



City of Sacramento City Council

5

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 1/31/2012

Report Type: Consent

Title: Fiscal Year 2010/11 Child Development Program Audit Report

Report ID: 2012-00057

Location: Citywide

Recommendation: Receive and file.

Contact: Dennis Kauffman, Accounting Manager, (916) 808-5843, Finance Department

Presenter: None

Department: Finance

Division: Accounting Division

Dept ID: 06001311

Attachments:

1-Description/Analysis

2-Exhibit A-City of Sacramento Child Development Program

City Attorney Review

Approved as to Form
Marcos A. Kropf
1/19/2012 9:43:53 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
1/13/2012 1:20:52 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 1/18/2012 10:00:08 AM



Description/Analysis

Issue: The Fiscal Year (FY) 2010/11 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, 2011.

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

Environmental Considerations: Not Applicable

California Environmental Quality Act (CEQA): This recommendation does not constitute a "project" and is therefore exempt from the California Environmental Quality Act according to CEQA guidelines Section 15061 (b)(1) and 15378(b)(3).

Sustainability Considerations: Not Applicable

Commission/Committee Action: None

Rationale for Recommendation: It is in the best interest of the City Council to receive and file the FY2010/11 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 Macias Gini & O'Connell, LLP, has audited the 4th R Child Development Program's FY2010/11 financial statements and has rendered its unqualified opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles.
- The auditors reported no instances of noncompliance and no audit findings in the FY2010/11 Child Development Program Audit Report.

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

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.



**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Independent Auditor's Reports,
Financial Statements and Supplemental Information

For the Fiscal Year Ended June 30, 2011

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**
For the Fiscal Year Ended June 30, 2011

Table of Contents

	<i>Page(s)</i>
General Information	1
Independent Auditor's Report	2-3
Financial Statements:	
Statement of Net Assets	4
Statement of Revenues, Expenses and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12
Supplemental Information:	
Schedule of Federal and State Awards	13
Combining Statement of Revenues, Expenses and Changes in Net Assets	14
Schedule of Expenses by State Categories	15
Schedule of Reimbursable Equipment Expenses	16
Schedule of Reimbursable Expenses for Renovations and Repairs	17
Schedule of Reimbursable Administrative Costs	18
Schedule of Child Attendance – General Center Child Care Project Number 34-2192-00-8 (CCTR-0222)	19
Audited Attendance and Fiscal Report – Project Number 34-2192-00-8 (CCTR-0222)	20-22
Audited Reserve Account Activity Report	23
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 <i>Government Auditing Standards</i>	24-25
Current Year Finding and Recommendation	26

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
General Information
For the Fiscal Year Ended June 30, 2011

Agency: City of Sacramento - Child Development Program

Project Numbers: 34-2192-00-8

Type of Agency: Municipal Government

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

Accountant: Dennis Kauffman, Jr., Accounting Division
City Hall
915 I Street, 4th Floor
Sacramento, CA 95814

Telephone: (916) 808-5843

Period Covered: July 1, 2010 - June 30, 2011

Number of Days of Agency Operation: 248 days

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

Honorable Mayor and
Council Members
City of Sacramento
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Child Development Program (Program), an enterprise fund of the City of Sacramento, California, as of and for the fiscal year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Sacramento's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting as it relates to the Program. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Child Development 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, 2011, and the changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Child Development Program, an enterprise fund of the City of Sacramento, California, as of June 30, 2011, and the changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011 on our consideration of the City's internal control over financial reporting as it relates to the 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* and should be considered in assessing the results of our audit.

