



*Reports of Independent Auditors and
Basic Financial Statements with
Required Supplementary Information and Supplementary Information*

Mother Lode Job Training Agency

June 30, 2019

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SINGLE AUDIT REPORTS

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Report of Independent Auditors

To the Board of Directors
Mother Lode Job Training Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Mother Lode Job Training Agency (the Agency) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency'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 basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic 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 basic 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 basic 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 basic financial statements.

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

Basis for Qualified Opinion

Management has not adopted Governmental Accounting Standards Board Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits other than Pensions”, which was issued in June 2015 and effective July 1, 2017. The Statement requires an entity to record its other postemployment benefit liability, in addition to numerous disclosure requirements. The amounts by which this departure would affect the assets, deferred outflows and inflows of resources, liabilities, net position, and expenses of the governmental activities of Mother Lode Job Training Agency have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Mother Lode Job Training Agency as of June 30, 2019, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of Mother Lode Job Training Agency as of June 30, 2019, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, and schedule of pension contributions on pages 4 to 8 and 27 to 29 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying schedule of expenditures of federal awards on page 30, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic 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 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, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated March 20, 2020, on our consideration of Mother Lode Job Training Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mother Lode Job Training Agency's internal control over financial reporting and compliance.

Three handwritten signatures in black ink, appearing to be initials or names, positioned horizontally.

Fresno, California
March 20, 2020

The following discussion and analysis of the financial performance and activity of the Mother Lode Job Training Agency (the Agency), is to provide an introduction and understanding of the basic financial statements of the Agency. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's audited financial statements, which are comprised of the basic financial statements.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Agency.

The basic financial statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the Agency's financial activities and financial position.

Government-wide financial statements – The government-wide financial statements are prepared on the full accrual basis, which means they measure the flow of all economic resources of the Agency as a whole. They provide a longer-term view of the Agency's activities as a whole and comprise the statement of net position and the statement of activities. The statement of net position provides information about the financial position of the Agency as a whole, including all of its capital assets and long-term liabilities on the full accrual basis of accounting, similar to that used by for-profit entities. The statement of activities provides information about all of the Agency's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the Agency's programs. The statement of activities explains in detail the change in net position for the year.

The statement of net position and the statement of activities present information about the following:

Governmental activities – the Agency's basic services are considered to be governmental activities. Its primary purpose, as One-Stop Operator in the Local Workforce Development Area (LWDA), is to provide employment and training activities that increase its customers' employment, retention, earnings and occupational skill levels, and, as a result, reduce welfare dependency and enhance local workforce productivity and competitiveness. The Agency is primarily funded through grants by federal, state, and local governments.

Fund financial statements – The fund financial statements report the Agency's operations in more detail than the government-wide financial statements and focus primarily on the short-term activities of the Agency's general fund. The fund financial statements measure only current revenues and expenditures and fund balances.

The fund financial statements provide detailed information about the Agency's only fund, which is the general fund.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements.

**Mother Lode Job Training Agency
Management's Discussion and Analysis
June 30, 2019**

Comparisons of budget and actual financial information are presented for the general fund in these financial statements.

Analysis of the General Fund

General fund revenues decreased \$83,146 this fiscal year from last fiscal year, which was primarily from grant funding from Workforce Innovation and Opportunity Act (WIOA) programs. Actual revenues were less than the budgeted amounts by \$745,652.

General fund expenditures were \$3,210,652, a decrease of \$267,358 from the prior year. Total expenditures were \$700,626 less than budgeted amounts.

Mother Lode Job Training Agency
Management's Discussion and Analysis
June 30, 2019

