

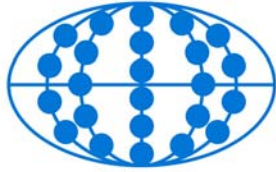
**SOUTH BAY REGIONAL PUBLIC SAFETY
TRAINING CONSORTIUM**

AUDIT REPORT

JUNE 30, 2023

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
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JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We 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, 2023, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

In our 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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Consortium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Consortium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Way Accounting Corp.

San Jose, California
October 20, 2023

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2023

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, 2023. Please read this Management Discussion and Analysis (MD & A) in conjunction with SBRPSTC's financial statements (including notes and supplementary information).

The organization was recognized by the Secretary of State of California as a Joint Powers Authority (JPA) on October 6, 1994, pursuant to California Government Code section 6500, et seq. Creation of SBRPSTC as a JPA, pursuant to Title I, Division 7, Chapter 5 of the California Government Code, established the organization as a separate public agency and grants SBRPSTC powers common to its participating member community college districts. The purpose of establishing the organization as a JPA and public agency is to operate and provide public safety training and educational programs for the mutual benefit of the Consortium's member community colleges.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 13 and 14 provide information about the activities of SBRPSTC and present a longer-term view of the organization'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 the organization's operations in more detail than the government-wide statements by providing information about the SBRPSTC's most significant funds.

FINANCIAL HIGHLIGHTS

- The organization's financial status increased over the past year. Over the course of the year, total net position increased by 8.1%.
- Statement of Activities revenues exceeded expenses by \$224,171. Overall revenues were \$14,339,264 and overall expenditures were \$14,115,093.
- Contributing to SBRPSTC's budget increases was an increase in the FTES through courses and student attendance.

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 and comprise the remaining statements.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2023

- Basic services funding, i.e., Full Time Equivalent funding (FTE) 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 detailed analysis and explain more of the information in the statements. The required supplementary information section provides further explanations and additional support for the financial statements. A comparison of the organization's budget for the year is also included.

The Statement of Net Position and the Statement of Activities

The Consortium's financial position 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 position. The statement of activities reports the current year's revenues and expenses regardless of when cash is received or paid.

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

- Increases or decreases in the net position of the organization over time are indicators of whether its financial position is improving or deteriorating.
- Additional non-financial factors such as condition of classroom buildings, other facilities, equipment and changes in the FTE base of the organization should be considered in assessing the overall health of the Consortium.

In the Statement of Net Position and the Statement of Activities, the organization is divided into two types of activities:

- Governmental activities:

The basic services provided by the organization, such as instruction, administration, and facilities are included here. Organization member FTE program allocations 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, 2023

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 used to keep track of specific sources of funding and spending on programs:

- Some funds are required by state law.
- Other funds are established by the organization to control and manage money for 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 or increasing reserves.

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 statements 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, 2023

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1: Net Position

	Governmental Activities	
	2023	2022
Assets		
Cash	\$ 2,545,592	\$ 3,017,192
Accounts receivable, net	2,877,337	2,027,620
Inventory	390,477	438,699
Prepaid expenses	-	42,164
Capital assets, net	78,299	132,251
Total assets	<u>\$ 5,891,705</u>	<u>\$ 5,657,926</u>
Liabilities		
Accounts payable	\$ 2,587,576	\$ 2,422,100
Other liabilities	242,436	340,461
Long-term liabilities	72,157	130,000
Total liabilities	<u>2,902,169</u>	<u>2,892,561</u>
Net Assets		
Invested in capital assets, net of related debt	78,299	132,251
Unrestricted	2,911,237	2,633,114
Total net position	<u>\$ 2,989,536</u>	<u>\$ 2,765,365</u>

The organization's combined net position increased by \$224,171 or 8.1% over the prior June 30, 2022, fiscal year. Total assets increased by 4.1% or \$233,779 and total liabilities increased by .3% or \$9,608.

Assets increased primarily because of increases in accounts receivable.