Management has omitted 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.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying supplementary information on pages 13 to 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements in conformity with the *California Department of Education Audit Guide* issued by the California Department of Education and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macie Mini & O'Connell LLP

Sacramento, California
November 9, 2011

FINANCIAL STATEMENTS

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Statement of Net Assets

June 30, 2011

ASSETS

Current assets:

Cash and investments held by City	\$ 157,218
Accounts receivable	39,816
Prepaid expenses, current portion	7,867
Total current assets	204,901

Noncurrent assets:

Restricted assets:

Restricted cash and investments held by City	210,198
Due from State Department of Education	20,607
Prepaid expenses	190,766

Capital assets

Buildings and improvements	1,545,892
Less: accumulated depreciation	(562,182)
Capital assets, net	983,710

Total noncurrent assets	1,405,281
-------------------------	-----------

Total assets	\$1,610,182
--------------	-------------

LIABILITIES

Current liabilities:

Accounts payable	\$ 63,654
Wages and employee benefits payable	187,150
Payable to State Department of Education	192,202
Unearned revenue	61,412
Current portion of compensated absences	38,270
Current portion of loans payable	40,000
Total current liabilities	582,688

Noncurrent Liabilities:

Compensated absences	291,902
Loans payable	60,000
Unfunded OPEB obligation	89,000
Total noncurrent liabilities	440,902

Total liabilities	1,023,590
-------------------	-----------

NET ASSETS

Invested in capital assets, net of related debt	883,710
Unrestricted (deficit)	(297,118)
Total net assets	586,592

Total liabilities and net assets	\$1,610,182
----------------------------------	-------------

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

<u>Operating revenues:</u>		
State apportionment		\$ 897,312
Subsidized parent fees		89,015
Unsubsidized parent fees		5,166,784
Miscellaneous		53,183
Total operating revenues		<u>6,206,294</u>
<u>Operating expenses:</u>		
2000	Classified salaries	4,141,793
3000	Employee benefits	1,270,566
4000	Books and supplies	347,928
5000	Services and other operating expenses	437,547
	Depreciation	77,295
Total operating expenses		<u>6,275,129</u>
Operating loss		(68,835)
Nonoperating revenues:		
	Interest income	<u>4,235</u>
Change in net assets		(64,600)
Net assets, beginning of year		<u>651,192</u>
Net assets, end of year		<u><u>\$ 586,592</u></u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,308,196
Receipts from State Department of Education	72,462
Payments to suppliers	(1,156,526)
Payments to employees	(5,372,668)
Net cash used in operating activities	<u>(1,148,536)</u>
Cash flows from capital and related financing activities:	
Repayment of construction loans	(40,000)
Cash flows from investing activities:	
Interest received	<u>4,235</u>
Net decrease in cash and investments	(1,184,301)
Cash and cash equivalents - beginning of year	1,551,717
Cash and cash equivalents - end of year	<u>\$ 367,416</u>
Reconciliation to the statement of net assets:	
Cash and investments held by City	\$ 157,218
Restricted cash and investments held by City	210,198
Total cash and investments held by City	<u>\$ 367,416</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (68,835)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	77,295
Change in assets and liabilities:	
Accounts receivable	(786)
Due from State Department of Education	37,044
Prepaid expenses	7,866
Accounts payable	(378,917)
Wages and employee benefits payable	(15,895)
Payable to State Department of Education	165,114
Unfunded OPEB obligation	22,118
Accrued compensated absences	33,468
Unearned revenue	(1,027,008)
Total adjustments	<u>(1,079,701)</u>
Net cash used in operating activities	<u>\$ (1,148,536)</u>

See accompanying notes to financial statements.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the Program has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Cash and Investments and Restricted Cash and Investments Held by City

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 estimated fair value of investments in the pool is based upon quoted market prices. 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 1.42 years as of June 30, 2011.

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. Additional information regarding investment risk of the City's pool, including interest rate and credit risk, can be found in the City's CAFR.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Prepaid expenses include payments to Rio Linda Unified School District for the construction and use of a child care classroom facility at a Rio Linda school site. 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 vacation and sick leave at year end as an expense and related liability.

