



City of Sacramento City Council

76

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

Meeting Date: 1/29/2013

Report Type: Consent

Title: Fiscal Year 2011/12 Child Development Program Audit Report

Report ID: 2013-00083

Location: Citywide

Recommendation: Receive and file.

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

Presenter: None

Department: Finance

Division: Accounting Division

Dept ID: 06001311

Attachments:

1-Description/Analysis

2-Child Development Audit 2012

City Attorney Review

Approved as to Form
Grace Arupo
1/23/2013 8:05:33 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
1/22/2013 10:27:50 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein 1/22/2013 11:24:27 a.m.



Description/Analysis

Issue: The Fiscal Year (FY) 2011/12 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, 2012.

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

Environmental Considerations:

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 FY2011/12 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 FY2011/12 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 one audit finding in the FY2011/12 Child Development Program Audit Report regarding errors made in the reports submitted to the State Department of Education. To address the reporting errors, the City submitted revised reports and has implemented changes to staffing and oversight of the reporting process for FY 2012/13.

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, 2012



**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**
For the Fiscal Year Ended June 30, 2012

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-1214).....	19
Audited Attendance and Fiscal Report – Project Number 34-2192-00-8 (CCTR-1214).....	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
Prior Year Finding and Recommendation.....	26-27

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
General Information
For the Fiscal Year Ended June 30, 2012

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, 2011 - June 30, 2012

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, 2012, 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, 2012, 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, 2012, 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 13, 2012 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 13, 2012

FINANCIAL STATEMENTS

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Statement of Net Assets
June 30, 2012

ASSETS

Current assets:

Cash and investments held by City	\$ 266,278
Accounts receivable	45,458
Prepaid expenses, current portion	7,867
Total current assets	319,603

Noncurrent assets:

Restricted assets:

Restricted cash and investments held by City	28,693
Due from State Department of Education	25,825

Prepaid expenses	182,899
------------------	---------

Capital assets

Buildings and improvements	1,545,892
Less: accumulated depreciation	(639,475)
Capital assets, net	906,417

Total noncurrent assets	1,143,834
-------------------------	-----------

Total assets	\$ 1,463,437
--------------	--------------

LIABILITIES

Current liabilities:

Accounts payable	\$ 49,503
Wages and employee benefits payable	203,543
Payable to State Department of Education	43,417
Unearned revenue	28,692
Current portion of compensated absences	15,085
Current portion of loans payable	20,000
Total current liabilities	360,240

Noncurrent Liabilities:

Compensated absences	327,018
Loans payable	40,000
Unfunded OPEB obligation	122,000
Total noncurrent liabilities	489,018

Total liabilities	849,258
-------------------	---------

NET ASSETS

Invested in capital assets, net of related debt	846,417
Unrestricted	(232,238)
Total net assets	614,179

Total liabilities and net assets	\$ 1,463,437
----------------------------------	--------------

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

<u>Operating revenues:</u>		
Government contracts		\$ 677,932
Subsidized parent fees		53,428
Unsubsidized parent fees		5,175,189
Miscellaneous		3,616
Total operating revenues		<u>5,910,165</u>
<u>Operating expenses:</u>		
2000 Classified salaries		3,840,443
3000 Employee benefits		1,232,422
4000 Books and supplies		314,089
5000 Services and other operating expenses		420,498
Depreciation		77,293
Total operating expenses		<u>5,884,745</u>
Operating income		25,420
Nonoperating revenues:		
Interest income		<u>2,167</u>
Change in net assets		27,587
Net assets, beginning of year		<u>586,592</u>
Net assets, end of year		<u>\$ 614,179</u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Cash flows from operating activities:	
Receipts from customers and users	\$ 5,226,591
Receipts from State Department of Education	491,209
Payments to suppliers	(740,871)
Payments to employees	(5,011,541)
Net cash used in operating activities	<u>(34,612)</u>
Cash flows from capital and related financing activities:	
Repayment of construction loan	<u>(40,000)</u>
Cash flows from investing activities:	
Interest received	<u>2,167</u>
Net decrease in cash and cash equivalents	(72,445)
Cash and cash equivalents - beginning of year	<u>367,416</u>
Cash and cash equivalents - end of year	<u>\$ 294,971</u>
Reconciliation of cash and cash equivalents to the statement of net assets:	
Cash and investments held by City	\$ 266,278
Restricted cash and investments held by City	<u>28,693</u>
Total cash and cash equivalents	<u>\$ 294,971</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 25,420</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	77,293
Change in assets and liabilities:	
Accounts receivable	(5,642)
Due from State Department of Education	(5,218)
Prepaid expenses	7,867
Accounts payable	(14,151)
Wages and employee benefits payable	16,393
Payable to State Department of Education	(148,785)
Unfunded OPEB obligation	33,000
Compensated absences	11,931
Unearned revenue	<u>(32,720)</u>
Total adjustments	<u>(60,032)</u>
Net cash used in operating activities	<u>\$ (34,612)</u>

