

**SOUTH BAY REGIONAL PUBLIC SAFETY
TRAINING CONSORTIUM**

AUDIT REPORT

JUNE 30, 2015

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
TABLE OF CONTENTS
JUNE 30, 2015**

| <u>FINANCIAL SECTION</u> | <u>PAGE NUMBER</u> |
|---|---------------------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 3-11 |
| <u>Basic Financial Statements</u> | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 12 |
| Statement of Activities | 13 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 16 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 17 |
| Notes to the Basic Financial Statements | 18-28 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION</u> | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP) General Fund | 29 |
| <u>SUPPLEMENTARY INFORMATION SECTION</u> | |
| Organization | 30-31 |
| <u>OTHER INDEPENDENT AUDITOR'S REPORTS</u> | |
| Independent Auditors' 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> | 32-33 |
| <u>FINDINGS AND RECOMMENDATIONS SECTION</u> | |
| Summary of Auditors' Results | 34 |

Weilin Wu, CPA

10122 Judy Avenue
Cupertino, CA 95014
Tel: (408) 406-8098
Fax: (408) 715-1779

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
South Bay Regional Public Safety Training Consortium
San Jose, California

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Bay Regional Public Safety Training Consortium (the Consortium) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Consortium'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Bay Regional Public Safety Training Consortium, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT - Continued

Other Matters

Supplementary and Other Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 4, 2015 on my consideration of the Consortium's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.



Cupertino, California
September 4, 2015

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Our discussion of the South Bay Regional Public Safety Training Consortium's, ("SBRPSTC, Consortium, or Organization"), financial performance provides an overview of the organization's activities for the fiscal year ended June 30, 2015. Please read this Management Discussion and Analysis (MD & A) in conjunction with SBRPSTC's financial statements (including notes and supplementary information).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 12 and 13 provide information about the activities of SBRPSTC as a whole and present a longer-term view of SBRPSTC's finances. For governmental activities, these statements inform how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report SBRPSTC's operations in more detail than the government-wide statements by providing information about SBRPSTC's most significant funds.

FINANCIAL HIGHLIGHTS

- The Organization's financial status improved over the past year. Over the course of the year, total net assets increased by 5.70%.
- Statement of Activities revenues exceeded expenses by \$80,363. Overall revenues were \$10,563,863 and overall expenditures were \$10,483,500.
- Contributing to SBRPSTC's budget increases were additional contracts and service programs that increased revenues.
- FTES increased by 197 FTES or 10.1% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management Discussion and Analysis. The three sections together provide a comprehensive overview of SBRPSTC. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, organization-wide and funds.

- Organization-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the organization's overall financial position.
- Individual parts of the organization, which are reported as fund financial statements, focus on reporting SBRPSTC's operations in more detail. These fund financial statements comprise the remaining statements.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015

- Basic services funding (i.e., Full Time Equivalent funding) is described in the governmental funds statements. These statements include short-term financing and balances remaining for future spending.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain more of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements. A comparison of SBRPSTC's budget for the year is included.

The Statement of Net Assets and the Statement of Activities

The Organization as a whole is reported in the organization-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the organization's assets and liabilities are included in the statement of net assets. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

SBRPSTC's financial health or position (net assets) can be measured by the difference between the organization's assets and liabilities.

- Increases or decreases in the net assets of the Organization over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of classroom buildings and other facilities, and changes in the FTES base of the Organization need to be considered in assessing the overall health of SBRPSTC.

In the Statement of Net Assets and the Statement of Activities, we divide the organization into two kinds of activities:

- Governmental activities:

The basic services provided by the organization, such as instruction, administration, and facilities are included here. JPA member FTES commitments and contract classes finance most of these activities.

- Business-type activities:

At present, SBRPSTC does not have any business-type activities.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015

FUND FINANCIAL STATEMENTS

More detailed information about SBRPSTC's most significant funds—not the organization as a whole—is provided in the fund financial statements. Funds are accounting devices the Organization uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- Other funds are established by SBRPSTC to control and manage money for particular purposes (such as deferred maintenance and capital projects).

The Organization has only one type of fund:

- **Governmental funds:**

Most of SBRPSTC's basic services are included in governmental funds, which generally focus on:

1. How cash and other financial assets can readily be converted to cash flow (in and out).
2. The balances left at year-end that are available for spending.

The Organization has one major governmental fund: the general fund. All other funds are not considered major, i.e., the capital projects fund, deferred maintenance fund and self-insurance fund. All governmental funds cash, except for credit card and payroll bank accounts, reside and are maintained by the Santa Clara County Treasury.

