

**SOUTH BAY REGIONAL PUBLIC SAFETY
TRAINING CONSORTIUM**

AUDIT REPORT

JUNE 30, 2010

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of South Bay Regional Public Safety Training Consortium as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of South Bay Regional Public Safety Training Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of South Bay Regional Public Safety Training Consortium as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 10 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2010 on our consideration of the South Bay Regional Public Safety Training Consortium's internal control over financial reporting and our tests of the consortium's compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of this audit.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise South Bay Regional Public Safety Training Consortium's basic financial statements. The accompanying financial and statistical information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of the South Bay Regional Public Safety Training Consortium. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

San Jose, California
August 27, 2010

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2010

Our discussion of the South Bay Regional Public Safety Training Consortium's, ("SBRPSTC or Organization"), financial performance provides an overview of the organization's activities for the fiscal year ended June 30, 2010. 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 11 and 12 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 declined over the past year. Over the course of the year, total net assets decreased by approximately 26.1%.
- Statement of Activities expenses exceeded revenues by \$1,027,967. Overall revenues were \$7,853,185 and overall expenditures were \$8,881,152.
- Contributing to SBRPSTC's budget shortfall was the continued State of California fiscal budget crises. As California funding for public safety training and Community College revenues were considered budget reduction areas by the State of California, the colleges agencies that SBRPSTC serves decreased their training in anticipation of budgetary reductions. Training reductions resulted in smaller class sizes resulting in a higher cost per class and greater difficulty in providing courses to JPA member colleges that generate FTES revenue.
- Employee staffing levels that were anticipated resulted in over-staffing in some disciplines keeping costs high as commitments to continue classes with low enrollment were maintained.
- FTES that SBRPSTC produces for its member JPA Colleges decreased by approximately 286 FTES or 11.5% 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, 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.

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- 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.

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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, 2010

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1: Net Assets

	Governmental Activities	
	2010	2009
Assets		
Cash	\$ 2,990,050	\$ 3,677,827
Accounts receivable, net	142,012	796,418
Inventory	221,283	216,614
Prepaid expenses	46,947	41,936
Capital assets, net	994,077	1,165,665
Total assets	<u>\$ 4,394,369</u>	<u>\$ 5,898,460</u>
Liabilities		
Accounts payable	\$ 1,099,985	\$ 1,163,711
Other liabilities	318,364	661,378
Long-term liabilities	68,451	137,835
Total liabilities	<u>1,486,800</u>	<u>1,962,924</u>
Net Assets		
Invested in capital assets, net of related debt	931,458	1,013,233
Unrestricted	1,976,111	2,922,303
Total net assets	<u>\$ 2,907,569</u>	<u>\$ 3,935,536</u>

The Organization's combined net assets decreased by \$1,027,967 or 26.1% over the prior June 30, 2009 fiscal year. Most of the decline in the Organization's financial position was as a result of decreases in FTES and the need to maintain expenditure levels to operate public safety training program commitments. Total assets decreased by 25.5% or \$1,504,091 and total liabilities decreased by 24.3% or \$476,124.

Assets decreased as cash starved governmental agency partners increased the use of their training credit reserves maintained by SBRPSTC. Since SBRPSTC retains many agency training credit liability balances on behalf of the participating agency, cash reserves are segregated within the SBRPSTC accounting books and records to offset the net changes related to the agency liability. As agencies request funds for their instructional use needs, overall SBRPSTC cash decreases.

Liability decreases are primarily a result of the Organization meeting its FTES commitment level thereby not incurring any deferred revenue liability. Decreased liabilities also resulted from agencies that are participating in revenue sharing, accessing and using the revenue sharing dollars held on account within the organization, which reduced the liability owed to those agencies.

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Management's Discussion and Analysis (Unaudited)
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Table 2: Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Apportionment	\$ 5,450,089	\$ 6,246,412
Student services	1,031,671	1,334,676
Grants	31,604	337,772
Contracts and fees	597,235	768,369
Rents and leases	575,000	331,715
Other revenue	167,586	188,277
Total Revenues	<u>7,853,185</u>	<u>9,207,221</u>
Expenditures:		
Instruction	4,498,073	5,129,559
Supervision of Instruction	563,476	592,455
Instructional support	492,265	615,513
Instructional technology	171,972	205,417
Organization administration	2,983,778	3,233,647
Depreciation	171,588	183,695
Total expenditures	<u>8,881,152</u>	<u>9,960,286</u>
Excess (deficiency) before special items and transfers	<u>\$ (1,027,967)</u>	<u>\$ (753,065)</u>

FTES decreased by 286 units or 11.5% as measured from June 30, 2009 (2,487 FTES) to June 30, 2010 (2,201 FTES). Overall, from June 30, 2009 to June 30, 2010, apportionment revenue decreased by \$796,323. Apportionment revenue decreased primarily as a result of decreases in FTES funding levels. Total revenue decreased by \$1,354,036 and total expenditures increased by \$1,079,134 or 10.8% from June 30, 2009 to June 30, 2010.