Unearned Revenue

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

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.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE B – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and improvements	\$ 1,545,892	\$ -	\$ -	\$ 1,545,892
Less accumulated depreciation	(484,887)	(77,295)	-	(562,182)
Capital assets, net	<u>\$ 1,061,005</u>	<u>\$ (77,295)</u>	<u>\$ -</u>	<u>\$ 983,710</u>

NOTE C – COMPENSATED ABSENCES

Changes in compensated absences during the fiscal year ended June 30, 2011 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 296,704</u>	<u>\$ 357,823</u>	<u>\$ (324,355)</u>	<u>\$ 330,172</u>	<u>\$ 38,270</u>

NOTE D – LOANS PAYABLE

There are two loans payable to the California Department of Education in annual installments of \$20,000 for each loan through April 1, 2012 and August 1, 2014. Neither loan bears interest. Annual debt service requirements to maturity are as follows:

Fiscal Years Ending June 30,	Principal
2012	\$ 40,000
2013	20,000
2014	20,000
2015	20,000
Total	<u>\$ 100,000</u>

The following is a summary of the loans payable transactions for the fiscal year ended June 30, 2011:

Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ 100,000</u>	<u>\$ 40,000</u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE E – OPERATING LEASES

As of June 30, 2011, the Program had no non-cancelable leases having remaining terms in excess of one year. Operating lease expense for the fiscal year ended June 30, 2011 was \$140,954.

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 8.3 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

A portion of the City’s other post-employment benefit costs and related liability has been allocated to the Program based upon the Program’s number of retirees. The Program’s OPEB obligation as of June 30, 2011 was calculated as follows:

Annual required contribution (ARC)	\$ 38,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(5,000)</u>
Annual OPEB cost (expense)	36,000
Contributions made	<u>(13,882)</u>
Increase in net OPEB obligation	22,118
Net OPEB obligation - Beginning of year	<u>66,882</u>
Net OPEB obligation - End of year	<u><u>\$ 89,000</u></u>

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE F – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 35,636	35%	\$ 48,334
June 30, 2010	29,666	37%	66,882
June 30, 2011	36,000	39%	89,000

Additional disclosure detail required by GASB Statement No. 45, regarding City’s other post-employment benefit plan is presented in City’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

NOTE G – RETIREMENT PLAN

Plan Description

The City provides defined retirement benefits through CalPERS. CalPERS is an agent multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of CalPERS’ annual financial report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, CA 95814. A separate report for the City’s plan within CalPERS is not available. The Program’s employees participate in the City’s plan with CalPERS.

Funding Policy

Benefits are funded by contributions from members, the Program and earnings on investments. Members and Program contributions are a percentage of applicable member compensation. The Program’s contribution rates are actuarially determined on an annual basis. Program contribution requirements for fiscal year ended June 30, 2011 were determined as part of the City’s June 30, 2008 actuarial valuation.

Annual Pension Cost

The Program’s contribution requirement for the fiscal year ended June 30, 2011 was \$ 324,371 or 11.727% of covered payroll. The following table shows the Program required contribution (annual pension cost) and the percentage contributed for the past three fiscal years:

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE G – RETIREMENT PLAN (CONTINUED)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 344,091	100%	\$ -
June 30, 2010	338,835	100%	-
June 30, 2011	324,371	100%	-

Other information regarding the City's CalPERS plan required by GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and GASB 50, *Pension Disclosures* are available in the City's CAFR for the fiscal year ended June 30, 2011.

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.