Liabilities increased primarily a result of increases in vendor accounts payable obligations. Since the organization retains agency training credit liability balances on behalf and at the request of participating agencies, cash reserves are segregated within the accounting books and records.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Table 2: Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues:		
Apportionment	\$ 7,259,069	\$ 6,419,571
Student services	2,008,296	1,509,726
Grants	-	-
Contracts and fees	4,365,160	4,074,390
Rents and leases	444,007	385,426
Other revenue	262,732	79,950
Total Revenues	<u>14,339,264</u>	<u>12,469,063</u>
Expenditures:		
Instruction	7,949,759	7,732,922
Supervision of Instruction	770,917	756,783
Instructional support	(30,135)	99,076
Instructional technology	261,446	148,403
Organization administration	5,109,154	4,981,937
Depreciation	53,952	64,754
Total expenditures	<u>14,115,093</u>	<u>13,783,875</u>
Excess (deficiency) before special items and transfers	<u>\$ 224,171</u>	<u>\$ (1,314,812)</u>

The colleges' allotment of FTE units increased by 12 units or .6% as measured from June 30, 2022 (2,177 FTE) to June 30, 2023 (2,189 FTE). Apportionment revenue increased from fiscal year ending June 30, 2022, to June 30, 2023, by \$839,498 due to an increase in the apportionment funding rate and additional FTES from the colleges.

In addition to the FTE apportionment revenue earned, the organization produces an additional 30 FTE to Monterey Peninsula College and 28 FTE to College of San Mateo as in-kind rent for use of their facilities. The combined 58 FTE in-kind rent is recognized as both facilities' rental income and expense. Total FTE produced as of June 30, 2023, was 2,247 (2,189 + 58).

Total governmental activities revenue increased by \$1,870,201 or 15.0% and total expenditures increased by \$331,218 or 2.4% from June 30, 2022, to June 30, 2023.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management’s Discussion and Analysis (Unaudited)
June 30, 2023

FINANCIAL ANALYSIS OF THE ORGANIZATION’S FUNDS

General Governmental Functions

SBRPSTC’s governmental funds reported a combined fund balance of \$3,047,946 at June 30, 2023, which is \$217,833 above last year’s total of \$2,830,113. 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

	Fund Balance June 30, 2023	Fund Balance June 30, 2022	Increase (Decrease)
Major Funds:			
General	\$ 1,326,165	\$ 537,241	\$ 788,924
Non-Major Funds:			
Deferred Maintenance	1,722,198	2,222,198	(500,000)
Special Reserve-Capital Projects	(417)	70,674	(71,091)
Self Insurance	-	-	-
Total	\$ 3,047,946	\$ 2,830,113	\$ 217,833

Major Funds:

The overall increase in fund balance within the General Fund is due to an increase in apportionment and contract revenues. The organization’s overall FTE production has decreased by 432 FTE as measured from its highest FTE production level of 2,621 FTE in 2017 to the current FTE level of 2,189. The COVID pandemic had a dramatic impact on the Consortium’s ability to serve students. Although the restrictions have been lifted, student enrollment is slow to recover. The Consortium anticipates a steady increase in enrollment over the next couple years. Consortium recovery will hinge upon FTES support from member colleges.

An eleven-year history of FTE production is presented below for each year ending June 30th.

Table 4: Thirteen-Year FTE History

Year	FTE Amount	
2011	2,226	
2012	1,887	
2013	1,813	
2014	1,951	
2015	2,148	
2016	2,524	
2017	2,621	Highest Level
2018	2,537	
2019	2,285	
2020	2,061	
2021	2,121	
2022	2,177	
2023	2,189	

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management’s Discussion and Analysis (Unaudited)
June 30, 2023**

The General Fund balance of \$1,326,165 is allocated as follows: undesignated \$935,688 and store’s inventory of \$390,477.

Non-Major Funds:

During the year, no funds were spent from the Deferred Maintenance fund. The Capital Projects fund spent funds according to a reduced version of its equipment replacement plan. There was one transfer of \$500,000 from the Deferred Maintenance fund to the General fund.

General Fund Budgetary Highlights

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

While the organization realized a small increase in the number of FTE produced, the FTES rate increased by \$367.50 per FTES. The FTES rate increase and increases in other sources of revenue contributed to a \$1,578,625 increase in actual total revenue over budgeted total revenue. Total actual expenditures were more than budgeted expenditures by \$324,413. The expenditure increase can be attributed primarily to additional contract course delivery, however most of the associated revenue is pass-through expense with limited margins to support the overall organizational fiscal health. The results of operation for the FY 2022-23 further demonstrate the Consortium’s dependence upon the colleges FTES funding.