A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing SBRPSTC's programs. Because this information does not encompass the additional long-term focus of the organization-wide statements, additional information is provided at the bottom of the governmental fund statements that explains the differences (or relationships) between them.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1: Net Assets

| | Governmental Activities | |
|---|-------------------------|---------------------|
| | 2015 | 2014 |
| Assets | | |
| Cash | \$ 1,521,850 | \$ 1,245,651 |
| Accounts receivable, net | 1,550,171 | 768,616 |
| Inventory | 418,359 | 404,374 |
| Prepaid expenses | 9,750 | 72,130 |
| Capital assets, net | 556,466 | 480,566 |
| Total assets | <u>\$ 4,056,596</u> | <u>\$ 2,971,337</u> |
| Liabilities | | |
| Accounts payable | \$ 1,305,217 | \$ 972,277 |
| Other liabilities | 1,087,306 | 490,248 |
| Long-term liabilities | 163,058 | 88,160 |
| Total liabilities | <u>2,555,581</u> | <u>1,550,685</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 423,035 | 478,293 |
| Unrestricted | 1,077,980 | 942,359 |
| Total net assets | <u>\$ 1,501,015</u> | <u>\$ 1,420,652</u> |

The Organization's combined net assets increased by \$80,363 or 5.70% over the prior June 30, 2014 fiscal year. Much of the increase in the Organization's financial position was as a result of increases in contract revenue and service fees. Total assets increased by 36.5% or \$1,085,259 and total liabilities increased by 63.5% or \$984,396.

Assets increased as a result of increases in accounts receivable, higher cash reserves and purchasing of capital assets. Accounts receivable increased primarily because of one large invoice at the end of the fiscal year.

Liability increases are primarily a result of increases in accounts payable and agency training credit liabilities and deferred revenue. Since SBRPSTC retains many agency training credit liability balances on behalf of participating agencies, cash reserves are segregated within the Organization's accounting books and records to offset the net changes related to the agency liability.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Table 2: Changes in Net Assets

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2015 | 2014 |
| Revenues: | | |
| Apportionment | \$ 5,602,757 | \$ 4,982,295 |
| Student services | 1,680,790 | 1,527,391 |
| Grants | - | - |
| Contracts and fees | 2,682,442 | 1,840,889 |
| Rents and leases | 300,018 | 279,723 |
| Other revenue | 297,856 | 341,321 |
| Total Revenues | <u>10,563,863</u> | <u>8,971,619</u> |
| Expenditures: | | |
| Instruction | 5,518,923 | 4,644,384 |
| Supervision of Instruction | 600,761 | 531,911 |
| Instructional support | 606,706 | 459,974 |
| Instructional technology | 199,095 | 136,453 |
| Organization administration | 3,483,503 | 3,210,920 |
| Depreciation | 74,512 | 96,461 |
| Total expenditures | <u>10,483,500</u> | <u>9,080,103</u> |
| Excess (deficiency) before special items and transfers | <u>\$ 80,363</u> | <u>\$ (108,484)</u> |

FTES increased by 197 units or 10.1% as measured from June 30, 2014 (1,951 FTES) to June 30, 2015 (2,148 FTES). Overall, from the fiscal year ending June 30, 2014 to June 30, 2015, apportionment revenue increased by \$620,462. Apportionment revenue increased due to increases in FTES funding levels from member JPA Community Colleges and an increase in the FTES funding rate.

Total revenue increased by \$1,592,244 or 17.7% and total expenditures increased by \$1,403,397 or 15.5% from June 30, 2014 to June 30, 2015. Total revenue and total expenses increased due to the Organization's partnering with agencies, increases in FTES commitments and new JPA college members.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015

FINANCIAL ANALYSIS OF THE ORGANIZATION'S FUNDS

General Governmental Functions

SBRPSTC's governmental funds reported a combined fund balance of \$1,149,040 at June 30, 2015, which is \$119,509 above last year's total of \$1,029,531. Shown below is an analysis of the organization's fund balances and the total change in fund balances from the prior year.

Table 3: Organization's Fund Balances

| | <u>Fund Balance</u> <u>June 30, 2015</u> | <u>Fund Balance</u> <u>June 30, 2014</u> | <u>Increase</u> <u>(Decrease)</u> |
|----------------------------------|---|---|--------------------------------------|
| Major Funds: | | | |
| General | \$ 1,119,754 | \$ 1,000,245 | \$ 119,509 |
| Non-Major Funds: | | | |
| Deferred Maintenance | 22,198 | 22,198 | - |
| Special Reserve-Capital Projects | - | - | - |
| Self Insurance | 7,088 | 7,088 | - |
| Total | <u>\$ 1,149,040</u> | <u>\$ 1,029,531</u> | <u>\$ 119,509</u> |

Major Funds:

The increase in fund balance within the General Fund is primarily due to increases in contract and service revenue. The Organization's overall FTES production has decreased by 455 FTES as measured from its highest FTES production level of 2,603 FTES in 2008 to the current FTES level of 2,148. Continued reduction in FTES commitment levels and increases in other costs such as health care, fuel, tires, repairs and maintenance, etc., have contributed to the erosion of the Organizations fund balance.

Non-Major Funds:

During the year, no funds were spent from the Deferred Maintenance and Self-Insurance funds.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015

General Fund Budgetary Highlights

SBRPSTC's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting.