SUPPLEMENTAL INFORMATION

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Federal and State Awards
For the Fiscal Year Ended June 30, 2011

Grantor	Federal CFDA Number	Grantor's Number	Award Amount		Expenditures	
			Federal	State	Federal	State
California Department of Education						
General Center Child Care	N/A	CLTK-9058	\$ -	\$ 3,047	\$ -	\$ -
General Center Child Care	N/A	CCTR-9221	-	(2,677)	-	-
General Center Child Care	N/A	CCTR-0222	-	896,942	-	896,942
Total Federal and State			<u>\$ -</u>	<u>\$ 897,312</u>	<u>\$ -</u>	<u>\$ 896,942</u>

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

	<u>CLTK-9058</u>	<u>CCTR-9221</u>	<u>CCTR-0222</u>	<u>Total CDE CD Contracts</u>	<u>Non CDE Programs</u>	<u>Total</u>
<u>Revenue and Support</u>						
State apportionment	\$ 3,047	\$ (2,677)	\$ 896,942	\$ 897,312	\$ -	\$ 897,312
Subsidized parent fees	-	-	89,015	89,015	-	89,015
Unsubsidized parent fees	-	-	2,001,500	2,001,500	3,165,284	5,166,784
Restricted other income	-	-	4,518	4,518	-	4,518
Unrestricted contributions and other income	-	-	18,021	18,021	30,644	48,665
Interest income	-	-	-	-	4,235	4,235
Total revenue and support	<u>3,047</u>	<u>(2,677)</u>	<u>3,009,996</u>	<u>3,010,366</u>	<u>3,200,163</u>	<u>6,210,529</u>
<u>Expenses</u>						
2000 Classified salaries	-	-	2,507,230	2,507,230	1,634,563	4,141,793
3000 Employee benefits	-	-	767,179	767,179	503,387	1,270,566
4000 Books and Supplies	-	-	165,171	165,171	182,757	347,928
5000 Services and other operating expenses	-	-	227,307	227,307	210,240	437,547
Depreciation	-	-	-	-	77,295	77,295
Total expenses	<u>-</u>	<u>-</u>	<u>3,666,887</u>	<u>3,666,887</u>	<u>2,608,242</u>	<u>6,275,129</u>
Change in Net Assets	<u>\$ 3,047</u>	<u>\$ (2,677)</u>	<u>\$ (656,891)</u>	<u>\$ (656,521)</u>	<u>\$ 591,921</u>	<u>\$ (64,600)</u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Expenses by State Categories
For the Fiscal Year Ended June 30, 2011

<u>Expenses</u>	<u>CCTR-0222</u>	<u>Total</u>
2000 Classified salaries	\$ 2,507,230	\$ 2,507,230
3000 Employee benefits	767,179	767,179
4000 Books and supplies	165,171	165,171
5000 Services and other operating expenses	227,307	227,307
Total expenses claimed for reimbursement	<u>\$ 3,666,887</u>	<u>\$ 3,666,887</u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Reimbursable Equipment Expenses
For the Fiscal Year Ended June 30, 2011

	CCTR-0222	Total
<u>Unit Cost Under \$7,000 Per Item</u>		
None	\$ -	\$ -
Subtotal	-	-
 <u>Unit Cost Over \$7,500 Per Item with prior Written Approval</u>		
Computer	-	-
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, 2011

	CCTR-0222	Total
<u>Unit Cost Under \$10,000 Per Item</u>		
None	\$ -	\$ -
Subtotal	-	-
 <u>Unit Cost \$10,000 or More Per Item With Prior Written Approval</u>		
None	-	-
Subtotal	-	-
 <u>Unit Cost \$10,000 or More Per Item Without Prior Written Approval</u>		
None	-	-
Subtotal	-	-
 Total	 \$ -	 \$ -

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Reimbursable Administrative Costs
For the Fiscal Year Ended June 30, 2011

<u>Category</u>	<u>Reimbursable Administrative Costs</u>	<u>CCTR - 0222</u>
2000	Classified salaries	\$ 336,267
3000	Employee benefits	133,051
4000	Books and supplies	63,251
5000	Services and other operating expenses	17,464
	Total	<u>\$ 550,033</u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
 Schedule of Child Attendance
 General Center Child Care
 Project Number 34-2192-00-8 (CCTR-0222)
 For the Fiscal Year Ended June 30, 2011