Overall, budgeted schedule of revenues, expenditures and changes in fund balance actual revenues of \$14,336,817 were greater than budgeted revenues of \$12,758,192 with a net increase of \$1,578,625. Actual expenditures of \$14,047,893 were greater than budgeted expenditures of \$13,723,480 by \$324,413.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

SBRPSTC’s investment in capital assets amounts to \$78,299 (net of accumulated depreciation and related debt). This investment is primarily comprised of vehicles, copiers, computers, and other equipment. The Organization performed a capital asset inventory resulting in the removal of zero net book value obsolete vehicles, simulators, and other equipment totaling \$1,275,423.

Table 5: Capital Assets

	Organization Total		Total Percentage
	Governmental Activities		Change
	2023	2022	2023 - 2022
Equipment	\$ 523,541	\$ 799,049	-34.5%
Furniture	54,783	54,783	0.0%
Vehicles	1,612,076	2,603,573	-38.1%
Building Improvements	-	8,418	-100.0%
Total	\$ 2,190,400	\$ 3,465,823	-36.8%

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June 30, 2023

Long-Term Debt

The organization continues to maintain a very conservative approach to increasing debt. The organization’s debt decreased by \$83,583 due to a decrease in compensated absences liability of \$83,583.

Compensated absences have decreased by 25.7% and there are no plans to lease additional public safety types of equipment such as police vehicles.

Table 6: Outstanding Debt, at Year-End

	Consortium Total Governmental Activities		Total Percentage Change
	2023	2022	2023 - 2022
Compensated absences	\$ 241,889	\$ 325,472	-25.7%
Capital leases	-	-	0.0%
Total	<u>\$ 241,889</u>	<u>\$ 325,472</u>	<u>-25.7%</u>

ECONOMIC FACTORS BEARING ON THE ORGANIZATION’S FUTURE

The impacts of changes in providing public safety training, paying for the costs of such training, and associated retirement and health benefit costs continue to increase. Combined with the last remaining effects of the Covid-19 pandemic, SBRPSTC expects the costs of health benefits, training, and retirement to continue to increase in the future. It is anticipated there will continue to be reduced interest by students in public safety careers as well as reductions in various types of in-service training courses. 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 public safety training and education they require.

Public Safety agencies are experiencing high vacancy rates, as well as recruitment and retention issues. Agencies in this situation often must devote their limited staff to fill minimum staffing levels within the organization. When agencies reassign, or holdover staff, to fill minimum staffing levels, they cancel training or have reduced numbers who attend. We experienced this with some of our large and small agency partners this past year which contributed to a reduction in FTES generation. While Public Safety agencies are actively recruiting which may assist with enrollment in basic academies, high vacancy rates may continue to impact annual professional training, thus negatively impacting FTES.

Future costs for facilities continue to be a concern for the organization. Facilities associated with public safety skills training (EVOC, Firearms Ranges, Live Burn Towers, etc.) have become scarce due to the expansion of urban housing, and those still in operation are in higher demand. SBRPSTC has benefitted from strong relationships with industry partners, however costs for use and/or development of facilities continue to consume Consortium reserves.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
Management's Discussion and Analysis (Unaudited)
June 30, 2023

In addition to the lingering negative impact of the pandemic and increased costs associated with program delivery, FTES funding from the member colleges remained substantially less than what was received in FY 2018-19 (over \$642,000) or prior. During the 2019-20 and 2020-21 fiscal years, the JPA Board approved an increase from 60% to 70% FTES funding to the Organization, but eliminated the Capital Projects funding, and allowed the converting of the Gavilan College Coyote Valley Campus lease to cash payments. The cumulative effect was an approximate \$1.2 million negative swing to the overall budget in fiscal 2021-22. As funding per FTES has slowly increased over the past three years, the Organization has yet to recover due to enrollment downturn. Initially, enrollment limitations were due to pandemic implications beyond the member Colleges and Consortium's control. However, into the future the struggles will be due to reduced FTES allocations from the colleges, and *not* the Organization's inability to deliver the necessary courses to fulfill enrollment requests. The FTES generated for FY 2021-22 received \$143 per FTES less than FTES generated in FY 2018-19. The increases to per FTES funding has been counteracted by the reduction in FTES allocations from the Colleges (16.9% reduction from 2017 to 2022). And there was only an increase of 12 FTES from fiscal years 2021-22 to 2022-23.