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June 30, 2010

FINANCIAL ANALYSIS OF THE ORGANIZATION'S FUNDS

General Governmental Functions

SBRPSTC's governmental funds reported a combined fund balance of \$2,031,174 at June 30, 2010, which is \$958,954 below last year's total of \$2,990,128. 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, 2010</u>	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 1,272,502	\$ 2,077,050	\$ (804,548)
Non-Major Funds:			
Deferred Maintenance	60,283	214,689	(154,406)
Special Reserve-Capital Projects	589,701	589,701	-
Self Insurance	<u>108,688</u>	<u>108,688</u>	<u>-</u>
Total	<u>\$ 2,031,174</u>	<u>\$ 2,990,128</u>	<u>\$ (958,954)</u>

Major Funds:

The change in fund balance within the General Fund is primarily due to FTES decreases and higher classroom, supervision and administrative costs.

Non-Major Funds:

No funds were expended out of the Special Reserve-Capital Projects fund or Self Insurance fund. During the year, according to plan, the Deferred Maintenance fund incurred expenditures for various equipment and software maintenance upgrades that will continue with planned expenditures into the next fiscal year as well.

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June 30, 2010

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 received several state and local grants; however, those grants were primarily pass-through grants where SBRPSTC did not receive any material benefit. Total organizational actual expenditures were greater than budgeted expenditures by \$260,970.

Overall, budgeted schedule of revenues, expenditures and changes in fund balance budgeted revenues of \$7,829,081 were exceeded by actual revenues of \$7,847,187 with a net increase of \$18,106 and actual expenditures of \$8,651,735 were greater than budgeted expenditures of \$8,390,765 by \$260,970 resulting in a negative net budget variance of \$242,864.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

SBRPSTC's investment in capital assets amounts to \$931,458 (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 remained unchanged over the prior year.

Table 4: Capital Assets

	Organization Total		Total Percentage
	Governmental Activities		Change
	2010	2009	2010 - 2009
Equipment	\$ 851,626	\$ 851,626	0.0%
Furniture	54,783	54,783	0.0%
Vehicles	2,204,177	2,204,177	0.0%
Building Improvements	379,662	379,662	0.0%
Total	\$ 3,490,248	\$ 3,490,248	0.0%

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Long-Term Debt

The organization has continued to pay down its existing debt and continues to maintain a very conservative approach to increasing debt. The organization continues to pay down on its vehicle capital lease contract for fifteen new training vehicles which began in March 2007.

Compensated absences have increased by 6.6% as the organization has allowed increased accrual of vacation time and added the cost of salary increases to the calculation of this benefit. As of the end of the fiscal year ending, June 30, 2010, as a result of revising its compensated absences policy in the prior year, the organization began to see a reduction in compensated absences from the prior year 20.3% increase to a smaller increase of 6.6% in this fiscal year.

Table 5: Outstanding Debt, at Year-End

	Consortium Total Governmental Activities		Total Percentage Change
	2010	2009	2010 - 2009
Compensated absences	\$ 233,810	\$ 219,286	6.6%
Capital leases	62,619	152,432	-58.9%
Total	<u>\$ 296,429</u>	<u>\$ 371,718</u>	<u>-20.3%</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 those 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 are becoming more innovative in how we offer instruction and continue to seek to provide the highest quality of instruction at all levels. While we continue to expand our entry-level training in all disciplines and the delivery of field training programs and in-service training we are in the second year of cultivating and expanding our services into areas such as WSTB – Physical Abilities and CritiCall testing for dispatchers.

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.

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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, equipment and on-site support staff services and planning for the reduction of administrative costs.

In order to preserve South Bay's financial reserves further, other cost saving measures have been implemented such as a 5% salary pay reduction for all South Bay staff, elimination of the organizations defined benefit 401(k) employer matching funds, the elimination of four existing and funded staff position, and one furlough day per month for the organizations senior top five officers.

In order to maintain compatibility with our member JPA Colleges and agencies we serve, we will attempt 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.

Long-term strategic plans include expansion of services such as WSTB and CrtiCall, increasing JPA membership, and forming new alliances with other organizations that can bring additional value added services to the agencies we serve.