Report Period	Certified Families						Noncertified Families Total Adjusted Days of Enrollment
	Total Days of Operation	Total Days of Enrollment	Total Days of Attendance	Total Adjusted Days of Enrollment	Average Daily Enrollment	Percent of Attendance	
July - September	64	10,979	10,921	9,359	146	99%	23,602
October - December	60	12,506	12,422	8,363	139	99%	18,767
January - March	61	13,597	13,543	8,632	142	100%	19,758
April - June	63	10,302	10,122	7,321	116	98%	21,626
Totals	<u>248</u>	<u>47,384</u>	<u>47,008</u>	<u>33,675</u>	<u>136</u>	<u>99.21%</u>	<u>83,753</u>

**AUDITED ATTENDANCE AND FISCAL REPORT
for Child Development Programs**

Agency Name: City of Sacramento Vendor No. 2192

Fiscal Year Ended: June 30, 2011 Contract No. CCTR 0222

Independent Auditor's Name: Macias Gini & O'Connell 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	1,329		1,329	1.180	1,568
Full-time	9,333		9,333	1.000	9,333
Three-quarters-time	12,879	1	12,880	0.750	9,660
One-half-time	23,843		23,843	0.550	13,114
<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	47,384		47,384		33,675
DAYS OF OPERATION	248		248		
DAYS OF ATTENDANCE	47,136	(128)	47,008		

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

**AUDITED ATTENDANCE AND FISCAL REPORT
for Child Development Programs**

Agency Name: City of Sacramento Vendor No. 2192

Fiscal Year Ended: June 30, 2011 Contract No. CCTR 0222

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	16,531	9,428	25,959	1.000	25,959
Three-quarters-time	-		-	0.750	-
One-half-time	109,056	(3,976)	105,080	0.550	57,794
<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	125,587	5,452	131,039		83,753

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

**AUDITED ATTENDANCE AND FISCAL REPORT
for Child Development Programs**

Agency Name: _____ City of Sacramento _____ Vendor No. 2192

Fiscal Year End: _____ June 30, 2011 _____ Contract No. _____ CCTR 0222

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$ -	\$ -	\$ -
County Maintenance of Effort (EC § 8279)	-	-	-
Uncashed Checks to Providers	-	-	-
Other (Specify): Fundraising	4,518	-	4,518
Subtotal	4,518	-	4,518
Special Funds Transfer Contract # CCTR 0222	901,680	(4,738)	896,942
Contract #	-	-	-
Transfer from Reserve Contract #	-	-	-
Contract #	-	-	-
Family Fees for Certified Children Contract # CCTR 0222	87,694	1,321	89,015
Contract #	-	-	-
Interest Earned on Apportionments Contract #	-	-	-
Contract #	-	-	-
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	2,918,654	(917,154)	2,001,500
Other (Specify): Fundraising	18,021	-	18,021
TOTAL REVENUE	\$ 3,930,567	\$ (920,571)	\$ 3,009,996

SECTION IV - REIMBURSABLE EXPENSES			
<i>Direct Payments to Providers (FCCH Only)</i>			
1000 Certificated Salaries	\$ -	\$ -	\$ -
2000 Classified Salaries	2,354,540	152,690	2,507,230
3000 Employee Benefits	769,246	(2,067)	767,179
4000 Books and Supplies	144,240	20,931	165,171
5000 Services and Other Operating Expenses	213,449	13,858	227,307
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment (program-related)	-	-	-
6500 Replacement Equipment (program-related)	-	-	-
Depreciation or Use Allowance	-	-	-
Start-Up Expenses (service level exemption)	-	-	-
Budget Impasse Credit Contract #	-	-	-
Contract #	-	-	-
Indirect Costs. Rate: 0.00% (Rate is Self-Calculating)	-	-	-
FOR CDE-A&I USE ONLY:			
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	3,481,475	185,412	3,666,887
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$ 564,948	\$ (14,915)	\$ 550,033

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Child Development 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:

Reports submitted to the State of California Department of Education were not accurately prepared. Attendance numbers, fees collected, and expenses were incorrectly reported for three quarters of the fiscal year.