The approved FY 2022-23 Budget anticipated a minor enrollment recovery yet projected an overall financial loss for the year. The Organization effectively continued the RIF it had in place for the prior years by leaving vacant positions unfilled and unfunded; however, the cost saving measures and efficiencies implemented had a measurable impact but requires much more in excess revenues over expenses to rebuild its reserves. Consideration of any further reduction in workforce would negatively impact the Organization's ability to function on a daily basis. The two largest direct cash and deficit impacts have been over \$800,000 in direct lease payments to Gavilan Community College and the elimination of the funding of capital project equipment funding from the colleges.

Historically, college facility or lease expense has only been a function of producing nominal FTES In-Kind for use of instructional space. This continues to be the case for Monterey Peninsula College and the College of San Mateo. The cash lease payments to Gavilan College are based upon the total space utilized. More than 50% of the total space includes instructional space (i.e., classrooms, mat rooms, student locker rooms and lounge) for which the Organization has no means to recoup costs per the Education Code.

Also, beginning in FY2020-2021, the colleges suspended the \$100 per allotted FTES contribution for the South Bay Capital Projects Fund which pays for repairs, maintenance, and replacement of old and outdated equipment. As of the end of the fiscal year, the capital projects fund balance was \$417 or essentially zero. As projected in the prior year, the equipment funds were depleted during this fiscal year. Beginning next fiscal year, 2023-24, all capital purchases will once again draw against the operating budget, to the further detriment of the organization and its general operating fund.

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. Because we serve over 300 agencies and are faced each year with a variety of changes during the year in how agencies are served, we follow a highly conservative approach in budgeting for revenue and expenditures. Conservatively budgeting for lower revenues and higher expenditures has been the philosophy of the organization since its beginning; however, year after year of decreases and changes in how agencies are served creates fluctuations in the budget that are difficult to anticipate or absorb.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
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The organization's future is also affected by how curriculum is delivered and how the funding and class unit model for curriculum changes. Curriculum changes contribute to our highly conservative budget approach. Even though the COVID-19 pandemic and how agencies are served has greatly influenced how certain courses are delivered, South Bay's strategic planning for the future continues as best as possible to adapt to the changing landscape of delivering curriculum, within the limitation approved by state regulatory agencies. The organization is nearing the end of its ability to absorb curriculum cost variations and manage its expenditures that are already at minimums.

Over the past 29 years, the organization's commitments to our member colleges and agencies have seen many changes in delivering the training and education we provide. The costs of providing training and education continues to increase. Although the total FTES allocations from member colleges are increased for FY 2022-23 by .6%, the funding has only increased slightly by 12.5%. This increase in no way addresses the true increased costs of providing the Consortiums training and education objectives. The organization has worked diligently to align its programs with the California Community College Chancellor's Office Student Centered Funding formula. Member colleges benefit from the additional funding generated by these efforts, while the Consortium does not. Any additional revenue increases or cost saving measures we can benefit from are an integral part of our plan for future economic uncertainty. We remain in an uncertain economic time.

As we project and implement the expansion of comprehensive services offered by the Consortium, we are looking to diversify into other ways to supplement and support public and private agencies by identifying congruent opportunities. We look forward to partnering with agencies, colleges, and other organizations to further our commitment to quality public safety training.

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 Kevin Jensen, President or Ernest Smedlund, Director of Administrative Services, South Bay Regional Public Safety Training Consortium at 560 Bailey Avenue, San Jose, CA 95141.