See accompanying notes to the financial statements.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 1.89 years as of June 30, 2012.

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, 2012

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 accrued vacation and sick leave as an expense and related liability as the benefits are earned.

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, 2012

NOTE B – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and improvements	\$ 1,545,892	\$ -	\$ -	\$ 1,545,892
Less accumulated depreciation	(562,182)	(77,293)	-	(639,475)
Capital assets, net	<u>\$ 983,710</u>	<u>\$ (77,293)</u>	<u>\$ -</u>	<u>\$ 906,417</u>

NOTE C – COMPENSATED ABSENCES

Changes in compensated absences during the fiscal year ended June 30, 2012 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 330,172</u>	<u>\$ 309,948</u>	<u>\$ (298,016)</u>	<u>\$ 342,103</u>	<u>\$ 15,085</u>

NOTE D – LOANS PAYABLE

The loan payable to the California Department of Education is payable in annual installments of \$20,000 through August 1, 2014. The loan does not bear interest. Annual debt service requirements to maturity are as follows:

Fiscal Years Ending June 30,	Principal
2013	20,000
2014	20,000
2015	20,000
Total	<u>\$ 60,000</u>

The following is a summary of the loans payable transactions for the fiscal year ended June 30, 2012:

Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ 60,000</u>	<u>\$ 20,000</u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

NOTE E – OPERATING LEASES

As of June 30, 2012, 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, 2012 was \$142,314.

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 11.1 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, 2012 was calculated as follows:

Annual required contribution (ARC)	\$	53,000
Interest on net OPEB obligation		5,000
Adjustment to annual required contribution		(8,000)
Annual OPEB cost (expense)		50,000
Contributions made		(17,000)
Increase in net OPEB obligation		33,000
Net OPEB obligation - Beginning of year		89,000
Net OPEB obligation - End of year	\$	122,000

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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, 2010	\$ 29,666	37%	\$ 66,882
June 30, 2011	36,000	39%	89,000
June 30, 2012	50,000	33%	122,000

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, 2012.

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 the fiscal year ended June 30, 2012 were determined as part of the City’s June 30, 2009 actuarial valuation.

Annual Pension Cost

The Program’s contribution requirement for the fiscal year ended June 30, 2012 was \$314,986 or 12.659% 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, 2012

NOTE G – RETIREMENT PLAN (CONTINUED)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 338,835	100%	-
June 30, 2011	324,371	100%	-
June 30, 2012	314,986	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, 2012.

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.

SUPPLEMENTAL INFORMATION

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
 Schedule of Federal and State Awards
 For the Fiscal Year Ended June 30, 2012

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-1214	\$ 266,342	\$ 509,542	\$ 775,884	\$ 209,459	\$ 404,375	\$ 613,834

**CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM**

Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

	<u>CCTR-0222</u>	<u>CCTR-1214</u>	<u>Total CDE CD Contracts</u>	<u>Non CDE Programs</u>	<u>Total</u>
<u>Revenue and Support</u>					
State apportionment	\$ 64,098	\$ 613,834	\$ 677,932	\$ -	\$ 677,932
Subsidized parent fees	-	53,428	53,428	-	53,428
Unsubsidized parent fees	-	2,146,773	2,146,773	3,028,416	5,175,189
Interest income	-	-	-	2,167	2,167
Miscellaneous	-	-	-	3,616	3,616
Total revenue and support	<u>64,098</u>	<u>2,814,035</u>	<u>2,878,133</u>	<u>3,034,199</u>	<u>5,912,332</u>
<u>Expenses</u>					
2000 Classified salaries	-	2,409,967	2,409,967	1,430,476	3,840,443
3000 Employee benefits	-	780,664	780,664	451,758	1,232,422
4000 Books and Supplies	-	181,779	181,779	132,310	314,089
5000 Services and other operating expenses	-	251,562	251,562	168,936	420,498
Depreciation	-	-	-	77,293	77,293
Total expenses	<u>-</u>	<u>3,623,972</u>	<u>3,623,972</u>	<u>2,260,773</u>	<u>5,884,745</u>
Change in Net Assets	<u>\$ 64,098</u>	<u>\$ (809,937)</u>	<u>\$ (745,839)</u>	<u>\$ 773,426</u>	<u>\$ 27,587</u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Expenses by State Categories
For the Fiscal Year Ended June 30, 2012

	<u>CCTR-1214</u>
<u>Expenses</u>	
2000 Classified salaries	\$ 2,409,967
3000 Employee benefits	780,664
4000 Books and supplies	181,779
5000 Services and other operating expenses	251,562
Total expenses claimed for reimbursement	<u><u>\$ 3,623,972</u></u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Reimbursable Equipment Expenses
For the Fiscal Year Ended June 30, 2012

	CCTR-1214
<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, 2012

	CCTR-1214
<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, 2012

<u>Category</u>	<u>Reimbursable Administrative Costs</u>	<u>CCTR - 1214</u>
2000	Classified salaries	\$ 330,094
3000	Employee benefits	128,344
4000	Books and supplies	70,081
5000	Services and other operating expenses	<u>15,077</u>
	Total	<u><u>\$ 543,596</u></u>

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Schedule of Child Attendance
General Center Child Care
Project Number 34-2192-00-8 (CCTR-1214)
For the Fiscal Year Ended June 30, 2012

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	21	2,101	1,993	2,088	99	95%	7,255
August	23	2,165	2,137	1,995	87	99%	6,095
September	19	2,259	2,250	1,486	78	100%	7,669
October	23	2,481	2,472	1,594	69	100%	7,745
November	19	2,160	2,126	1,469	77	98%	4,405
December	18	2,069	2,067	1,394	77	100%	7,251
January	21	2,147	2,127	1,402	67	99%	7,268
February	20	2,492	2,473	1,592	80	99%	7,340
March	20	2,849	2,840	1,777	89	100%	7,774
April	22	2,518	2,516	1,700	77	100%	7,559
May	22	2,902	2,886	1,845	84	99%	7,802
June	20	2,522	2,504	2,263	113	99%	9,123
Totals, FY12	<u>248</u>	<u>28,665</u>	<u>28,391</u>	<u>20,604</u>	<u>83</u>	<u>99%</u>	<u>87,286</u>

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

Agency Name: City of Sacramento Vendor No. 2192

Fiscal Year Ended: June 30, 2012 Contract No. CCTR-1214

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	641		641	1.180	756.380
Full-time	6,600		6,600	1.000	6,600.000
Three-quarters-time	7,323		7,323	0.750	5,492.250
One-half-time	14,101		14,101	0.550	7,755.550
<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	28,665	-	28,665		20,604.180
DAYS OF OPERATION	249	-	249		
<input type="checkbox"/> NO NONCERTIFIED CHILDREN - Check this box, omit page 2, and continue to Section III if no noncertified children were enrolled in the program					
DAYS OF ATTENDANCE	28,391	-	28,391		

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, 2012 Contract No. CCTR-1214