The organization completed numerous contracts which contributed to an overall increase in actual revenue over budgeted revenue by \$475,391. Total organizational actual expenditures exceeded budgeted expenditures by \$104,291.

Overall, budgeted schedule of revenues, expenditures and changes in fund balance budgeted revenues of \$10,088,958 were exceeded by actual revenues of \$10,564,349 with a net increase of \$475,391. Actual expenditures of \$10,444,840 were greater than budgeted expenditures of \$10,340,549 by \$104,291.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

SBRPSTC's investment in capital assets amounts to \$423,035 (net of accumulated depreciation and related debt). This investment is primarily comprised of vehicles, copiers, computers and other equipment.

The Organization's total capital assets at cost increased over the prior year due to the purchase of six vehicles.

Table 4: Capital Assets

| | Organization Total Governmental Activities | | Total Percentage Change |
|-----------------------|---|---------------------|----------------------------|
| | 2015 | 2014 | 2015 - 2014 |
| Equipment | \$ 799,049 | \$ 799,049 | 0.0% |
| Furniture | 54,783 | 54,783 | 0.0% |
| Vehicles | 2,354,589 | 2,204,177 | 6.8% |
| Building Improvements | 379,662 | 379,662 | 0.0% |
| Total | \$ 3,588,083 | \$ 3,437,671 | 4.4% |

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Long-Term Debt

The organization continues to maintain a very conservative approach to increasing debt. The organizations increase in debt is attributed to a \$127,654 increase in capital leases and an \$11,606 increase in compensated absences.

Compensated absences have increased by 5.4%.

Table 5: Outstanding Debt, at Year-End

| | Consortium Total Governmental Activities | | Total Percentage Change |
|----------------------|---|-------------------|----------------------------|
| | 2015 | 2014 | 2015 - 2014 |
| Compensated absences | \$ 228,389 | \$ 216,783 | 5.4% |
| Capital leases | 133,431 | 5,777 | 2209.7% |
| Total | <u>\$ 361,820</u> | <u>\$ 222,560</u> | <u>62.6%</u> |

ECONOMIC FACTORS BEARING ON THE ORGANIZATION'S FUTURE

The impacts of changes in providing public safety training and paying for the costs of such training and associated retirement and health benefit costs have changed over the past years. SBRPSTC expects the costs of health benefits, training and retirement costs to continue to increase in the future. We continue to observe and experience increases in public safety training costs and registration fees impacting the hiring practices of our regional partner agencies and how they allocate their resources to pay for the training they require.

For our future, we continue to innovate in how instruction is offered to students and we continue to explore new and innovative methods in which the organization can continue providing the highest quality of instruction at all levels. Improvements in the management, oversight and delivery of basic police academy and law enforcement related programs have been recognized by those associated with our organization and in many instances South Bay has been commended on the professionalism in which these results were achieved.

South Bay's strategic planning for the future includes building capacity and efficiency in all of our service and instruction areas, maintaining our superior level of service, improving equipment and on-site support staff services, continued searching for cost saving opportunities, and planning for relocating to a new facility within the next two years.

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2015**

In order to maintain compatibility with our member JPA Colleges and agencies we serve, we continue to maintain our current quality of instruction, encourage regional growth, streamlining facilities and services usage, and invest in limited technology and software that is only critical to operations.

Over the past 19 years, the organization's commitments to our member JPA colleges and agencies we serve has seen many changes in delivering the training and education we provide. The costs of providing training and education has continued to increase which we absorbed resulting in depleting our financial reserves. The Consortium board of directors authorized a 2% increase in the apportionment revenue sharing between our member JPA colleges and the Consortium effective January 1, 2015. And, as of July 1st, 2015, the Consortium board of directors authorized an additional 3% increase in the apportionment revenue sharing between our member JPA colleges and the Consortium. The additional 2% in January 2015 and 3% in July 2015 is a welcome increase and will begin to offset a portion of our costs and return us to a path of restoring our financial reserves. Our board of director's actions are a strong indicator of the value our board of directors places in our organizations partnerships with the agencies, students, and member JPA colleges we serve.

The San Jose/Evergreen Community College District has informed the Consortium of their intent to convert the current Consortium facility that the Consortium leases from the San Jose/Evergreen Community College District into a commercial and residential location which means that the Consortium must find other suitable facilities. The Consortium continues to work with its partners and member community college districts to move to a new location as soon as possible.

As we project and implement the expansion of comprehensive services offered by the Consortium, increasing the organizations FTES base is a primary goal. An increase in FTES base coupled with additional revenue programs, such as simulated instruction, increased private sector training to support public safety needs, and expansion of existing services will help to off-set the high cost associated with instruction, the resources needed to deliver such training, and increases in student/course fees.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the organization's finances and to show the organization's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, please contact Steven Cushing, President or Michael Lombardo, Vice President of Administrative Services, South Bay Regional Public Safety Training Consortium at 3095 Yerba Buena Rd., San Jose, CA 95135-1598.