Governmental Activities

Net Position at June 30,

Table 1

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
Assets:				
Cash	\$ 48,512	\$ 97,446	\$ (48,934)	-50%
Grants receivable	173,997	113,798	60,199	53%
Prepaid expenses	40,881	44,061	(3,180)	-7%
Deposits	2,835	2,763	72	3%
Capital assets, net	46,663	-	46,663	100%
	<u>312,888</u>	<u>258,068</u>	<u>54,820</u>	<u>21%</u>
Deferred outflows of resources	<u>580,908</u>	<u>632,646</u>	<u>(51,738)</u>	<u>-8%</u>
Total assets and deferred outflows of resources	<u>\$ 893,796</u>	<u>\$ 890,714</u>	<u>\$ 3,082</u>	<u>0%</u>
Liabilities:				
Accounts payable	\$ 91,208	\$ 60,555	\$ 30,653	51%
Accrued salaries and wages payable	90,192	67,662	22,530	33%
Compensated absences	57,377	97,374	(39,997)	-41%
Net pension liability	2,201,142	2,242,699	(41,557)	-2%
Total liabilities	<u>2,439,919</u>	<u>2,468,290</u>	<u>(28,371)</u>	<u>-1%</u>
Deferred inflows of resources	<u>360,584</u>	<u>344,959</u>	<u>15,625</u>	<u>5%</u>
Net position:				
Net investment in capital assets	46,663	-	46,663	100%
Unrestricted	<u>(1,953,370)</u>	<u>(1,922,535)</u>	<u>(30,835)</u>	<u>2%</u>
Total net position	<u>(1,906,707)</u>	<u>(1,922,535)</u>	<u>15,828</u>	<u>-1%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 893,796</u>	<u>\$ 890,714</u>	<u>\$ 3,082</u>	<u>0%</u>

The Agency's governmental net position amounted to (\$1,906,707) as of June 30, 2019, an increase of \$15,828 from 2018.

The statement of activities presents general revenues and expenses in detail.

**Mother Lode Job Training Agency
Management's Discussion and Analysis
June 30, 2019**

Statement of Activities for the Year Ended June 30,

Table 2

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>%</u>
Expenses:				
Program expenses	\$ 3,210,652	\$ 3,478,010	\$ (267,358)	-8%
Revenues:				
Program revenues	3,226,480	3,309,626	(83,146)	-3%
Change in net position	15,828	(168,384)	184,212	109%
Net position, beginning of year	<u>(1,922,535)</u>	<u>(1,754,151)</u>	<u>(168,384)</u>	10%
Net position, end of year	<u>\$ (1,906,707)</u>	<u>\$ (1,922,535)</u>	<u>\$ 15,828</u>	-1%

As the table above shows, \$3,226,480 or 100% of the Agency's fiscal year 2019 governmental revenue came from grant funds.

Economic Outlook

The economic condition of the Agency, as it appears in the tables above, reflect adjustments by management to maintain financial stability during a period of fluctuating resources.

Fiscal year 2019-20, will be the fifth year of funding under the new Workforce Innovation and Opportunities Act (WIOA). Based on the current and proposed Federal appropriations and the State funding environment, the Agency anticipates a slight decrease in funding for formula based WIOA Title I funding. Funding for State discretionary WIOA Title I grants normally fluctuate from year to year, as does Federal funding for National Emergency Grant and discretionary projects, and from other sources such as the County CalWorks programs.

Short and long-term financial planning and adjustments will be based on all available economic information received from Federal, State, and local sources. The Agency will continue to pursue additional mission appropriate resources, such as State of California and National U.S. Department of Labor WIOA Title I discretionary funds, and other special project grants in an effort to bridge financial gaps created by diminished formula grant funding.

The Agency will continue to make adjustments to program design to maximize efficiencies and the use of resources, and will monitor service delivery and expenditure levels to maintain program compliance and sound fiscal management practice in the delivery of high quality employment and training services to area residents. This responsibility includes developing partnerships with businesses and the alignment of government services and programs into a system that is better integrated and responsive to the needs of both business and job seekers.

Contacting the Agency's Financial Management

This Annual Financial Report is intended to provide granting agencies and the general public with a general overview of the Agency's finances. Questions about this report should be directed to the Agency at 197 Mono Way, Suite B, Sonora, California 95370.

Basic Financial Statements

Mother Lode Job Training Agency
Statement of Net Position
June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS	
Cash	\$ 48,512
Grants receivable	173,997
Prepaid expenses	40,881
Deposits	2,835
Capital assets, net	<u>46,663</u>
Total assets	312,888
DEFERRED OUTFLOWS OF RESOURCES	
	<u>580,908</u>
Total assets and deferred outflows of resources	<u><u>\$ 893,796</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES	
Accounts payable	\$ 91,208
Accrued salaries and wages payable	90,192
Compensated absences	57,377
Net pension liability	<u>2,201,142</u>
Total liabilities	<u>2,439,919</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>360,584</u>
NET POSITION	
Net investment in capital assets	46,663
Unrestricted	<u>(1,953,370)</u>
Total net position	<u>(1,906,707)</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 893,796</u></u>