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children.	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DAYS OF ENROLLMENT	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	16,378		16,378	1.000	16,378.000
Three-quarters-time	-		-	0.750	-
One-half-time	136,726	(7,803)	128,923	0.550	70,907.650
<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	153,104	(7,803)	145,301		87,285.650

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, 2012 Contract No. CCTR-1214

Insert Any Commingled Contract No. _____

	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	\$0	\$0	\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify): Field Trips	2,098		2,098
Subtotal	\$2,098	\$0	\$2,098
Transfer from Reserve Contract # CCTR-1214	19,635		19,635
Contract #			0
Family Fees for Certified Children Contract #	51,330		51,330
Contract #			0
Interest Earned on Apportionments Contract #			0
Contract #			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	2,039,117		2,039,117
Other (Specify): Fundraising/Field Trip/Enrollment Fees	107,656		107,656
TOTAL REVENUE	\$2,219,836	\$0	\$2,219,836

SECTION IV - REIMBURSABLE EXPENSES

<i>Direct Payments to Providers (FCCH Only)</i>	\$0	\$0	\$0
1000 Certificated Salaries			0
2000 Classified Salaries	2,409,967		2,409,967
3000 Employee Benefits	780,664		780,664
4000 Books and Supplies	181,779		181,779
5000 Services and Other Operating Expenses	251,562		251,562
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 Contract #			0
Contract #			0
Indirect Costs. Rate: 0.00% (Rate is Self-Calculating)			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$3,623,972	\$0	\$3,623,972
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$543,596	\$0	\$543,596

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, 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:

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: <u>City of Sacramento</u>			
Fiscal Year End: <u>June 30, 2012</u>		Vendor No. <u>2192</u>	
Independent Auditor's Name: <u>Macias Gini & O'Connell LLP</u>			
RESERVE ACCOUNT TYPE (Check One):	COLUMN A	COLUMN B	COLUMN C
<input type="checkbox"/> Center Based <input type="checkbox"/> Resource and Referral <input type="checkbox"/> Alternative Payment	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)	\$132,652	(\$4,724)	\$127,928
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.		\$0	\$0
Contract No.			0
Total Transferred from Contracts to Reserve Account	0	0	0
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)	\$82,844		\$82,844
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$49,808	(\$4,724)	\$45,084
THIS YEAR:			
5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$3,244	\$0	\$3,244
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):			
Contract No. CCTR-1214	\$19,635	\$0	\$19,635
Contract No.			0
Total Transferred to Contracts from Reserve Account	19,635	0	19,635
7. Ending Balance on June 30, 2012 (column A must agree with this year's CDFS 9530-A, Section IV)	\$33,417	(\$4,724)	\$28,693
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, 2012, and have issued our report thereon dated November 13, 2012. 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. However, we identified a deficiency in internal control over financial reporting, described in item 2011-1 in the accompanying schedule of prior year finding and recommendation that we consider to be a significant deficiency in internal control over financial reporting.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of prior year finding and recommendation as item 2011-1.

The Program's response to the finding identified in our audit is described in the accompanying schedule of prior year 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.

Maciea Meiri & O'Connell LLP

Sacramento, California
November 13, 2012

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Prior Year Finding and Recommendation
For the Fiscal Year Ended June 30, 2012

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

The Program Manager was not fully informed as to what information was to be reported to the State of California Department of Education and therefore 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 City design and implement procedures to perform a regular supervisory 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.

Status

This issue has not been resolved for the period ending June 30, 2012. During the year we identified several calculation errors for six monthly reports for the periods October 2011 through March 2012. The amount of expenses continued to be incorrectly reported on the CCTR reports submitted to the State of California Department of Education. To address the reporting errors, management submitted revised reports in September 2012.

CITY OF SACRAMENTO
CHILD DEVELOPMENT PROGRAM
Prior Year Finding and Recommendation
For the Fiscal Year Ended June 30, 2012

Auditee Response

Management is aware of the issue and agrees with the prior recommendations. Management has implemented changes to staffing and oversight of the reporting process for fiscal year 2012-13, and will provide training to the program manager and staff on the State's compliance and reporting requirements.