South Bay Regional Public Safety Training Consortium
Statement of Net Assets
June 30, 2015

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | |
| Assets | | | |
| Cash (Note 2) | \$ 1,521,850 | \$ - | \$ 1,521,850 |
| Accounts receivable | 1,553,578 | - | 1,553,578 |
| Allowance for doubtful accounts | (3,407) | - | (3,407) |
| Inventory | 418,359 | - | 418,359 |
| Prepaid expenses | 9,750 | - | 9,750 |
| Equipment (Note 5) | 799,049 | - | 799,049 |
| Furniture & fixtures (Note 5) | 54,783 | - | 54,783 |
| Vehicles (Note 5) | 2,354,589 | - | 2,354,589 |
| Buildings & improvements (Note 5) | 379,662 | - | 379,662 |
| Less accumulated depreciation (Note 5) | (3,031,617) | - | (3,031,617) |
| Total assets | \$ 4,056,596 | \$ - | \$ 4,056,596 |
| Liabilities | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,305,217 | \$ - | \$ 1,305,217 |
| Deposits | 143,103 | - | 143,103 |
| Deferred revenue | 745,441 | - | 745,441 |
| Long-term liabilities: | | | |
| Due within one year: | | | |
| Compensated absences (Note 1, 7) | 156,827 | - | 156,827 |
| Capital leases (Note 6) | 41,935 | - | 41,935 |
| Total due within one year | 198,762 | - | 198,762 |
| Due after one year: | | | |
| Compensated absences (Note 1, 7) | 71,562 | - | 71,562 |
| Capital leases (Note 6) | 91,496 | - | 91,496 |
| Total due after one year | 163,058 | - | 163,058 |
| Total liabilities | 2,555,581 | - | 2,555,581 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 423,035 | - | 423,035 |
| Unrestricted | 1,077,980 | - | 1,077,980 |
| Total net assets | \$ 1,501,015 | \$ - | \$ 1,501,015 |

The notes to the financial statements are an integral part of this statement.

South Bay Regional Public Safety Training ConsortiumBalance Sheet
Governmental Funds
June 30, 2015

| | General | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Cash (Note 2) | \$ 1,493,598 | \$ 29,286 | \$ 1,522,884 |
| Accounts receivable | 1,553,578 | - | 1,553,578 |
| Allowance for doubtful accounts | (3,407) | - | (3,407) |
| Inventory | 416,823 | - | 416,823 |
| Prepaid expenses | 9,750 | - | 9,750 |
| Total assets | <u>\$ 3,470,342</u> | <u>\$ 29,286</u> | <u>\$ 3,499,628</u> |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,305,217 | \$ - | \$ 1,305,217 |
| Deposits | 143,103 | - | 143,103 |
| Deferred revenue | 745,441 | - | 745,441 |
| Compensated absences | 156,827 | - | 156,827 |
| Total liabilities | <u>2,350,588</u> | <u>-</u> | <u>2,350,588</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Stores inventories | 416,823 | - | 416,823 |
| Undesignated, reported in: | | | |
| General fund | 702,931 | - | 702,931 |
| Capital project fund | - | - | - |
| Deferred maintenance fund | - | 22,198 | 22,198 |
| Self Insurance fund | - | 7,088 | 7,088 |
| Total fund balances | <u>1,119,754</u> | <u>29,286</u> | <u>1,149,040</u> |
| Total liabilities and fund balances | <u>\$ 3,470,342</u> | <u>\$ 29,286</u> | <u>\$ 3,499,628</u> |

The notes to the financial statements are an integral part of this statement.

South Bay Regional Public Safety Training Consortium
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets
 June 30, 2015

| | |
|---|---------------------|
| Total fund balances - governmental funds | \$ 1,149,040 |
| Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The historical cost of these assets is \$3,588,083 and the accumulated depreciation is \$3,031,617. | 556,466 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. | (204,993) |
| Cash held in and under administration by the County of Santa Clara is adjusted to fair market value | 502 |
| Total net assets - governmental activities | <u>\$ 1,501,015</u> |

The notes to the financial statements are an integral part of this statement.

South Bay Regional Public Safety Training Consortium
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Apportionment | \$ 5,602,757 | \$ - | \$ 5,602,757 |
| Student services | 1,680,790 | - | 1,680,790 |
| Contracts and fees | 2,682,442 | - | 2,682,442 |
| Rents and leases | 300,018 | - | 300,018 |
| Miscellaneous | 294,376 | - | 294,376 |
| Interest | 3,966 | - | 3,966 |
| Total Revenues | <u>10,564,349</u> | <u>-</u> | <u>10,564,349</u> |
| Expenditures: | | | |
| Instruction | 5,518,923 | - | 5,518,923 |
| Supervision of Instruction | 600,761 | - | 600,761 |
| Instructional support | 606,706 | - | 606,706 |
| Instructional technology | 218,349 | - | 218,349 |
| Organization administration | 3,500,101 | - | 3,500,101 |
| Total expenditures | <u>10,444,840</u> | <u>-</u> | <u>10,444,840</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>119,509</u> | <u>-</u> | <u>119,509</u> |
| Other financing sources (uses): | | | |
| Operating tranferes in | - | - | - |
| Operating tranferes out | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenue and other financing sources over (under) expenditures and other uses | 119,509 | - | 119,509 |
| Fund balances, July 1, 2014 | 1,000,245 | 29,286 | 1,029,531 |
| Fund balances, June 30, 2015 | <u>\$ 1,119,754</u> | <u>\$ 29,286</u> | <u>\$ 1,149,040</u> |

The notes to the financial statements are an integral part of this statement.