Mother Lode Job Training Agency
Statement of Activities
Year Ended June 30, 2019

PROGRAM EXPENSES	
Salaries, wages, and benefits	\$ 1,820,885
Training and work experience	597,903
Rent and lease expense, net	121,412
Other program expenses	667,996
Depreciation expense	<u>2,456</u>
Total program expenses	3,210,652
PROGRAM REVENUES	
Grant revenue	<u>3,226,480</u>
Change in net position	15,828
NET POSITION, beginning of year	<u>(1,922,535)</u>
NET POSITION, end of year	<u><u>\$ (1,906,707)</u></u>

Mother Lode Job Training Agency
Balance Sheet – Governmental Fund
June 30, 2019

ASSETS

ASSETS		
Cash	\$	48,512
Grants receivable		173,997
Prepaid items		40,881
Deposits		<u>2,835</u>
Total assets	\$	<u><u>266,225</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES		
Accounts payable	\$	91,208
Accrued salaries and wages payable		<u>90,192</u>
Total liabilities		<u>181,400</u>
FUND BALANCES		
Nonspendable		43,716
Unassigned		<u>41,109</u>
Total fund balances		<u>84,825</u>
Total liabilities and fund balances	\$	<u><u>266,225</u></u>

Mother Lode Job Training Agency
Balance Sheet – Governmental Fund (Continued)
June 30, 2019

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE TO
THE GOVERNMENTAL ACTIVITIES NET POSITION

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$	84,825
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Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the governmental fund above because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the general fund.		49,119
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Depreciation of capital assets used in governmental activities are not financial resources and, therefore, are not reported in the general fund.		(2,456)
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Deferred inflows and outflows of resources related to the net pension liability not reported in the general fund.

Deferred inflows		(360,584)
Deferred outflows		580,908

Liabilities are not due or payable in the current period and, therefore, are not reported in the general fund.

Net pension liability		(2,201,142)
Compensated absence obligations		<u>(57,377)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(1,906,707)</u></u>
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Mother Lode Job Training Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Fund
Year Ended June 30, 2019

REVENUES	
Grant funds	<u>\$ 3,226,480</u>
EXPENDITURES	
Administrative	311,558
Intensive	1,918,328
Core	178,496
Training	497,303
Rapid response	<u>365,821</u>
Total expenditures	<u>3,271,506</u>
Excess of expenditures over revenues	(45,026)
FUND BALANCE, beginning of year	<u>129,851</u>
FUND BALANCE, end of year	<u><u>\$ 84,825</u></u>

Mother Lode Job Training Agency
Reconciliation of the Net Change In Fund Balances with the Change in
Net Position of Governmental Activities
Year Ended June 30, 2019

The schedule below reconciles the net change in fund balances reported on the statement of revenues, expenditures, and changes in fund balances - governmental fund, which measures only changes in current assets and current liabilities on the modified accrual basis, with the change in net position of governmental activities reported in the statement of activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND	\$	(45,026)
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Amounts reported for governmental activities in the statement of activities are different because of the following:

The general fund records capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		46,663
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Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.

Net pension expense		(25,806)
Change in compensated absence obligations		39,997

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>15,828</u>
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Mother Lode Job Training Agency

Notes to Basic Financial Statements

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mother Lode Job Training Agency (the Agency), under the direction of the Workforce Development Board, is a special district joint powers agency, created by a Joint Powers Agreement among the following counties: Amador, Calaveras, Mariposa, and Tuolumne. The purpose of the Agency is the development and implementation of public and private employers' job training programs under which local employment needs and goals will be determined and training and employment programs will be planned, developed, and administered. The Agency is funded through grants by the federal and state government. The Agency's administrative office is located in Sonora, California, with a program office in each county to serve participants.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America and are applicable to governments. The following is a summary of the significant policies:

Basis of presentation – The Agency's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

Government-wide financial statements – The Agency's financial statements reflect only its own activities; it has no component units (other government units overseen by the Agency) or fiduciary funds. The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through intergovernmental revenues and other nonexchange revenues. Program revenues include (a) grants that are restricted to meeting the operational needs of a particular program; and (b) use allowance of government owned capital assets recorded as in-kind revenue.

