074
April	21	2,165	2,156	1,320	63	100%	5,342
May	21	2,112	2,110	1,252	60	100%	5,343
June	22	1,662	1,528	1,419	64	92%	4,015
Totals	<u>250</u>	<u>26,365</u>	<u>26,073</u>	<u>18,689</u>	<u>75</u>	<u>99%</u>	<u>58,092</u>

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

Agency Name: City of Sacramento Vendor No. 2192
 Fiscal Year Ended: June 30, 2016 Contract No. CCTR-5184
 Independent Auditor's Name: Vavrinek, Trine, Day & Co.,LLP

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus			-	2.006	-
Full-time			-	1.700	-
Three-quarters-time			-	1.275	-
One-half-time			-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus			-	1.652	-
Full-time			-	1.400	-
Three-quarters-time			-	1.050	-
One-half-time			-	0.770	-
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus			-	1.652	-
Full-time			-	1.400	-
Three-quarters-time			-	1.050	-
On-half-time			-	0.770	-
<i>Three Years and Older</i>					
Full-time-plus	828	101	929	1.180	1,096.220
Full-time	4,364	1,044	5,408	1.000	5,408.000
Three-quarters-time	4,896	951	5,847	0.750	4,385.250
One-half-time	10,338	3,843	14,181	0.550	7,799.550
<i>Exceptional Needs</i>					
Full-time-plus			-	1.416	-
Full-time			-	1.200	-
Three-quarters-time			-	0.900	-
One-half-time			-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.298	-
Full-time			-	1.100	-
Three-quarters-time			-	0.825	-
One-half-time			-	0.605	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.298	-
Full-time			-	1.100	-
Three-quarters-time			-	0.825	-
One-half-time			-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.770	-
Full-time			-	1.500	-
Three-quarters-time			-	1.125	-
One-half-time			-	0.825	-
TOTAL DAYS OF ENROLLMENT	20,426	5,939	26,365		18,689.020
DAYS OF OPERATION	186	64	250		
DAYS OF ATTENDANCE	20,279	5,794	26,073		

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

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

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

Agency Name: City of Sacramento Vendor No. 2192
 Fiscal Year Ended: June 30, 2016 Contract No. CCTR-5184

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children. DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus			-	2.006	-
Full-time			-	1.700	-
Three-quarters-time			-	1.275	-
One-half-time			-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus			-	1.652	-
Full-time			-	1.400	-
Three-quarters-time			-	1.050	-
One-half-time			-	0.770	-
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus			-	1.652	-
Full-time			-	1.400	-
Three-quarters-time			-	1.050	-
On-half-time			-	0.770	-
<i>Three Years and Older</i>					
Full-time-plus			-	1.180	-
Full-time	6,816	2,424	9,240	1.000	9,240.000
Three-quarters-time	4,293	1,340	5,633	0.750	4,224.750
One-half-time	60,647	20,494	81,141	0.550	44,627.550
<i>Exceptional Needs</i>					
Full-time-plus			-	1.416	-
Full-time			-	1.200	-
Three-quarters-time			-	0.900	-
One-half-time			-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.298	-
Full-time			-	1.100	-
Three-quarters-time			-	0.825	-
One-half-time			-	0.605	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.298	-
Full-time			-	1.100	-
Three-quarters-time			-	0.825	-
One-half-time			-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.770	-
Full-time			-	1.500	-
Three-quarters-time			-	1.125	-
One-half-time			-	0.825	-
TOTAL DAYS OF ENROLLMENT	71,756	24,258	96,014		58,092.300

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

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

Agency Name: City of Sacramento Vendor No. 2192

Fiscal Year End: June 30, 2016 Contract No. CCTR-5184

	COLUMN A	COLUMN B	COLUMN C
	<small>CUMULATIVE FISCAL YEAR PER FORM CDFS 990</small>	<small>AUDIT ADJUSTMENT INCREASE OR (DECREASE)</small>	<small>CUMULATIVE FISCAL YEAR PER AUDIT</small>
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify): Field Trip Fees	1,872	86	1,958
Subtotal	\$1,872	\$86	\$1,958
Transfer from Reserve			0
Family Fees for Certified Children	52,440	14,845	67,285
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	1,605,776	499,312	2,105,088
Head Start Program (EC § 8235(b))			0
Other: Fundraising, Field Trip, Annual Enrollment	50,958	3,988	54,946
TOTAL REVENUE	\$1,711,046	\$518,231	\$2,229,277

SECTION IV - REIMBURSABLE EXPENSES			
<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries			0
2000 Classified Salaries	1,111,355	492,808	1,604,163
3000 Employee Benefits	525,107	337,375	862,482
4000 Books and Supplies	98,668	48,226	146,894
5000 Services and Other Operating Expenses	105,852	76,133	181,985
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 0.00% (Rate is Self-Calculating)			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$1,840,982	\$954,542	\$2,795,524
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$267,423	\$143,181	\$410,604
FOR CDE-A&I USE ONLY:			

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program

Requirements of the California Department of Education, Early Education and Support Division:

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

- YES
 NO - Explain any discrepancies.

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

- YES
 NO - Explain any discrepancies.

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

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

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

Agency Name: City of Sacramento Vendor No. 2192

Fiscal Year End: June 30, 2016 Contract No. CCTR-5184

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding			\$0
Other (Specify): MEASURE U	340,000		340,000
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$340,000	\$0	\$340,000
SECTION VI - SUPPLEMENTAL EXPENSES			
EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries			\$0
2000 Classified Salaries	293,987		293,987
3000 Employee Benefits	16,676		16,676
4000 Books and Supplies	18,718		18,718
5000 Services and Other Operating Expenses	10,619		10,619
6000 Equipment/Other Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs			0
Other (Specify):			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL EXPENSES	\$340,000	\$0	\$340,000

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

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: City of Sacramento

Fiscal Year End: June 30, 2016 Vendor No. 2192

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

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

LAST YEAR:			
1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	\$36,843		\$36,843
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No. 4187	\$1,158		\$1,158
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	\$1,158	\$0	\$1,158
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)			\$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$38,001	\$0	\$38,001

THIS YEAR:			
5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$307		\$307
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
CSPP - General			
Contract No.			\$0
Contract No.			0
CSPP - Professional Development			
Contract No.			\$0
Contract No.			0
Subtotal	\$0	\$0	\$0
Other Contracts			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Subtotal	\$0	\$0	\$0
Total Transferred to Contracts from Reserve Account	\$0	\$0	\$0
7. Ending Balance on June 30, 2016 (column A must agree with this year's CDFS 9530-A, Section IV)	\$38,308	\$0	\$38,308

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

OTHER REPORT



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

Honorable Mayor and City Council
City of Sacramento
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 Child Development Program (Program), an enterprise fund of the City of Sacramento, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated November 14, 2016. Our report included an emphasis of matter paragraph stating the financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the City of Sacramento, California. Our report included an emphasis of matter paragraph regarding the Program's adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program'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 noncompliance or other matters that are required to be reported under *Government 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.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
November 14, 2016