South Bay Regional Public Safety Training Consortium

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2015

| | |
|---|------------------|
| Net changes in fund balances - governmental funds | \$ 119,509 |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense \$97,524 exceeded capital outlays \$65,610 in the current period. | 31,914 |
| In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This years non-current effect on compensated absences is \$71,562. | (71,562) |
| Cash held in and under administration by the County of Santa Clara is adjusted to fair market value | 502 |
| Total net assets - governmental activities | <u>\$ 80,363</u> |

The notes to the financial statements are an integral part of this statement.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by The Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). All funds of South Bay Regional Public Safety Training Consortium (the Consortium) are presented within the accompanying statements. The accounting policies of the consortium conform to generally accepted accounting principles. The following fund types and account groups are used by the Consortium:

Governmental Fund Types

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the consortium and its component units. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation and brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the consortium's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The consortium does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the consortium, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the consortium.

Fund Financial Statements:

Fund financial statements report detailed information about the consortium. The focus of governmental fund financial statements pertains to major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the consortium, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the consortium receives value without directly giving equal value in return, include grants, and entitlements. Under the accrual basis, revenue from apportionment are recognized in the fiscal year for which the apportionment is earned. Revenue from grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the consortium must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the consortium on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Regarding governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue. As of June 30, 2015 there was \$745,441 in deferred revenue.

Expenses/Expenditures:

When considering accrual basis of accounting, expenses are recognized at the time a liability is incurred. Regarding modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the consortium’s policy to use restricted resources first, then unrestricted resources as they are needed.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Fund Accounting

The accounts of the consortium 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 a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Consortium 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 consortium's accounts are organized into two broad categories, which in aggregate include three fund types as follows:

Major Governmental Funds:

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

Non-Major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The consortium maintains two non-major special revenue funds:

- The Deferred Maintenance Fund is used for the purpose of major repair or replacement of consortium property and equipment.
- The Self Insurance Fund is used to account for liability, workers compensation, and other insurance needs of the organization in addition to or beyond what can be insured by outside sources.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The consortium maintains one non-major capital project fund.

- The Capital Facilities Fund is used to account for the acquisition and/or construction of all major governmental general fixed assets.

Budgets and Budgetary Accounting

Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the consortium's governing board must adopt a tentative budget no later than July 1. A public hearing is conducted to receive comments prior to adoption. The consortium's governing board satisfied these requirements.

These budgets are revised by the consortium's governing board and consortium executive director during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The consortium employs budget control at the chart of account major object code level. Expenditures cannot legally exceed appropriations by major object account.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Encumbrance Accounting

Encumbrance Accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

Assets, Liabilities, and Equity

1. *Deposits and Investments*

Cash balance held in banks and in revolving funds are insured to \$200,000 by the Federal Depository Insurance Corporation.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. The consortium maintains substantially all of its cash in the Santa Clara County Treasury. The county pools these funds with those of other governmental organizations in the county and invests the cash. Interest earned is deposited quarterly into participating funds. Any investment gains or losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648et.Seq. The funds maintained by the county are either secured by federal depository insurance or collateralized.

2. *Stores Inventories and Prepaid Expenditures*

Inventories are recorded using the purchases method in that costs are recorded as expenditures at the time individual inventory items are purchased. Inventories are valued at cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The consortium has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The consortium has chosen to report the expenditure during the benefiting period.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the consortium. A liability for these amounts are reported in the governmental funds only if the benefit has matured, for example, as a result of an employee's resignation and retirement or earned available balance at year-end.

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Consortium in the government-wide financial statements. For fund accounting purposes, the current portion of the liabilities are recognized in the general fund at year-end while the non-current portion of the liabilities are recognized in the government-wide financial statements within the Statement of Net Assets.

Accumulated sick leave benefits are not recognized as liabilities of the Consortium. The Consortium's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

In the fund financial statements, governmental funds recognize long-term debt and other long-term obligations during the current period.

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriated for expenditures or amounts legally segregated for a specific future use. The reserve for Inventory reflects the portions of fund balance represented by supplies inventory. This amount is not available for appropriation and expenditure at the balance sheet date.