Fund financial statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. The Agency has only one fund, the general fund, a major fund that accounts for all Agency activities.

Basis of accounting – The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis of accounting, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when "measurable and available." The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pension liabilities, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Mother Lode Job Training Agency Notes to Basic Financial Statements

The Agency funds programs with a combination of cost-reimbursement grants and categorical block grants. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Agency's policy is to first apply restricted grant resources to such programs, followed by unrestricted grant revenues if necessary. Certain indirect costs are included in program expenses reported for individual functions and activities.

Budgets and budgetary accounting – Under WIOA, the Agency's governing body approves the local job training plan. A public hearing must be conducted to receive comments prior to adoption. The Agency's governing body satisfied these requirements.

These plans are revised by the Agency's management and presented to the Workforce Development Board during the year to give consideration to unanticipated income and expenditures. It is this original and final revised budget that is presented in the basic financial statements.

Unearned revenue – Deferred revenue in the Agency's governmental fund arises when potential revenue does not meet the "available" criteria for recognition in the current period. Unearned revenue arises when resources are received by the Agency before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

Capital assets – Capital assets used in Agency operations are accounted for in the statement of net position. Purchased capital assets are stated at cost. Donated capital assets are valued at their estimated fair value on the date of donation. The Agency follows the Counties capitalization threshold of \$5,000 for capital asset purchases. Capital equipment is depreciated using the straight-line method over an estimated useful life of 5-10 years.

Net pension liability – The Agency recognizes a net pension liability, which represents the proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS). The net pension liability is measured as of the Agency's prior fiscal year-end. Changes in the net pension liability are recorded in the period incurred and, depending on the nature of the change, are recognized as deferred inflows of resources, deferred outflows of resources or pension expense. Changes recorded as deferred inflows of resources or deferred outflows of resources are recognized in pension expense systematically over time.

For purposes of measuring the net pension liability, deferred outflows, and inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Mother Lode Job Training Agency

Notes to Basic Financial Statements

Departure from Generally Accepted Accounting Principles (GAAP) – The Agency has elected not to adopt GASB Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*” which was issued in June 2015 and effective July 1, 2017. The Statement requires an entity to recognize a liability for the future costs of its other postemployment benefit plan, and provide numerous disclosures related to the other postemployment benefit plan. The amount by which this departure would affect the assets, deferred outflows and inflows of resources, liabilities, net position, and expenses of the governmental activities of the Agency has not been determined.

Risk management – The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance.

NOTE 2 – CASH

Cash balances at June 30, 2019, are as follows:

Bank of America - General Checking	\$	48,512
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The Agency's investment policy and the California Government Code permit investments in Securities of the U.S. Government or its agencies, Certificates of Deposit, Negotiable Certificates of Deposit, Banker's Acceptances, Commercial Paper, the State of California Local Agency Investment Fund (LAIF Pool), and Passbook Savings Account Demand Deposits.

Custodial credit risk – Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code Section 53652 requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 15% of the secure public deposits.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable at June 30, 2019, amounted to \$173,997. The Agency has not accrued an allowance for uncollectible receivables since it is the opinion of management that it is highly probable all receivables will be collected.

Mother Lode Job Training Agency
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Depreciable assets:				
Office equipment	\$ -	\$ 49,119	\$ -	\$ 49,119
Accumulated depreciation	-	(2,456)	-	(2,456)
Total	<u>\$ -</u>	<u>\$ 46,663</u>	<u>\$ -</u>	<u>\$ 46,663</u>

Depreciation expense for the year ended June 30, 2019, was \$2,456.

NOTE 5 – COMPENSATED ABSENCES

Compensated absences are comprised of unused vacation leave and certain compensated time off, which is accrued as earned. A maximum of 600 hours, per employee, may be accrued. Temporary employees are generally not eligible. Compensated absences are recognized as a liability of the Agency. The liability for compensated absences is determined annually. At June 30, 2019, the compensated absence balance was \$57,377.

NOTE 6 – NET PENSION LIABILITY

Plan description – The Agency participates in CalPERS, a cost sharing multiple-employer defined benefit-pension plan. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. CalPERS provides retirement, disability, and death benefits based on the employees' years of service, age, and final compensation. CalPERS provides retirement benefits payable at age 55 that are equal to 2% of the employee's final average compensation times the employee's years of service.