South Bay Regional Public Safety Training Consortium
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash (Note 2)	\$ 2,545,592	\$ -	\$ 2,545,592
Accounts receivable	2,877,337	-	2,877,337
Inventory	390,477	-	390,477
Prepaid expenses	-	-	-
Equipment (Note 5)	523,541	-	523,541
Furniture & fixtures (Note 5)	54,783	-	54,783
Vehicles (Note 5)	1,612,076	-	1,612,076
Buildings & improvements (Note 5)	-	-	-
Less accumulated depreciation (Note 5)	(2,112,101)	-	(2,112,101)
Total assets	<u>\$ 5,891,705</u>	<u>\$ -</u>	<u>\$ 5,891,705</u>
Liabilities			
Liabilities:			
Accounts payable	\$ 2,587,576	\$ -	\$ 2,587,576
Accrued Payroll	72,704	-	72,704
Deposits	-	-	-
Long-term liabilities:			
Due within one year:			
Compensated absences (Note 1, 7)	169,732	-	169,732
Capital leases (Note 6)	-	-	-
Total due within one year	<u>169,732</u>	<u>-</u>	<u>169,732</u>
Due after one year:			
Compensated absences (Note 1, 7)	72,157	-	72,157
Capital leases (Note 6)	-	-	-
Total due after one year	<u>72,157</u>	<u>-</u>	<u>72,157</u>
Total liabilities	<u>2,902,169</u>	<u>-</u>	<u>2,902,169</u>
Net Position			
Invested in capital assets, net of related debt	78,299	-	78,299
Unrestricted	2,911,237	-	2,911,237
Total net position	<u>\$ 2,989,536</u>	<u>\$ -</u>	<u>\$ 2,989,536</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, 2023

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash (Note 2)	\$ 884,812	\$ 1,722,227	\$ 2,607,039
Accounts receivable	2,880,442	-	2,880,442
Inventory	390,477	-	390,477
Prepaid expenses	-	-	-
Total assets	<u>\$ 4,155,731</u>	<u>\$ 1,722,227</u>	<u>\$ 5,877,958</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 2,587,130	\$ 446	\$ 2,587,576
Accrued payroll	72,704	-	72,704
Deposits	-	-	-
Deferred revenue	-	-	-
Compensated absences	169,732	-	169,732
Total liabilities	<u>2,829,566</u>	<u>446</u>	<u>2,830,012</u>
Fund balances:			
Reserved for:			
Stores inventories	390,477	-	390,477
Economic uncertainty	-	-	-
Undesignated, reported in:			
General fund	935,688	-	935,688
Capital project fund	-	(417)	(417)
Deferred maintenance fund	-	1,722,198	1,722,198
Self Insurance fund	-	-	-
Total fund balances	<u>1,326,165</u>	<u>1,721,781</u>	<u>3,047,946</u>
Total liabilities and fund balances	<u>\$ 4,155,731</u>	<u>\$ 1,722,227</u>	<u>\$ 5,877,958</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 Position
 June 30, 2023

Total fund balance - governmental funds	\$ 3,047,946
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 \$2,190,400 and the accumulated depreciation is \$2,112,101.	78,299
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.	(72,157)
Cash held in and under administration by the County of Santa Clara is adjusted to fair market value	(64,552)
Total net position - governmental activities	<u>\$ 2,989,536</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, 2023

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Apportionment	\$ 7,259,069	\$ -	\$ 7,259,069
Student services	2,008,296	-	2,008,296
Contracts and fees	4,365,160	-	4,365,160
Rents and leases	444,007	-	444,007
Miscellaneous	207,995	-	207,995
Interest	52,290	-	52,290
Total Revenues	<u>14,336,817</u>	<u>-</u>	<u>14,336,817</u>
Expenditures:			
Instruction	7,949,759	-	7,949,759
Supervision of Instruction	770,917	-	770,917
Instructional support	(30,135)	-	(30,135)
Instructional technology	193,955	67,491	261,446
Organization administration	5,163,397	3,600	5,166,997
Total expenditures	<u>14,047,893</u>	<u>71,091</u>	<u>14,118,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>288,924</u>	<u>(71,091)</u>	<u>217,833</u>
Other financing sources (uses):			
Operating tranferes in	500,000	-	500,000
Operating tranferes out	-	(500,000)	(500,000)
Total other financing sources (uses)	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other uses	788,924	(571,091)	217,833
Fund balances, July 1, 2022	537,241	2,292,872	2,830,113
Fund balances, June 30, 2023	<u>\$ 1,326,165</u>	<u>\$ 1,721,781</u>	<u>\$ 3,047,946</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 to the Statement of Activities
June 30, 2023