Total Columns on Combined Financial Statements

Total columns on the Combining Balance Sheet are captioned *Memorandum (Memo) Only* in order to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Interfund elimination's have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Fixed Assets and Depreciation

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

| Asset Class | Examples | Estimated Useful Life in Years |
|-------------------------|--|--------------------------------|
| Land | | N/A |
| Site improvements | Paving, flagpoles, retaining sidewalks, fencing, outdoor | 20 |
| Buildings | | 50 |
| Portable classrooms | | 25 |
| HVAC systems | Heating, ventilation, and air systems | 20 |
| Roofing | | 20 |
| Interior construction | Leasehold improvements | 20 - 25 |
| Carpet replacement | | 7 |
| Electrical/plumbing | | 30 |
| Sprinkler/fire system | Fire suppression systems | 25 |
| Outdoor equipment | Playground, radio towers, | 20 |
| Machinery & tools | Shop & maintenance | 10 - 15 |
| Custodial equipment | Floor scrubbers, vacuums, | 10 - 15 |
| Furniture & accessories | Classroom & other furniture | 10 - 20 |
| Business machines | Fax, duplicating & printing | 7 - 10 |
| Copiers | | 7 - 10 |
| Communication equipment | Mobile, portable radios | 3 - 7 |
| Computer hardware | PCs, printers, network | 3 - 5 |
| Computer software | Instructional, other short-term | 5 to 10 |
| Computer software | Administrative or long-term | 10 to 20 |
| Audio visual equipment | Projectors, cameras (still & | 5 - 10 |
| Athletic equipment | Wrestling mats, weight | 7 - 10 |
| Library books | Collections | 5 to 7 |
| Licensed vehicles | Buses, other on-road vehicles | 7 - 10 |

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. CASH AND CASH EQUIVALENTS

In accordance with Education Code Section 41001, the consortium maintains substantially all of its cash with the County of Santa Clara Treasury as part of a commingled common investment pool. Investments by the consortium in pools are considered unclassified as to credit risk since they are not evidenced by securities that exist in physical or book entry form. As of June 30, 2015, the County of Santa Clara, (the pool sponsor), reported that the fair market value of the consortium commingled pool share was \$1,007,715 which represents an increase of \$94,070 over the previous year. As of June 30, 2015, the cash balance of the consortium held within the County of Santa Clara Treasury totaled \$756,542.

The consortium is considered to be an involuntary participant in the county external investment pool. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper and negotiable certificates of deposit. As of June 30, 2015, the fair market value less original cost of the organizations cash value of the county investment pool was (\$1,034).

Bank of the West cash balances described below are carried at the same amount respectively and approximate fair market value. The Federal Depository Insurance Corporation insures these deposits up to \$200,000. As of June 30, 2015 the amount in excess of Federal Depository Insurance was \$554,134. The cash and cash equivalents available to the Consortium as of June 30, 2015 were as follows:

| | | |
|-------------------------------------|----|------------------|
| Cash in County of Santa Clara | \$ | 756,542 |
| Bank of the West | | 673,394 |
| Bank of the West – Payroll Checking | | 80,740 |
| PayPal | | 8,208 |
| Petty Cash | | 4,000 |
| Total | \$ | <u>1,522,884</u> |

3. PAYROLL

As of June 30, 2015, Consortium Certificated and Classified employees received their payroll from the Consortium and either Evergreen Community College or Gavilan Community College. Evergreen and Gavilan Community Colleges contract with the employees and the Consortium to work on behalf of the Consortium.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2015, there were no Interfund receivables and/or payables. Had there been any Interfund receivables and payables pertaining to the Statement of Net Assets, such balances would have been eliminated upon consolidation within the statement of net assets.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to fund through which the resources are to be expended.

As of June 30, 2015, there were no Interfund transfers. Had there been any Interfund transfers pertaining to the Statement of Activities, such balances would have been eliminated upon consolidation within the statement of activities.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

| | Balance July 1, 2014 | Additions | Deductions | Balance June 30, 2015 |
|---|-------------------------|------------------|-------------|--------------------------|
| Capital assets, being depreciated: | | | | |
| Equipment | \$ 799,049 | \$ - | \$ - | \$ 799,049 |
| Furniture | 54,783 | - | - | 54,783 |
| Vehicles | 2,204,177 | 150,412 | - | 2,354,589 |
| Buildings and Improvements | 379,662 | - | - | 379,662 |
| Total capital assets being depreciated | <u>3,437,671</u> | <u>150,412</u> | <u>-</u> | <u>3,588,083</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | 789,469 | 2,118 | - | 791,587 |
| Furniture | 49,531 | 2,320 | - | 51,851 |
| Vehicles | 1,903,214 | 54,673 | - | 1,957,887 |
| Building Improvements | 214,891 | 15,401 | - | 230,292 |
| Total accumulated depreciation | <u>2,957,105</u> | <u>74,512</u> | <u>-</u> | <u>3,031,617</u> |
| Total capital assets being depreciated, net | <u>480,566</u> | <u>75,900</u> | <u>-</u> | <u>556,466</u> |
| Governmental activities capital assets, net | <u>\$ 480,566</u> | <u>\$ 75,900</u> | <u>\$ -</u> | <u>\$ 556,466</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|------------------|
| Governmental Activities: | |
| Instruction | \$ 64,358 |
| General administration | 10,154 |
| Total Depreciation Expense | <u>\$ 74,512</u> |