The State passed the California Employees' Pension Reform Act of 2013 (PEPRA), which became effective January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. This plan was closed to entrants on January 1, 2013, or after. New members are active members hired on or after January 1, 2013, and are subject to PEPRA. PEPRA offers a reduced benefit formula and increased retirement ages to new public employees, who first became PERS members on or after January 1, 2013. CalPERS provides retirement benefits payable beginning at age 62 that are equal to 2% of the employee's final three-year average compensation times the employee's years of service. The provisions and all other requirements are established by State statute. CalPERS issues a stand-alone report that is available upon request at the following address: CalPERS Actuarial & Employer Service Division; P.O. Box 942709; Sacramento, California 94229-2709.

Mother Lode Job Training Agency

Notes to Basic Financial Statements

Funding policy – The contribution requirements of the plan members and the Agency are established and may be amended by CalPERS. With the election to participate in CalPERS, the participation in Social Security is discontinued, and contributions to CalPERS are in lieu of contributions to Social Security. The Agency is required to contribute an actuarially determined rate. The employer contribution rate was 8.00% of annual covered payroll for the year ended June 30, 2019. All eligible participating employees are required to contribute 7.00% of their monthly salaries to CalPERS. The Agency deducts the contributions from employees' wages and remits to CalPERS on their behalf and for their account. Contributions to the pension plans from the Agency were \$196,794 for the year ended June 30, 2019.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2019, the Agency reported a liability of \$2,201,142 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018, using generally accepted actuarial principles. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018; therefore, the employer's portion was established as of the measurement date of June 30, 2018. The total pension liability in the June 30, 2017, actuarial valuation was based on the following actuarial methods and assumptions:

Actuarial cost method:	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality rate table	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

All other actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality, and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of assumptions – The inflation rate decreased from 2.75% to 2.50%, the salary increase assumption decreased from 3.00% to 2.75%, and the mortality rate table assumptions were updated for the June 30, 2018, measurement date.

Mother Lode Job Training Agency Notes to Basic Financial Statements

Discount rate – The discount rate used to measure the total pension liability at June 30, 2018, measurement date, was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The test revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called GASB Crossover Testing Report that can be obtained from the CalPERS website.

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term 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 the required contributions as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11 to 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. 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.

Asset Class	Current Target Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

(a) An expected inflation rate of 2.0% was used for this period.

(b) An expected inflation rate of 2.9% was used for this period.

Mother Lode Job Training Agency

Notes to Basic Financial Statements

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate – The following presents the Agency's net pension liability as of June 30, 2019, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net pension liability	\$ 3,516,551	\$ 2,201,142	\$ 1,115,293

The Agency's proportion of the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan was 0.02284% at June 30, 2019.

For the year ended June 30, 2019, the Agency recognized pension expense of \$222,600. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

For the year ended June 30, 2019, the Agency had \$580,908 of deferred outflows of resources and \$360,584 of deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,454	\$ 28,739
Changes in assumptions	250,937	61,500
Net difference between projected and actual earnings on plan investments	10,882	-
Change in employer's proportion	37,841	108,548
Differences between employer's contributions and the employer's proportionate share of contributions	-	161,797
Pension contributions subsequent to measurement date	196,794	-
Total	<u>\$ 580,908</u>	<u>\$ 360,584</u>

Mother Lode Job Training Agency Notes to Basic Financial Statements

The Agency reported \$196,794 as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 98,685
2021	26,964
2022	(82,322)
2023	(19,797)
	<hr/>
	\$ 23,530
	<hr/> <hr/>

NOTE 7 – LEASE COMMITMENT

The Agency has entered into various operating leases for buildings and office equipment, with lease terms in excess of one year. None of these agreements contain purchase options. All the agreements contain a termination clause providing for cancellation after a specified number of days' written notice to the lessors, but it is unlikely that the Agency will cancel any of the agreements prior to the expiration date. The total rental and lease expense for the year ended June 30, 2019, was \$121,412, which also included various leases that were considered month to month with no long term commitments.

Minimum future rental payments under operating leases in aggregate are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 122,100
2021	124,116
2022	112,792
2023	80,868
2024	75,634
	<hr/>
	\$ 515,510
	<hr/> <hr/>

The Agency sub-leases a portion of its office facilities to non-related governmental agencies. The sub-lease agreements were through August 2018 and March 2019, with the governmental agencies able to terminate the lease with 30 days' notice.

