

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
IRVINE, CALIFORNIA

BASIC COMPARATIVE FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016

and

JUNE 30, 2015

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
AUDIT REPORT
JUNE 30, 2016 and JUNE 30 2015

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor's Report	1-2
Basic Financial Statements	
Government-wide Financial Statements	
Statements of Net Position	3
Statements of Activities	4
Governmental Fund Financial Statements	
Balance Sheets	5
Reconciliation of the Governmental Fund Balance Sheets to the Statements of Net Position	6
Statements of Revenues, Expenditures, and Changes in Fund Balance	7
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statements of Activities	8
Notes to Basic Financial Statements	9-13
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	14-15
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>	16-17
Schedule of Findings and Recommendations	18-19



BOWMAN

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
School Employers Association of California
Irvine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the School Employers Association of California (SEAC) as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, which collectively comprise SEAC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Established 1949
www.cpaboi.com

Bowman & Company, LLP
10100 Trinity Parkway, Suite 310
Stockton, CA 95219

Telephone: 209-473.1040
Facsimile: 209-473.9771

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of SEAC as of June 30, 2016 and June 30, 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 14-15 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017, on our consideration of SEAC's internal controls over financial reporting and on our tests of its compliance with certain provision 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SEAC's internal control over financial reporting and compliance.

Bowman & Company
Stockton, California
June 5, 2017

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	Total Governmental Activities	
	June <u>30, 2016</u>	June <u>30, 2015</u>
ASSETS		
Current assets:		
Cash	\$ 123,598	\$ 64,881
Accounts receivable, net	59,023	5,378
Prepaid items	2,847	2,847
Total current assets	185,468	73,106
Noncurrent assets:		
Capital assets, net of accumulated depreciation	-	-
Total assets	\$ 185,468	\$ 73,106
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 56,470	\$ 4,183
Unearned revenue	39,816	27,699
Total liabilities	96,286	31,882
NET POSITION		
Unrestricted	89,182	41,224
Total liabilities and net position	\$ 185,468	\$ 73,106

See Accompanying Notes to Basic Financial Statements.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
STATEMENTS OF ACTIVITIES
For the Fiscal Years Ended June 30, 2016 and 2015

	Fiscal Year Ended June 30, 2016			Fiscal Year Ended June 30, 2015			
	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position
Program services:							
Government activities:							
Membership	\$ 36,726	\$ 262,219	\$ 225,493	\$ 2,194	\$ 182,166	\$ 179,972	
Conferences and workshops	37,931	50,800	12,869	21,906	43,750	21,844	
Consulting	177,949	248,512	70,563	26,662	72,604	45,942	
Governmental relations	20,018	358	(19,660)	16,067	4,457	(11,610)	
Supporting services:							
General administration	224,879		(224,879)	195,968		(195,968)	
Facility rents and leases	16,436		(16,436)	16,997		(16,997)	
Total governmental activities	<u>\$513,939</u>	<u>\$ 561,889</u>	<u>\$ 47,950</u>	<u>\$ 279,794</u>	<u>\$ 302,977</u>	<u>\$ 23,183</u>	
General revenues							
Interest			<u>8</u>			<u>16</u>	
Change in net position			47,958			23,199	
Net position, beginning of year			<u>41,224</u>			<u>18,025</u>	
Net position, end of year			<u>\$ 89,182</u>			<u>\$ 41,224</u>	

See Accompanying Notes to Basic Financial Statements.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2016 and 2015

	General Fund	
	June 30, 2016	June 30, 2015
ASSETS		
Cash	\$ 123,598	\$ 64,881
Accounts receivable, net	59,023	5,378
Prepaid items	2,847	2,847
Total assets	\$ 185,468	\$ 73,106
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 56,470	\$ 4,183
Unearned revenue	39,816	27,699
Total liabilities	96,286	31,882
Fund Balance:		
Nonspendable	2,847	2,847
Unrestricted	86,335	38,377
Total fund balance	89,182	41,224
Total liabilities and fund balance	\$ 185,468	\$ 73,106

See Accompanying Notes to Basic Financial Statements.

**SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
June 30, 2016 and 2015**

	June <u>30, 2016</u>	June <u>30, 2015</u>
Fund Balance of Governmental Funds	\$ 185,468	\$ 73,106
No reconciling items	<hr/>	<hr/>
Net Assets of Governmental Activities	\$ 185,468	\$ 73,106

See Accompanying Notes to Basic Financial Statements.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Years Ended June 30, 2016 and 2015

	General Fund	
	Fiscal Year	Fiscal Year
	Ended	Ended
	June <u>30, 2016</u>	June 30, 2015
REVENUES		
Membership dues	\$ 262,219	\$ 182,166
Conferences and workshops	50,800	43,750
Consulting	248,512	72,604
Government relations	358	4,457
Interest	8	16
	<u>561,897</u>	<u>302,993</u>
EXPENDITURES		
Program services:		
Membership	36,726	2,194
Conference and workshops	37,931	21,906
Consulting	177,949	26,662
Governmental relations	20,018	16,067
Supporting services:		
General administration	224,879	195,968
Facility rents and leases	16,436	16,997
	513,939	279,794
Net change in fund balance	47,958	23,199
Fund balance, beginning of year	<u>41,224</u>	<u>18,025</u>
Fund balance, end of year	<u>\$ 89,182</u>	<u>\$ 41,224</u>

See Accompanying Notes to Basic Financial Statements.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENTS OF ACTIVITIES
For the Fiscal Years Ended June 30, 2016 and 2015

	Fiscal Year Ended June <u>30, 2016</u>	Fiscal Year Ended June <u>30, 2015</u>
Net Change in Fund Balances of Governmental Funds	\$ 47,958	\$ 23,199
No reconciling items	_____	_____
Change in Net Assets of Governmental Activities	\$ 47,958	\$ <u>23,199</u>

See Accompanying Notes to Basic Financial Statements.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

On July 1, 2002, a Joint Powers Agreement (JPA) was signed by participating K-12 public schools, community college districts, and county offices of education to create the School Employers Association of California (JPA). The purpose of the JPA is to provide collective bargaining, personnel, and human resource services to member agencies. Generating membership fees based on each member agency's size, the JPA conducts research, training and provides advocacy services. Membership also includes all publications, such as the SEAC Reporter and SEACAL.

B. Accounting Policies

The accounting policies of the JPA conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Fund Accounting, Basis of Accounting

The accounts of the JPA are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures: JPA resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The JPA accounts are organized into one fund:

Governmental Fund

The *General Fund* is the general operating fund of the JPA. It is used to account for all financial resources except those required to be accounted for in another fund.

Government-Wide Financial Statements

The JPA's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the JPA.

The reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The governmental fund is 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. Expenditures are recorded when the related fund liability is incurred.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting, Basis of Accounting (continued)

Capital asset acquisitions are reported as expenditures in the governmental fund.

D. Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

F. Furniture and Equipment

The JPA has formally adopted a capitalization policy of \$500 for furniture and equipment. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment are depreciated using the straight-line method over five years.

G. Compensated Absences

As of August 2010, the employees of the JPA no longer receive paid vacation; therefore, compensated absences were not accrued.

H. New Accounting Pronouncements

In 2016, SEAC adopted new accounting standards in order to conform to the following Governmental Standards Board Statements:

GASB Statement No. 72, Fair Value Measurement and Application - This Statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. There was no impact on beginning net position as part of implementation of this accounting standard.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - The objective of this Statement is to identify (in context of the current governmental financial reporting environment) the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. New Accounting Pronouncements (continued)

of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. There was no impact on beginning net position as part of implementation of this accounting standard.

I. Net Position

In the Government-Wide Financial Statements, net position may be classified in the following categories:

Net Investment in Capital Assets - This amount consist of capital assets net of accumulated depreciation.

Restricted Net Positon - This amount is restricted by external creditors, grantors, contributors, laws or regulations or other govenunents.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

J. Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable - Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations or other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally by the governing body through board resolutions, etc., and that remain binding unless removed in the same manner. The Board of Directors in considered the highest authority for SEAC.

Assigned - assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose.