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

6. LEASES

Capital Leases

The consortium leases equipment valued at \$140,000 under agreement that provides for title to pass upon expiration of the lease period.

| <u>Year Ending June 30</u> | <u>Lease Payments</u> |
|---|-----------------------|
| 2016 | \$ 41,935 |
| 2017 | 41,935 |
| 2018 | 41,935 |
| 2019 | 21,083 |
| Thereafter | <u>-</u> |
| Total | \$ 146,888 |
| Less amount representing interest | <u>(13,457)</u> |
| Present value of net minimum lease payments | <u>\$ 133,431</u> |

The consortium will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

7. LONG-TERM DEBT - SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2015, is shown below:

| | <u>Balance</u> | | | <u>Balance</u> | <u>Due Within</u> | <u>Due After</u> |
|----------------------|---------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
| | <u>July 1, 2014</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2015</u> | <u>One Year</u> | <u>One Year</u> |
| Compensated Absences | \$ 235,257 | \$ - | \$ 6,868 | \$ 228,389 | \$ 156,827 | \$ 71,562 |
| Capital Leases | <u>2,273</u> | <u>150,412</u> | <u>19,254</u> | <u>133,431</u> | <u>41,935</u> | <u>91,496</u> |
| Totals | <u>\$ 237,530</u> | <u>\$ 150,412</u> | <u>\$ 26,122</u> | <u>\$ 361,820</u> | <u>\$ 198,762</u> | <u>\$ 163,058</u> |

8. PENSION PLAN

The Consortium discontinued offering its employees through "Merrill Lynch and Mass Mutual" a defined contribution 401(k) plan. Under this plan, the organization had contributed six percent in matching funds to all participants that contribute greater than three percent of their gross salaries into the 401(k). As of September 30, 2010 the consortium discontinued its six percent employer matching funds; however, participants may continue funding their 401(k) with their own funds. As of June 30, 2015, there were 25 participants in the pension plan and employer contributions in the 401(k) plan totaled \$0. Funds within the 401(k) program are administered by Merrill Lynch and Mass Mutual and are not controlled by the Consortium.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

9. ECONOMIC DEPENDENCE

Consortium apportionment revenue as presented is based upon earned contract dollars received from seven member JPA colleges that represent approximately 53% of total revenue. Four out of the nine colleges total approximately 40% of total apportionment revenue as follows: Monterey Peninsula College (14%), Gavilan Community College (11%), Lake Tahoe Community College (8%) and Ohlone Community College (7%). As the Consortium expands its services and recruits other colleges, its economic dependency base is expected to continue to decline.

10. COMMITMENTS AND CONTINGENCIES

- The Consortium has received various grants/contracts from state and local governmental agencies for specific purposes that are subject to review and audit by the grantor agency. Although such audits could generate expenditure disallowances under terms of the grants or contracts, it is believed that any required reimbursement will not be material.
- The Consortium receives a significant portion of its support from seven member JPA colleges, which in turn receives a significant portion of their support from attendance and other state formula revenue means. If the member JPA colleges were to incur significant budgetary decreases in the future from the state, these sources of funding for the consortium could decrease. If this were to occur, it is management's opinion that the consortium would be able to continue most of its activities on a more limited basis through other sources of funding and services.
- The Consortium is periodically subject to claims and lawsuits which arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the organization.

11. RELATED PARTY TRANSACTIONS

The Consortium created a non-profit organization known as the Foundation For Public Safety Training (the "Foundation"). On October 22, 2014, the Foundation was formally recognized by the Internal Revenue Service as a non-profit organization which was organized under internal revenue code section 501 (c) 3 as being exempt from income tax.

The Foundation is organized and operated exclusively for educational and charitable purposes. The Foundation's purpose is to promote and advance education in the field of public safety training, and support other organizations conducting public safety charitable activities in our community.

The Foundation is operated and files its non-profit income tax returns on a calendar year basis. During the Consortiums fiscal year of July 1, 2014 and June 30, 2015, the Foundation received \$1,066 in donations and paid \$135 in operating expenses.

12. SUBSEQUENT EVENTS

Events subsequent to June 30, 2015 have been evaluated through September 4, 2015, the date at which the Consortium's audited financial statements were available to be issued. As of September 4, 2015, there were no subsequent events.