As we project and implement the expansion of comprehensive services offered, apportionment and fee-base courses will produce a need to potentially increase our annual FTES base. 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 any increase 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, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash (Note 2)	\$ 2,990,050	\$ -	\$ 2,990,050
Accounts receivable	145,719	-	145,719
Allowance for doubtful accounts	(3,707)	-	(3,707)
Inventory	221,283	-	221,283
Prepaid expenses	46,947	-	46,947
Equipment (Note 5)	851,626	-	851,626
Furniture & fixtures (Note 5)	54,783	-	54,783
Vehicles (Note 5)	2,204,177	-	2,204,177
Buildings & improvements (Note 5)	379,662	-	379,662
Less accumulated depreciation (Note 5)	(2,496,171)	-	(2,496,171)
Total assets	<u>\$ 4,394,369</u>	<u>\$ -</u>	<u>\$ 4,394,369</u>
Liabilities			
Liabilities:			
Accounts payable	\$ 1,099,985	\$ -	\$ 1,099,985
Deposits	63,579	-	63,579
Accrued payroll	26,807	-	26,807
Long-term liabilities:			
Due within one year:			
Compensated absences (Note 1, 7)	165,359	-	165,359
Capital leases (Note 6)	62,619	-	62,619
Total due within one year	<u>227,978</u>	<u>-</u>	<u>227,978</u>
Due after one year:			
Compensated absences (Note 1, 7)	68,451	-	68,451
Capital leases (Note 6)	-	-	-
Total due after one year	<u>68,451</u>	<u>-</u>	<u>68,451</u>
Total liabilities	<u>1,486,800</u>	<u>-</u>	<u>1,486,800</u>
Net Assets			
Invested in capital assets, net of related debt	931,458	-	931,458
Unrestricted	1,976,111	-	1,976,111
Total net assets	<u>\$ 2,907,569</u>	<u>\$ -</u>	<u>\$ 2,907,569</u>

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

South Bay Regional Public Safety Training Consortium
 Statement of Activities
 Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Contract	Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Instruction	\$ 4,498,073	\$ 597,235	\$ 31,604	\$ (3,869,234)	\$ -	\$ (3,869,234)
Instruction-related services:						
Supervision of instruction	563,476	-	-	(563,476)	-	(563,476)
Instructional support	492,265	-	-	(492,265)	-	(492,265)
Instructional technology	171,972	-	-	(171,972)	-	(171,972)
General administration:						
Organization administration	2,983,778	-	-	(2,983,778)	-	(2,983,778)
Depreciation	171,588	-	-	(171,588)	-	(171,588)
Total governmental activities	<u>\$ 8,881,152</u>	<u>\$ 597,235</u>	<u>\$ 31,604</u>	<u>\$ (8,252,313)</u>	<u>\$ -</u>	<u>\$ (8,252,313)</u>
Business-type activities						
General administration:	-	-	-	-	-	-
Other outgo	-	-	-	-	-	-
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:						
Apportionment				\$ 5,450,089	\$ -	\$ 5,450,089
Student services				1,031,671	-	1,031,671
Rents and leases				575,000	-	575,000
Interest				53,846	-	53,846
Miscellaneous				113,740	-	113,740
Total general revenues				<u>\$ 7,224,346</u>	<u>\$ -</u>	<u>7,224,346</u>
Change in net assets						(1,027,967)
Net assets beginning						3,935,536
Net assets ending						<u>\$ 2,907,569</u>

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

South Bay Regional Public Safety Training Consortium

Balance Sheet
 Governmental Funds
 June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash (Note 2)	\$ 2,222,173	\$ 758,672	\$ 2,980,845
Accounts receivable	141,536	-	141,536
Allowance for doubtful accounts	(3,707)	-	(3,707)
Inventory	221,283	-	221,283
Prepaid expenses	46,947	-	46,947
Total assets	<u>\$ 2,628,232</u>	<u>\$ 758,672</u>	<u>\$ 3,386,904</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 1,099,985	\$ -	\$ 1,099,985
Deposits	63,579	-	63,579
Accrued payroll	26,807	-	26,807
Compensated absences	165,359	-	165,359
Total liabilities	<u>1,355,730</u>	<u>-</u>	<u>1,355,730</u>
Fund balances:			
Reserved for:			
Stores inventories	221,283	-	221,283
Undesignated, reported in:			
General fund	1,051,219	-	1,051,219
Capital project fund	-	589,701	589,701
Deferred maintenance fund	-	60,283	60,283
Self Insurance fund	-	108,688	108,688
Total fund balances	<u>1,272,502</u>	<u>758,672</u>	<u>2,031,174</u>
Total liabilities and fund balances	<u>\$ 2,628,232</u>	<u>\$ 758,672</u>	<u>\$ 3,386,904</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, 2010