Net change in fund balances - governmental funds	\$ 217,833
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 of \$53,952 and lease expense \$0, were exceeded by capital outlays of \$196,999 in the current period.	143,047
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 \$72,157.	(72,157)
Cash and interest held in and under administration by the County of Santa Clara is adjusted to fair market value.	(64,552)
Change in net position - governmental activities	<u>\$ 224,171</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, 2023

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 (Consortium or organization) 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 position and the statement of activities) 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 way 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 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 program. Revenues which are not classified as program revenues are presented as general revenues of the organization, 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 organization. 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, 2023

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. Apportionment, 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, 2023, there was no material deferred revenue.

Expenses/Expenditures:

When considering the accrual basis of accounting, expenses are recognized at the time a liability is incurred. Using the modified accrual basis of accounting, expenditures are also generally recognized in the accounting period in which the related fund liability is incurred, the same as 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, 2023

Fund Accounting

The accounts of the Consortium are organized based on funds; each fund is 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 how 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 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 such as buildings, vehicles, and equipment.

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 president during the year to consider 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.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 \$250,000 by the Federal Depository Insurance Corporation (FDIC). However, Bank of the West funds held in deposit for the Consortium are deposits of Public Funds. These public funds deposits are collateralized for the full amount of deposits in excess of the FDIC insurance.

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 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, Prepaid Expenditures, Student Tuition Deposits*

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 and student tuition deposits when received or during the benefiting period. The Consortium has chosen to report the prepaid items as an expense when purchased and student tuition deposits as revenue when received.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Consortium. A liability for these amounts is reported in the governmental funds only if the benefit has matured, for example, as a result of an employee's resignation, 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 Position.

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 Position.

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* 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 eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95. The primary objective of this Statement is to provide relief to governments and other stakeholders due to the COVID-19 pandemic. The objective postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods after June 15, 2018, and later. The Consortium has implemented GASB 95

Statement No. 87, *Leases* and Implementation Guide No. 2019-3, *Leases*, were postponed by 18 months and is effective for the Consortium as of June 30, 2022.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Accounting Pronouncements (continued)

GASB 87, *Leases*, is designed to improve accounting and financial reporting for leases by governments and requires recognition of certain lease assets and liabilities of leases that previously were classified as operating leases recognized as inflows or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As of June 30, 2023, the Consortium has no leases affected by GASB 87.

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 an asset 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, 2023

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, 2023, the County of Santa Clara, (the pool sponsor), reported that the fair market value of the Consortium commingled pool share was \$2,064,870 which represents a decrease of \$575,928 over the previous year. As of June 30, 2023, the cash balance of the Consortium held within the County of Santa Clara Treasury totaled \$1,668,716.

The Consortium is 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, 2023, the fair market value less original cost of the organizations cash value of the county investment pool was (\$61,447).

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 \$250,000. However, because Bank of the West holds deposits for Santa Clara County, the Consortiums deposits in Bank of the West are collateralized for the full amount which is greater than the federal depository Insurance corporation limit. The cash and cash equivalents available to the Consortium as of June 30, 2023, were as follows:

Cash in County of Santa Clara	\$ 1,668,716
Bank of the West	636,789
Bank of the West – Payroll Checking	64,589
Bank of the West - Online Account	12,701
PayPal	220,244
Petty Cash	<u>4,000</u>
Total	<u>\$ 2,607,039</u>

3. PAYROLL

As of June 30, 2023, Certificated and Classified employees received their payroll from the Consortium and Gavilan Community College. Gavilan Community College contracts with the employees and the Consortium to work on behalf of the organization.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, there were no Interfund receivables and/or payables. Had there been any Interfund receivables and payables pertaining to the Statement of Net Position, such balances would have been eliminated upon consolidation within the statement of net position.