Rental receipts for the year ended June 30, 2019, were \$2,908, which includes utility and other administrative charges allocated proportionately to the sub-lessor based on square footage leased and was netted against the rent and lease expense within the statement of activities.

Mother Lode Job Training Agency

Notes to Basic Financial Statements

NOTE 8 – NET POSITION AND FUND BALANCE

Government-wide net position consists of the following:

Restricted net position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments. There were no restricted net position balances as of June 30, 2019.

Invested in capital assets, net – This category groups all capital assets into one component of net position. Accumulated depreciation that is attributable to the acquisition, construction or improvement of these assets reduces the balance in this category.

Unrestricted net position – This amount is all net assets that do not meet the definition of “invested in capital assets, net” or “restricted net position.”

Governmental fund balance consists of the following:

Fund balance – Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below.

In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level decision-making Agency. The Board serves as the Agency’s highest level decision-making Agency and has the Agency to establish, modify or rescind a fund balance commitment via minute’s action.

Assigned fund balance includes amounts intended to be used by the Agency for specific purposes, subject to change, as established directly by the management officials to whom the assignment Agency has been delegated by the Board.

Unassigned fund balance is the residual classification that includes the spendable amounts in the general fund that are available for any purpose.

At June 30, 2019, the Agency has all its fund balances classified as unassigned and nonspendable fund balances.

The Agency reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, and unassigned) amounts are available. The Agency reduced committed first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Mother Lode Job Training Agency

Notes to Basic Financial Statements

The total revenue and expenditures are less than the budgeted appropriations by \$745,652 and \$700,626, respectively, resulting in a fund balance decrease of \$45,026. The Agency has plans to apply for new grants from other related governmental entities to continue to grow in the future years.

NOTE 9 – CONTINGENCIES AND CONCENTRATIONS

Federal and state grants – The Agency participates in federal grants, the principal of which is the U.S. Department of Labor. Disbursement of funds received under these grants requires compliance with terms and a condition specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

Economic dependency – The Agency receives a substantial amount of revenue for its programs funded by the U.S. Department of Labor. During the fiscal year ended June 30, 2019, the Agency received \$2,971,038. This amounts to approximately 92% of total revenue for the year.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The Agency's operations are located in California, which has restricted gatherings of people due to the coronavirus outbreak. Given the dynamic nature of these circumstances and business disruption, the Agency anticipates a significant short-term impact. The Agency will continue to monitor the situation closely, but given the uncertainty about the situation, an estimate of the impact to the basic financial statements cannot be made at this time.

Required Supplementary Information

Mother Lode Job Training Agency
Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Grant funds	\$ 3,972,132	\$ 3,972,132	\$ 3,226,480	\$ (745,652)
Total revenues	<u>3,972,132</u>	<u>3,972,132</u>	<u>3,226,480</u>	<u>(745,652)</u>
Expenditures				
Administrative	399,931	399,931	311,558	88,373
Program				
Intensive	1,546,267	1,546,267	1,918,328	(372,061)
Core	-	-	178,496	(178,496)
Training	1,628,003	1,628,003	497,303	1,130,700
Rapid response	<u>397,931</u>	<u>397,931</u>	<u>365,821</u>	<u>32,110</u>
Total expenditures	<u>3,972,132</u>	<u>3,972,132</u>	<u>3,271,506</u>	<u>700,626</u>
Excess of expenditures over revenues	-	-	(45,026)	(45,026)
Fund balance, beginning of year	<u>129,851</u>	<u>129,851</u>	<u>129,851</u>	<u>-</u>
Fund balance, end of year	<u>\$ 129,851</u>	<u>\$ 129,851</u>	<u>\$ 84,825</u>	<u>\$ (45,026)</u>

Mother Lode Job Training Agency
Schedule of Proportionate Share of the Net Pension Liability
Years Ended June 30, 2019 and 2018

	2019	2018
Measurement period	2017-2018	2016-2017
Proportion of the net pension liability	0.02284%	0.02261%
Proportionate share the net pension liability	\$ 2,201,142	\$ 2,242,699
Covered-employee payroll*	\$ 913,410	\$ 768,809
Proportionate share the net pension liability as a percentage of covered-employee payroll	240.98%	291.71%
Proportionate share of the plan's fiduciary net position as a percentage of the plan's total pension liability	75.26%	73.31%

*For the year ending on the measurement date.