Total fund balances - governmental funds	\$ 2,031,174
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 \$3,490,248 and the accumulated depreciation is \$2,496,171.	994,077
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.	(131,070)
Cash held in and under administration by the County of Santa Clara is adjusted to fair market value	13,388
Total net assets - governmental activities	<u>\$ 2,907,569</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, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Apportionment	\$ 5,450,089	\$ -	\$ 5,450,089
Student services	1,031,671	-	1,031,671
Grants	31,604	-	31,604
Contracts and fees	597,235	-	597,235
Rents and leases	575,000	-	575,000
Miscellaneous	113,740	-	113,740
Interest	47,848	-	47,848
Total Revenues	<u>7,847,187</u>	<u>-</u>	<u>7,847,187</u>
Expenditures:			
Instruction	4,498,073	-	4,498,073
Supervision of Instruction	563,476	-	563,476
Instructional support	446,419	45,845	492,264
Instructional technology	222,954	38,831	261,785
Organization administration	2,920,813	69,730	2,990,543
Total expenditures	<u>8,651,735</u>	<u>154,406</u>	<u>8,806,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(804,548)</u>	<u>(154,406)</u>	<u>(958,954)</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	<u>(804,548)</u>	<u>(154,406)</u>	<u>(958,954)</u>
Fund balances, July 1, 2008	<u>2,077,050</u>	<u>913,078</u>	<u>2,990,128</u>
Fund balances, June 30, 2009	<u>\$ 1,272,502</u>	<u>\$ 758,672</u>	<u>\$ 2,031,174</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, 2010

Net changes in fund balances - governmental funds	\$ (958,954)
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 \$171,588 exceeded capital outlays \$157,638 in the current period.	(13,950)
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 \$68,451.	(68,451)
Cash held in and under administration by the County of Santa Clara is adjusted to fair market value	13,388
Total net assets - governmental activities	<u><u>\$ (1,027,967)</u></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, 2010

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 with 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, 2010

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.

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, 2010

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, 2010

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, 2010

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, 2010

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, tanks	20
Machinery & tools	Shop & maintenance	10 - 15
Custodial equipment	Floor scrubbers, vacuums, other	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 hardware	3 - 5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	digital)	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, 2010

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, 2010, the County of Santa Clara, (the pool sponsor), reported that the fair market value of the consortium commingled pool share was \$2,841,701 which represents a decrease of \$615,765 over the previous year. As of June 30, 2010, the cash balance of the consortium held within the County of Santa Clara Treasury totaled \$2,575,848.

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, 2010, the fair market value of the organizations cash value of the county investment pool was \$9,205.

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, 2010 the amount in excess of Federal Depository Insurance was \$95,882. The cash and cash equivalents available to the Consortium as of June 30, 2010 were as follows:

Cash in County of Santa Clara	\$	2,575,848
Bank of the West		94,293
Bank of the West – Payroll Checking		295,882
PayPal		10,822
County Commingled Pool Share Investment		9,205
Petty Cash		4,000
Total	\$	<u>2,990,050</u>

3. PAYROLL

As of June 30, 2010, 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, 2010

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, 2010, 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. There were no interfund transfers during the fiscal 2009 – 2010 year.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

5. CAPITAL ASSETS AND DEPRECIATION

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Capital assets, being depreciated:				
Equipment	\$ 851,626	\$ -	\$ -	\$ 851,626
Furniture	54,783	-	-	54,783
Vehicles	2,204,177	-	-	2,204,177
Buildings and Improvements	379,662	-	-	379,662
Total capital assets being depreciated	<u>3,490,248</u>	<u>-</u>	<u>-</u>	<u>3,490,248</u>
Less accumulated depreciation for:				
Equipment	802,055	24,786	-	826,841
Furniture	37,468	2,659	-	40,127
Vehicles	1,346,459	128,995	-	1,475,454
Building Improvements	138,601	15,148	-	153,749
Total accumulated depreciation	<u>2,324,583</u>	<u>171,588</u>	<u>-</u>	<u>2,496,171</u>
Total capital assets being depreciated, net	<u>1,165,665</u>	<u>(171,588)</u>	<u>-</u>	<u>994,077</u>
Governmental activities capital assets, net	<u>\$ 1,165,665</u>	<u>\$ (171,588)</u>	<u>\$ -</u>	<u>\$ 994,077</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	\$ 142,387
General administration	<u>29,201</u>
Total Depreciation Expense	<u>\$ 171,588</u>