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, 2023, there was one Interfund transfer of \$500,000 from the deferred maintenance fund to the general fund. When there are transfers from one fund to other fund, interfund transfers pertaining to the Statement of Activities are eliminated upon consolidation within the statement of activities.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

5. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023, is shown below:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital assets, being depreciated:				
Equipment	\$ 799,049	\$ -	\$ 275,508	\$ 523,541
Furniture	54,783	-	-	54,783
Vehicles	2,603,573	-	991,497	1,612,076
Buildings and Improvements	8,418	-	8,418	-
Total capital assets being depreciated	<u>3,465,823</u>	<u>-</u>	<u>1,275,423</u>	<u>2,190,400</u>
Less accumulated depreciation for:				
Equipment	799,050	-	275,508	523,542
Furniture	54,781	-	-	54,781
Vehicles	2,471,322	53,952	991,496	1,533,778
Building Improvements	8,419	-	8,419	-
Total accumulated depreciation	<u>3,333,572</u>	<u>53,952</u>	<u>1,275,423</u>	<u>2,112,101</u>
Total capital assets being depreciated, net	<u>132,251</u>	<u>(53,952)</u>	<u>-</u>	<u>78,299</u>
Governmental activities capital assets, net	<u>\$ 132,251</u>	<u>\$ (53,952)</u>	<u>\$ -</u>	<u>\$ 78,299</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	\$ 48,557
General administration	5,395
Total Depreciation Expense	<u>\$ 53,952</u>

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

6. LEASES

Capital Leases

The Consortium has no leases with any depreciable value as of June 30, 2023. The Consortium will receive no sublease rental revenues nor pay any contingent rentals for any of its equipment.

7. LONG-TERM DEBT - SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2023, is shown below:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year	Due After One Year
Compensated Absences	\$ 325,472	\$ -	\$ 83,583	\$ 241,889	\$ 169,732	\$ 72,157
Capital Leases	-	-	-	-	-	-
Totals	<u>\$ 325,472</u>	<u>\$ -</u>	<u>\$ 83,583</u>	<u>\$ 241,889</u>	<u>\$ 169,732</u>	<u>\$ 72,157</u>

8. PENSION PLAN

The Consortium offers a deferred compensation 457(b) plan. The plan is administered through Morgan Stanley and has an employee minimum contribution of 1% with the organization matching a maximum of 6%. Under this plan, the organization contributes two percent in matching funds to all participants that contribute at least one percent of their gross salaries. As of June 30, 2023, there were 31 participants in the deferred compensation plan, and employer contributions totaled \$122,623. Funds within the 457(b)-deferred compensation plan are held by Empower Retirement and are not controlled by the Consortium.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

9. ECONOMIC DEPENDENCE

Consortium apportionment revenue as presented is based upon earned contract dollars received from seven-member Consortium colleges that represent approximately 50% of total revenue. Six out of the seven colleges represent approximately 50% of total apportionment revenue as follows: Monterey Peninsula College (12%), Lake Tahoe Community College (10%), Gavilan Community College (9%), Ohlone Community College (8%), Cabrillo Community College (8%), and Hartnell Community College (3%). As the Consortium expands its services and recruits other colleges, its economic dependency base is expected to decline.

10. COMMITMENTS AND CONTINGENCIES

- The Consortium may receive 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 colleges, which in turn receives a significant portion of their support from student attendance and other state formula revenue means. If the member 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 the 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.
- The remnants of the COVID-19 pandemic, potential variants, inflation, and indicators of a recession continue to disrupt supply chains and affect classroom attendance and production and sales across a range of industries. The extent of the impact of COVID-19, inflation and a recession on the Consortium's operational and financial performance will depend on certain developments, including another outbreak of COVID-19 or possible variants and if the federal government's inflation reduction act will have any effect on the economy and the organization. How it will continue to impact the San Francisco Bay Region, employees, and governmental organizations all of which are uncertain and cannot be predicted. At this time, as events unfold, the future impacts of COVID-19, its variants, inflation, and a recession on the Consortium's operations are not fully known.

SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

11. RELATED PARTY TRANSACTIONS

The Consortium created a non-profit organization known as the Foundation For Public Safety Training (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 operates and files its non-profit income tax returns on a calendar year basis. During the calendar year 2022, the Foundation received \$6,515 in donations and incurred \$11,542 in expenses, of which \$11,500 were scholarships. As of December 31, 2022, the Foundations total assets and liabilities were \$33,145 and \$485 respectively.