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

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: City of Sacramento
 Fiscal Year End: June 30, 2011 Vendor No. 2192
 Independent Auditor's Name: Macias Gini & O'Connell, LLP

RESERVE ACCOUNT TYPE (Check One):	COLUMN A	COLUMN B	COLUMN C
	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT

LAST YEAR:

1. Ending Balance on Last Year's AUD 9530-A	\$ 1,040,884	\$ -	\$ 1,040,884
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No. CCTR 9221	33,886	-	33,886
Contract No.	-	-	-
Contract No.	-	-	-
Contract No.	-	-	-
Contract No.	-	-	-
Contract No.	-	-	-
Total Transferred from Contracts to Reserve Account	-	-	-
3. Less Excess Reserve to be Billed (enter as a	-	-	-
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$ 1,074,770	\$ -	\$ 1,074,770

THIS YEAR:

5. Plus Interest Earned This Year on Reserve Funds (column A	\$ 14,198	\$ -	\$ 14,198
6. Less Transfers to Contracts from Reserve Account (column A			
Regular Transfer to: Contract No.	-	-	-
Contract No.	-	-	-
Contract No.	-	-	-
Special Funds Transfer to: Contract No. CCTR 0222	878,770	-	878,770
Contract No.	-	-	-
Contract No.	-	-	-
Total Transferred to Contracts from Reserve Account	878,770	-	878,770
7. Ending Balance on June 30, 2011 (column A must agree with this year's CDFS 9530-A, Section IV)	\$ 210,198	\$ -	\$ 210,198

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

OTHER REPORT

Honorable Mayor and
Council Members
City of Sacramento
Sacramento, California

**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**

We have audited the financial statements of the Child Development Program (Program), an enterprise fund of the City of Sacramento, California, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 9, 2011. Our report includes an explanatory paragraph describing that the financial statements presents only the Child Development Program, an enterprise fund of the City of Sacramento, California. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as it relates to the Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over financial reporting as it relates to the Program. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting as it relates to the Program.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of finding and recommendation as item 2011-1.

The Program's response to the findings identified in our audit is described in the accompanying schedule of finding and recommendation. We did not audit the Program's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management of the City of Sacramento, and the State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Macie Gini & O'Connell LLP

Sacramento, California
November 9, 2011

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Current Year Finding and Recommendation
For the Fiscal Year Ended June 30, 2011

Item 2011-1 – Errors in the monthly and quarterly reports submitted to the State of California Department of Education

Condition

Six monthly and one quarterly Attendance and Fiscal Reports for Child Development Programs reports or CCTR reports submitted to the State of California Department of Education were not accurately prepared. Attendance numbers, fees collected, and expenses were incorrectly reported.

Criteria

Center based programs are required to report the number of days of enrolment, operations, and attendance; revenues and expenses on the CCTR report.

Effect

The effect of the condition is non-compliance with the requirements of the Child Development Program subjecting the program to disciplinary action from State of California Department of Education.

Cause

Program manager was not fully informed as to what information was to be reported to the State of California Department of Education and therefor included program and non-program related attendance, fees collected, and program expenses. A lack of oversight allowed this issue to continue until the third quarter of the fiscal year when an administrator of the program noticed the error.

Recommendation

We recommend the Program design and implement procedures to perform a regular supervisor review of quarterly reports submitted to the State of California Department of Education to ensure compliance with Program requirements. In addition, the Program should provide appropriate training to staff to ensure that proper understanding of Program compliance requirements are understood.

Auditee Response

Management is aware of the issue and agrees with the recommendations. The City corrected the monthly and quarterly information in the final annual report submitted to the State of California Department of Education. Management will implement procedures to improve oversight of the reporting process and provide training to the program manager and staff on the State's compliance and reporting requirements.