**REQUIRED SUPPLEMENTAL INFORMATION SECTION
AND
SUPPLEMENTAL INFORMATION SECTION**

South Bay Regional Public Safety Training Consortium
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual (GAAP) - General Fund
Year Ended June 30, 2015

| | Original | Final | Actual (GAAP Basis) | Variance with Final Budget Positive - (Negative) |
|---|-------------------|-------------------|------------------------|--|
| Revenues: | | | | |
| Apportionment | \$ 5,681,023 | \$ 5,681,023 | \$ 5,602,757 | \$ (78,266) |
| Contracts | 1,526,553 | 1,526,553 | 1,598,884 | 72,331 |
| Student services income | 1,032,764 | 1,032,764 | 1,132,724 | 99,960 |
| Fees | 619,280 | 619,280 | 1,083,558 | 464,278 |
| Rents and leases | 279,689 | 279,689 | 300,018 | 20,329 |
| Other income | 945,649 | 945,649 | 842,442 | (103,207) |
| Interest | 4,000 | 4,000 | 3,966 | (34) |
| Total Revenues | 10,088,958 | 10,088,958 | 10,564,349 | 475,391 |
| Expenditures: | | | | |
| Salaries and benefits | 5,225,422 | 5,225,422 | 5,370,200 | (144,778) |
| Other operating expenses | 4,522,361 | 4,522,361 | 4,308,395 | 213,966 |
| Student services expense | 543,024 | 543,024 | 684,261 | (141,237) |
| Capital outlay | 49,742 | 49,742 | 81,984 | (32,242) |
| Total expenditures | 10,340,549 | 10,340,549 | 10,444,840 | (104,291) |
| Excess (deficiency) of revenues over (under) expenditures | (251,591) | (251,591) | 119,509 | 371,100 |
| Other financing sources (uses): | | | | |
| Operating transfers-in | - | - | - | - |
| Operating transfers-out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Excess (deficiency) of revenue and other financing sources over (under) expenditures and other uses | (251,591) | (251,591) | 119,509 | 371,100 |
| Fund balance, July 1, 2014 | 1,000,245 | 1,000,245 | 1,000,245 | - |
| Fund balance, June 30, 2015 | \$ 748,654 | \$ 748,654 | \$ 1,119,754 | \$ 371,100 |

The notes to the financial statements are an integral part of this statement.

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
 SUPPLEMENTAL INFORMATION
 JUNE 30, 2015**

1. ORGANIZATION

The South Bay Regional Public Safety Training Consortium (SBRPSTC) began its independent operation on July 1, 1996. Its mission is to meet the educational and training needs of public safety students within the areas represented by the participating community college consortiums. Courses offered must meet a regional need of either small or large public safety agencies. At present, there are no boundaries in effect and as long as a participating community college consortium can participate, all community colleges within California are within the consortium boundaries.

2. BOARD OF TRUSTEES

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|---|-----------------------|---------------------|
| Dr. Steve Kinsella President Gavilan Community College | Chairman of the Board | [1] |
| Dr. Walter Tribely President Monterey Peninsula College | Vice-Chairman | [1] |
| Dr. Gari Browning President Ohlone Community College | Member | [1] |
| Mr. Marty Parsons Vice President of Admin. Services Hartnell Community College | Member | [1] |
| Ms. Michelle Schneider Director PST College of San Mateo | Member | [1] |
| Dr. Kindred Murillo President Lake Tahoe Community College | Member | [1] |
| Mr. Peter Fitzsimmons Director Fiscal Services Evergreen Valley Community College | Member | [1] |
| Ms. Nanette Solvason Dean of Biological & Health Services Foothill College | Member | [1] |

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
SUPPLEMENTAL INFORMATION
JUNE 30, 2015**

2. BOARD OF TRUSTEES - continued

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|--|----------------------|----------------------------|
| Mr. Rick Bennett Vice President of Admin. Services Mission College | Member | [1] |
| Dr. Isabel O'Conner Dean of Human Arts & Social Science Cabrillo College | Member | [1] |

ADMINISTRATION

| | |
|----------------------|--|
| Mr. Steven Cushing | President |
| Mr. Michael Lombardo | Vice President of Administrative Services |
| Mr. Gregory Giusiana | Vice President of Law Enforcement Services |
| Ms. Linda Vaughn | Vice President of Academic Affairs |

[1] Board members are appointed indefinitely at the discretion of the participating consortiums.

OTHER INDEPENDENT AUDITOR'S REPORTS

Weilin Wu, CPA

10122 Judy Avenue
Cupertino, CA 95014
Tel: (408) 406-8098
Fax: (408) 715-1779

To the Board of Directors of
South Bay Regional Public Safety Training Consortium
San Jose, California

INDEPENDENT AUDITORS' 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

I 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, the business-type activities, each major fund, and the aggregate remaining fund information of South Bay Regional Public Safety Training Consortium, (the Consortium) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued my report thereon dated September 4, 2015.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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**
- Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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 Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be 'W. Brown'.

Cupertino, California
September 4, 2015

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
SUMMARY OF AUDITORS' RESULTS
June 30, 2015**

Section I – Summary of Auditor’s Results

Basic Financial Statements

Type of auditor’s report issued on the financial statements: Unqualified Opinion

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiency(s) identified not considered to be material weaknesses? No

Noncompliance material to basic financial statements: No

Section II – Financial Statement Findings

This section identifies the reportable conditions, material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*

Audit Findings and Questioned Costs:

- Current Year Findings and Questioned Costs None
- Prior Year Findings and Questioned Costs None