12. SUBSEQUENT EVENTS

- Events subsequent to June 30, 2023, have been evaluated through October 20, 2023, which is the date the Consortium's audited financial statements were available to be issued. As of October 20, 2023, there were no subsequent events to be disclosed.

**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, 2023

	Original	Final	Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
Revenues:				
Apportionment	\$ 6,698,320	\$ 6,698,320	\$ 7,259,069	\$ 560,749
Contracts	3,153,088	3,153,088	3,409,999	256,911
Student services income	671,273	671,273	794,329	123,056
Fees	819,384	819,384	955,161	135,777
Rents and leases	417,996	417,996	444,007	26,011
Other income	971,163	971,163	1,421,962	450,799
Interest	26,968	26,968	52,290	25,322
Total Revenues	<u>12,758,192</u>	<u>12,758,192</u>	<u>14,336,817</u>	<u>1,578,625</u>
Expenditures:				
Salaries and benefits	7,430,584	7,430,584	7,819,092	(388,508)
Other operating expenses	5,757,690	5,757,690	5,631,744	125,946
Student services expense	535,206	535,206	552,181	(16,975)
Capital outlay	-	-	44,876	(44,876)
Total expenditures	<u>13,723,480</u>	<u>13,723,480</u>	<u>14,047,893</u>	<u>(324,413)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(965,288)</u>	<u>(965,288)</u>	<u>288,924</u>	<u>1,254,212</u>
Other financing sources (uses):				
Operating transfers-in	500,000	(500,000)	(500,000)	-
Operating transfers-out	-	-	-	-
Total other financing sources (uses)	<u>500,000</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other uses	<u>(1,465,288)</u>	<u>(465,288)</u>	<u>788,924</u>	<u>1,254,212</u>
Fund balance, July 1, 2022	<u>537,241</u>	<u>537,241</u>	<u>537,241</u>	<u>-</u>
Fund balance, June 30, 2023	<u>\$ (928,047)</u>	<u>\$ 71,953</u>	<u>\$ 1,326,165</u>	<u>\$ 1,254,212</u>

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

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
SUPPLEMENTAL INFORMATION
JUNE 30, 2023**

1. ORGANIZATION

The South Bay Regional Public Safety Training Consortium 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 DIRECTORS

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Chris Dela Rosa Vice President Ohlone Community College	Chairperson	[1]
Dr. Jon Knolle Vice President of Academic Affairs Monterey Peninsula College	Vice-Chairperson	[1]
Mr. Jeff DeFranco Superintendent/President Lake Tahoe Community College	Member	[1]
Mr. Graciano Mendoza Vice President Hartnell Community College	Member	[1]
Dr. Carla Grandy Vice President College of San Mateo	Member	[1]
Dr. Pedro Avila President Gavilan Community College	Member	[1]
Dr. Robin McFarland Interim Vice President of Instruction Cabrillo College	Member	[1]

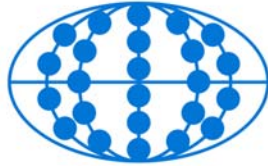
**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
SUPPLEMENTAL INFORMATION
JUNE 30, 2023**

3. ADMINISTRATION

Mr. Kevin Jensen	President
Mr. Gregory Giusiana	Vice President of Academy Services
Mr. Ernie Smedlund	Director of Administrative Services
Mr. Edward Flores	Director of Program Services
Mr. Michael Manning	Director of IT and Operations

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

OTHER INDEPENDENT AUDITOR'S REPORTS



WANG ACCOUNTANCY CORP
28 North First St Ste 900
San Jose, CA 95113
408.998.1688 (Tel) | 408.998.1689 (Fax)

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated October 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we 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.

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

**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, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Wang Accounting Corp.

San Jose, California
October 20, 2023

**SOUTH BAY REGIONAL PUBLIC SAFETY TRAINING CONSORTIUM
SUMMARY OF AUDITORS' RESULTS
June 30, 2023**

Section I – Summary of Auditor’s Results

Basic Financial Statements

Type of auditor’s report issued on the financial statements:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	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 | No matters were reported. |
| • Prior Year Findings and Questioned Costs | No matters were reported. |