Unassigned - This category is for any balances that have no restrictions placed upon them.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE2-CASH

Cash is reported in the basic financial statements as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash in bank	<u>\$123,598</u>	<u>\$64,881</u>

Cash balances held in banks are insured to \$250,000 or unlimited for non-interest bearing transaction accounts by the Federal Depository Insurance Corporation. All cash held by the financial institutions are fully insured or collateralized.

Investments Authorized by the California Government Code:

The table below identifies the investment types that are authorized for JPA's by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provision of debt agreements of the JPA, rather than the general provisions of the California Government Code.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
State of California Obligations	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Notes	5 years	30%	None
Mutual Funds	<i>N/A</i>	20%	None
Money Market Funds	<i>N/A</i>	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	<i>N/A</i>	None	None
Local Agency Investment Fund (LAIF)	<i>N/A</i>	None	\$40 Million

NOTE 3-CAPITAL ASSETS AND DEPRECIATION

Capital asset balances for the fiscal years ended June 30, 2016 and June 30, 2015 are shown below:

	<u>Furniture and Equipment</u>	<u>Accumulated Depreciation</u>	Governmental Activities Capital Assets, Net
June 30, 2016	<u>\$11,532</u>	<u>(\$11,532)</u>	\$ -
June 30, 2015	<u>\$11,532</u>	<u>(\$11,532)</u>	\$ -

There was no capital asset activity (additions or deletions) for the fiscal years ending June 30, 2015 and June 30, 2016.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016 and June 30, 2015

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2016 and 2015, expenditures exceeded appropriations as follows:

	June 30, 2016
<u>Excess Appropriations Category</u>	<u>Excess Expenditures</u>
Membership	\$34,726
Conference and workshops	16,931
Consulting	7,949
Government relations	5,018
General administration	13,129
	June 30, 2015
<u>Excess Appropriations Category</u>	<u>Excess Expenditures</u>
Membership	\$ 194
Conference and workshops	11,906
Consulting	6,662
Government relations	1,067
General administration	10,118

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Original Bud	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
REVENUES				
Membership dues	\$ 157,500	\$ 197,500	\$ 262,219	\$ 64,719
Conferences and workshops	50,000	50,000	50,800	800
Consulting	25,000	192,000	248,512	56,512
Government relations	4,000	2,000	358	(1,642)
Interest	10	10	8	<u>0</u>
 Total revenues	 <u>236,510</u>	 <u>441,510</u>	 <u>561,897</u>	 120,387
EXPENDITURES				
Program services:				
Membership	2,000	2,000	36,726	(34,726)
Conference and workshops	8,000	21,000	37,931	(16,931)
Consulting	16,000	170,000	177,949	(7,949)
Governmental relations	15,000	15,000	20,018	(5,018)
Supporting services:				
General administration	179,650	211,750	224,879	(13,129)
Facility rents and leases	<u>17,000</u>	<u>17,000</u>	<u>16,436</u>	<u>564</u>
 Total expenditures	 <u>237,650</u>	 <u>436,750</u>	 <u>513,939</u>	 <u>(77,189)</u>
 Net change in fund balance	 (1,140)	 4,760	 47,958	 43,198
 Fund balance, beginning of year	 <u>41,224</u>	 <u>41,224</u>	 <u>41,224</u>	 -
 Fund balance, end of year	 <u>\$ 40,084</u>	 <u>\$ 45,984</u>	 <u>\$ 89,182</u>	 <u>\$ 43,198</u>

See accompanying Notes to Basic Financial Statements.

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Original Budw	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
REVENUES				
Membership dues	\$ 167,500	\$ 167,500	\$ 182,166	\$ 14,666
Conferences and workshops	58,000	58,000	43,750	(14,250)
Consulting	23,000	23,000	72,604	49,604
Government relations	4,000	4,000	4,457	457
Interest	10	10	16	6
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>252,510</u>	252,510	302,993	50,483
EXPENDITURES				
Program services:				
Membership	2,000	2,000	2,194	(194)
Conference and workshops	10,000	10,000	21,906	(11,906)
Consulting	20,000	20,000	26,662	(6,662)
Governmental relations	15,000	15,000	16,067	(1,067)
Supporting services:				
General administration	185,850	185,850	195,968	(10,118)
Facility rents and leases	<u>17,000</u>	<u>17,000</u>	<u>16,997</u>	<u>3</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>249,850</u>	<u>249,850</u>	<u>279,794</u>	<u>(29,944)</u>
Net change in fund balance	2,660	2,660	23,199	20,539
Fund balance, beginning of year	<u>18,025</u>	<u>18,025</u>	<u>18,025</u>	<u>-</u>
Fund balance, end of year	<u>\$ 20,685</u>	<u>\$ 20,685</u>	<u>\$ 41,224</u>	<u>\$ 20,539</u>