Mother Lode Job Training Agency
Schedule of Pension Contributions
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 196,794	\$ 156,036
Contributions in relation to the actuarially determined contribution*	<u>196,794</u>	<u>156,036</u>
Contribution deficiency (excess)	-	-
Agency's covered employee payroll	1,020,604	913,410
Contributions as a percentage of covered-employee payroll	19.28%	17.08%

*For the fiscal year ending on the date shown.

Supplementary Information

Mother Lode Job Training Agency
Schedule of Expenditures of Federal Awards
June 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass-Through Grantor's Number	Expenditures
TANF Cluster			
U.S. Department of Health and Human Services			
Passed through the County of Mariposa:			
CalWorks	93.558	2017-424	\$ 15,500
CalWorks ESEP	93.558	2018-207	52,703
Passed through the County of Tuolumne:			
CalWorks	93.558	17-0202-00	26,402
Passed through the County of Calaveras:			
CalWorks ESEP	93.558	1030-0071	<u>44,481</u>
Total TANF Cluster and U.S. Department of Health and Human Services			<u>139,086</u>
WIOA Cluster			
U.S. Department of Labor			
Passed through the State of California Employment Development Department			
Title I-Y: Workforce Innovation and Opportunity Act - Youth	17.259	K8106645	68,463
Title I-Y: Workforce Innovation and Opportunity Act - Youth	17.259	K9110027	331,887
Title I-A: Workforce Innovation and Opportunity Act - Adult	17.258	K8106645	113,305
Title I-A: Workforce Innovation and Opportunity Act - Adult	17.258	K9110027	301,715
Governor's Discretionary - WAF 6.0 Ex-Offender	17.258	K8106645	166,625
Governor's Discretionary - Regional Training Coordinators	17.258	K7102043	114,613
Governor's Discretionary - Regional Organizers	17.258	K7102043	4,233
Governor's Discretionary - Regional Organizers/Training Coordinators	17.258	K9110027	51,206
Governor's Discretionary - SlingShot - Regional Plan Implementation	17.258	K8106645	287,061
Governor's Discretionary - SlingShot - Regional Plan Implementation	17.258	K9110027	15,428
Governor's Discretionary - Disability Employment Accelerator	17.258	K8106645	111,169
Title I-D: Workforce Innovation and Opportunity Act - Dislocated Workers	17.278	K8106645	159,419
Title I-D: Workforce Innovation and Opportunity Act - Dislocated Workers	17.278	K9110027	287,569
Title I-D: Workforce Innovation and Opportunity Act - Rapid Response	17.278	K8106645	117,996
Title I-D: Workforce Innovation and Opportunity Act - Rapid Response	17.278	K9110027	195,533
Title I-D: Workforce Innovation and Opportunity Act - Rapid Response Layoff Aversion	17.278	K8106645	36,233
Title I-D: Workforce Innovation and Opportunity Act - Rapid Response Layoff Aversion	17.278	K9110027	5,546
National Emergency Grant - Storms NDWG	17.277	K8106645	56,926
National Emergency Grant - Storms NDWG	17.277	K9110027	350,487
National Emergency Grant - Opioid Crisis	17.277	K9110027	21,632
Passed through the State of California Department of Rehabilitation			
Employment Training Panel			
Summer Training and Employment Program	17.259	STEPS 18-06	<u>173,992</u>
Total WIOA Cluster and U.S. Department of Labor			<u>2,971,038</u>
Other Programs			
U.S. Department of Agriculture			
Direct award			
Summer of Success Program	10.675	17-PA-11051600-018	<u>6,913</u>
Total U.S. Department of Agriculture			<u>6,913</u>
Total Expenditures of Federal Awards			<u>\$ 3,117,037</u>

Mother Lode Job Training Agency
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying schedule of expenditures of federal awards (the Schedule), includes the federal grant activity of Mother Lode Job Training Agency (the Agency), under programs of the federal government for the year ended June 30, 2019. Expenditures reported on the Schedule are reported on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Relationship to financial reports – Information included in the accompanying Schedule is in substantial agreement with the information reported in the related financial reports for major programs.