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

6. LEASES

Capital Leases

The consortium leases vehicles valued at \$75,000 under agreement that provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2011	\$ 63,894
2012	-
2013	-
2014	-
Thereafter	-
	<hr/>
Total	\$ 63,894
	<hr/>
Less amount representing interest	(1,275)
	<hr/>
Present value of net minimum lease payments	<u>\$ 62,619</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, 2010, is shown below:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>	<u>Due After</u>
	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>	<u>One Year</u>	<u>One Year</u>
Compensated Absences	\$ 219,286	\$ 14,524	\$ -	\$ 233,810	\$ 165,359	\$ 68,451
Capital Leases	152,432	-	89,813	62,619	62,619	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 371,718</u>	<u>\$ 14,524</u>	<u>\$ 89,813</u>	<u>\$ 296,429</u>	<u>\$ 227,978</u>	<u>\$ 68,451</u>

8. PENSION PLAN

The Consortium offers its employees through "Merrill Lynch and The Hartford" a defined contribution 401(k) plan. Under this plan, the organization contributes six percent in matching funds to all participants that contribute greater than three percent of their gross salaries into the 401(k). As of June 30, 2010, based on 29 participants, employer contributions in the simple IRA plan totaled \$117,707. Funds within the 401(k) program are administered by Merrill Lynch and The Hartford and are not controlled by the Consortium.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

9. ECONOMIC DEPENDENCE

Consortium apportionment revenue as presented is based upon earned contract dollars received from eight member JPA colleges that represent approximately 69% of total revenue. Four out of the eight colleges total approximately 57% of total apportionment revenue as follows: Hartnell College (19%), Evergreen Valley College (12%), Gavilan College (15%) and Monterey Peninsula College (11%). 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 six 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 could decrease. If this were to occur, it is management's opinion that the consortium could continue most of its activities on a more limited basis through other sources of funding.
- 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.

**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, 2010

	Original	Final	Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
Revenues:				
Apportionment	\$ 5,332,547	\$ 5,332,547	\$ 5,450,089	\$ 117,542
Grants	-	-	31,604	31,604
Student services income	513,150	513,150	705,507	192,357
Fees	767,140	767,140	597,235	(169,905)
Rents and leases	600,604	600,604	575,000	(25,604)
Other income	515,640	515,640	439,904	(75,736)
Interest	100,000	100,000	47,848	(52,152)
Total Revenues	7,829,081	7,829,081	7,847,187	18,106
Expenditures:				
Salaries and benefits	5,220,308	5,220,308	5,132,353	87,955
Other operating expenses	2,845,057	2,845,057	3,109,629	(264,572)
Student services expense	325,400	325,400	383,296	(57,896)
Capital outlay	-	-	26,457	(26,457)
Total expenditures	8,390,765	8,390,765	8,651,735	(260,970)
Excess (deficiency) of revenues over (under) expenditures	(561,684)	(561,684)	(804,548)	(242,864)
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	(561,684)	(561,684)	(804,548)	(242,864)
Fund balance, July 1, 2009	2,077,050	2,077,050	2,077,050	-
Fund balance, June 30, 2010	\$ 1,515,366	\$ 1,515,366	\$ 1,272,502	\$ (242,864)

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

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
 SUPPLEMENTAL INFORMATION
 JUNE 30, 2010**

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]
Ms. Jeanine Hawk Vice Chancellor Evergreen Valley Community College	Vice-Chairman	[1]
Dr. Ron Travenick Vice President of Student Development Ohlone Community College	Member	[1]
Mr. Gary Hughes Associate V.P. of AIS & Library Services Hartnell Community College	Member	[1]
Dr. Susan Estes Vice President of Instruction College of San Mateo	Member	[1]
Ms. Margaret Michaelis Director of Budget and Personnel De Anza Community College	Member	[1]
Dr. Doug Garrison President Monterey Peninsula 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

Wang & Chou Accountancy Corp.

28 North First Street, Suite 900
San Jose, CA 95113
Tel: 408-998-1688
Fax: 408-998-1689

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

REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of South Bay Regional Public Safety Training Consortium as of and for the year ended June 30, 2010, and have issued our report thereon dated August 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Bay Regional Public Safety Training Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Bay Regional Public Safety Training Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT OF INDEPENDENT AUDITOR 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 South Bay Regional Public Safety Training Consortium'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*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified parties.

San Jose, California
August 27, 2010

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
SUMMARY OF AUDITORS' RESULTS
June 30, 2010**

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