See Accompanying Notes to Basic Financial Statements.



BOWMAN

CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors
School Employers Association of California
Irvine, California

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 the School Employers Association of California (JPA) as of and for the fiscal year ended June 30, 2016, which collectively comprise the JPA's basic financial statements and have issued our report thereon dated June 5, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We noted deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, and is discussed in the Schedule of Findings and Recommendations as Finding 1 and Finding 2.

Established 1949
www.cpa-bowman.com

Bowman & Company, LLP
10100 Trinity Parkway, Suite 310
Stockton, CA 95219

Telephone: 209-473-1040
Facsimile: 209-473-9771

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School Employers Association of California'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

JPA's Response to Findings

The JPA's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. JPA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

(N;) fM_vv^ C. ' \....\.. y_

Bowman & Company
Stockton, California
June5,2017

SCHOOL EMPLOYERS ASSOCIATION OF CALIFORNIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Years Ended June 30, 2016 and June 30, 2015

Finding 1:

Condition:

During the audit, we recommended numerous adjusting journal entries. Substantially, all of the entries were recorded to correct bookkeeping errors, to reverse accruals, to record prior year audit entries not recorded, to reverse entries recorded in prior year after the books have been closed and to record adjustments that should have been made by the accounting department during the fiscal years ending June 30, 2015 and June 30, 2016. Most of these entries were related to accounts receivable.

Criteria:

In order to properly budget for each fiscal year, all balance sheet accounts should be reconciled and reviewed to determine that balances are properly recorded.

Cause:

The cause of these numerous adjusting journal entries can be attributed to a lack of understanding and/or reconciliation of accounting balances in the areas affected, especially accounts receivable.

Effect:

Along with inaccurate account balances and additional time required to complete the audit, proposing numerous journal entries decreases the reliability of the JPA's financial information, and increases the risk of a misappropriation of assets can occur and go undetected.

Recommendation:

The JPA should reconcile the general ledger accounts for all asset and liabilities to supporting documentation on a monthly basis. Additional training should be provided to the bookkeeper to assist with reconciling assets and liabilities on the balance sheet. In addition, no additional entries should be posted to fiscal periods that have been audited and closed.

Corrective Action Plan:

We will follow the recommendation to reconcile the general ledger accounts for all assets and liabilities monthly. We will provide additional training to Olivia Mata, our bookkeeper not less than twice per year. We will not post additional entries to fiscal periods that have been audited and closed. We hope this will resolve the problem's created from member districts paying us in one year for the following year.

SCHOOL EMPLOYERS ASSOCIATION OF
CALIFORNIA SCHEDULE OF FINDINGS AND
RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2016 and June 30,
2015

Finding 2:

Condition:

While testing accounts payable, we noted that many disbursements lacked supporting documentation, including items purchased through Staples and with the JPA credit card.

Criteria:

In order to have an effective audit trail, proper supporting documentation should be maintained for all items purchased.

Cause:

District personnel do not provide documentation to the bookkeeper; therefore, she pays the credit card statements without verifying the underlying invoices are proper business expenditures.

Effect:

Without appropriate documentation, it is difficult to code expenditures to their proper accounts and to determine that the expenditures are appropriate for the entity.

Recommendation:

All disbursements made through the JPA should be supported by receipts, invoices or statements that confirm the balances that are being paid. Items shipped through Staples should be marked as received and should also be supported by the original purchase document.

Conective Action Plan:

Although we have electronic statements from Staples that show all purchases on the credit card and we have electronic bank records showing all disbursements, we will keep paper records as recommended.