Program costs – The Agency accounts for and reports on the costs of program activities covered under the federal grant awards on an accrual basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Subrecipients – The Agency does not pass through funds to subrecipients.

Indirect costs – The Agency has elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

WIOA Cluster – 2 CFR 200.17 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. The OMB Compliance Supplement lists specific programs to be included in the WIOA Cluster; however, due to State government guidance, an additional program was required to be included in this cluster. The programs in the WIOA Cluster include the following CFDA's:

<u>Federal Grantor, Program Title</u>	<u>CFDA Number</u>
U.S. Department of Labor	
WIOA Adult Program	17.258
WIOA Youth Activities	17.259
WIOA National Dislocated Worker Grants	17.277
WIOA Dislocated Worker Formula Grants	17.278

Single Audit Reports

Report of Independent Auditors 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*

To the Board of Directors
Mother Lode Job Training Agency

We have audited, 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, the financial statements of the governmental activities and the major fund of Mother Lode Job Training Agency (the Agency), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Mother Lode Job Training Agency's basic financial statements, and have issued our report thereon dated March 20, 2020. Our opinion on the governmental activities as of and for the year ended June 30, 2019, was qualified because management has not adopted Governmental Accounting Standards Board Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits other than Pensions.*"

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mother Lode Job Training Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Three handwritten signatures in black ink, arranged horizontally. The first signature is the most prominent, followed by two smaller ones.

Fresno, California
March 20, 2020

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by Uniform Guidance

To the Board of Directors
Mother Lode Job Training Agency

Report on Compliance for the Major Federal Program

We have audited Mother Lode Job Training Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Mother Lode Job Training Agency's major federal program for the year ended June 30, 2019. Mother Lode Job Training Agency's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Mother Lode Job Training Agency's compliance.

Opinion on the Major Federal Program

In our opinion, Mother Lode Job Training Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, we did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Mother Lode Job Training Agency's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Mother Lode Job Training Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink, appearing to read "M. Allen" followed by a stylized flourish.

Fresno, California
March 20, 2020

Mother Lode Job Training Agency
Schedule of Findings and Questioned Costs
June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Governmental activities
 Major fund

Qualified
Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 X Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes No

Identification of Major Federal Programs

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Program</i>
Various	WIOA Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

Section II - Financial Statement Findings

None reported

Mother Lode Job Training Agency
Schedule of Findings and Questioned Costs
June 30, 2019

Section III - Federal Award Findings and Questioned Costs

Finding 2019-001 - Allowable Costs/Cost Principles (Significant Deficiency in Internal Control Over Compliance)

Criteria - In accordance with Part 200 of the Uniform Guidance, §200.323(b) and (d) *Contract Cost and Price*, a non-Federal entity must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. In addition, the cost plus a percentage of cost method of contracting must not be used.

Condition - The contract between the Agency and the Foundation for California Community Colleges (Foundation) uses an unallowable cost plus a percentage of cost methodology to determine payment.

Questioned Costs - \$2,772 of known questioned costs.

Context - A sample of 25 general disbursements totaling \$31,777 was selected from a population of \$866,327. Two instances were noted of disbursements to the Foundation, totaling \$21,254, that included expenditures calculated using a cost plus a percentage of cost method that were billed and paid to the Foundation and reimbursed to the Agency.

Effect - Expenditures not allowable to the major program were paid to the Foundation and reimbursed to the Agency.

Cause - The control in place to review the procurement of contracts to be expended to grant awards failed in execution.

Recommendation - We recommend management perform a more thorough review of contracts prior to procurement to determine that all provisions within the contract are in accordance with Federal regulations.

Management's Response - Management of the Agency disagrees with this finding for the following reasons:

1. The definition of a cost plus a percentage contract is "an agreement to reimburse a company for expenses plus a specific amount of profit, usually stated as a percentage of the contract's full price." There is no profit in the employer-of-record contract between the Agency and the Foundation. The contract does not qualify as a cost plus a percentage contract.
2. According to 2 CFR Part 200, indirect rates are allowable costs.
3. The Foundation's indirect cost rate determination of 19.05% exceeds the agreed upon 15% fee.

Due to these reasons, and others, along with tacit assurances from members of the state board that this will not be a finding, management has good reason to believe that this finding will be dropped.

**Mother Lode Job Training Agency
Summary Schedule of Prior Audit Findings
June 30, 2019**

None reported.

