

**SOUTHERN CALIFORNIA INTERGOVERNMENTAL  
TRAINING AND DEVELOPMENT CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**Southern California Intergovernmental Training and Development Center  
Financial Statements  
June 30, 2010**

**TABLE OF CONTENTS**

<b>Independent Auditor’s Report</b> .....	1
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Assets .....	3
Statement of Activities .....	4
Fund Financial Statements	
Balance Sheet – Governmental Fund .....	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets .....	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund .....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities.....	8
Notes to Basic Financial Statements.....	10
<b>Required Supplemental Information:</b>	
Budgetary Comparison Schedule – General Fund.....	22
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	23



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# MOSS, LEVY & HARTZHEIM LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southern California Intergovernmental Training  
and Development Center  
San Diego, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the Southern California Intergovernmental Training and Development Center ("ITDC") as of and for the fiscal year ended June 30, 2010, which collectively comprise the ITDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ITDC's management. Our responsibility is to express opinions 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 as to 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 statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Southern California Intergovernmental Training and Development Center as of June 30, 2010 and the respective changes in financial position thereof, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to the basic financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies Contained in the AICPA Statements on Auditing Standards*, effective July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010, on our consideration of the ITDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The ITDC has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Accounting principles generally accepted in the United States of America require that the budgetary comparison of the General Fund on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
December 23, 2010

**SOUTHERN CALIFORNIA  
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER  
STATEMENT OF NET ASSETS  
June 30, 2010**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Accounts receivable	\$ 1,335,489
Due from County of San Diego	101,296
Capital assets, being depreciated	59,155
Accumulated depreciation	<u>(59,155)</u>
Total Assets	<u>1,436,785</u>
<b>LIABILITIES</b>	
Accounts payable	407,687
Interest payable	165
Accrued payroll	6,310
Cash overdraft	67,650
Long-term liabilities:	
Due in more than a year	<u>57,678</u>
Total Liabilities	<u>539,490</u>
<b>NET ASSETS</b>	
Unrestricted	<u>897,295</u>
Total Net Assets	<u><u>\$ 897,295</u></u>

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA  
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
General government	\$ 3,728,554	\$ 3,742,669	\$ -	\$ 14,115
Total Governmental Activities	<u>\$ 3,728,554</u>	<u>\$ 3,742,669</u>	<u>\$ -</u>	<u>14,115</u>
General Revenues:				
Investment income				<u>1,529</u>
Total General Revenues				<u>1,529</u>
Change in Net Assets				15,644
Net Assets - July 1, 2009				<u>881,651</u>
Net Assets - June 30, 2010				<u>\$ 897,295</u>

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA**  
**INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**June 30, 2010**

	General Fund
<b>ASSETS</b>	
Accounts receivable	\$ 1,335,489
Due from County of San Diego	101,296
Total Assets	\$ 1,436,785
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities</b>	
Accounts payable	\$ 407,687
Interest payable	165
Accrued payroll	6,310
Cash overdraft	67,650
Deferred revenue	481,965
Total Liabilities	963,777
<b>Fund Balance</b>	
Unreserved:	
Undesignated	473,008
Total Fund Balance	473,008
Total Liabilities and Fund Balance	\$ 1,436,785

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA  
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2010**

Total fund balance - governmental funds	\$	473,008
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Under modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent an available financial resource. In the statement of net assets and statement of activities, however, revenues and assets are reported regardless of when financial resources are available.

Deferred revenue		481,965
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable		<u>(57,678)</u>
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Net assets of governmental activities	\$	<u><u>897,295</u></u>
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See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA**  
**INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental	\$ 3,498,399
Use of money and property	<u>1,529</u>
Total Revenues	<u>3,499,928</u>
<b>Expenditures</b>	
Current:	
Salaries and benefits	617,538
Services and supplies	<u>3,113,943</u>
Total Expenditures	<u>3,731,481</u>
Net Change in Fund Balance	(231,553)
Fund Balance, July 1, 2009	<u>704,561</u>
Fund Balance, June 30, 2010	<u><u>\$ 473,008</u></u>

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA**  
**INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**

Net change in fund balance - governmental fund	\$	(231,553)
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Amounts reported for governmental activities in the statement of activities differ because:

<p>Certain revenues are offset by deferred revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which current year deferred revenue exceeded prior year's deferred revenue.</p>		244,270
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<p>In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used exceeded the amounts earned.</p>		2,927
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		15,644
Change in net assets of government activities	\$	15,644

**NOTES TO BASIC FINANCIAL STATEMENTS**

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Southern California Intergovernmental Training and Development Center (“ITDC”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

**A. Reporting Entity**

The ITDC was created by a Joint Exercise of Powers Agreement (the “Agreement”) entered into on December 1, 1972, between the State of California, the County of San Diego (the “County”), and the Cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Escondido, Imperial Beach, La Mesa, National City, Oceanside, San Diego, San Marcos, and Vista. The purpose of the Agreement was to create an agency to assist the parties in their efforts to develop and implement employee-training programs. The Agreement provides that ITDC shall be administered by the Board of Directors equal in number to the number of parties who become and remain parties to the Agreement.

**B. Basis of Accounting**

The accounting records are maintained on the modified accrual basis of accounting. Expenditures are recorded at the time liabilities are incurred and revenues are recorded when received in cash, unless they are susceptible to accrual: i.e., measurable and available to finance ITDC’s operations or a material amount and not received at the normal time of receipt prior to year end.

**C. Basis of Presentation**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

- **Management’s Discussion and Analysis** – GASB requires that financial statements be accompanied by a narrative introduction and analytical overview of the ITDC’s financial activities in the form of “Management’s Discussion and Analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations. ITDC has not presented this information.
- **Government-wide Financial Statements** – This reporting model includes financial statements prepared using the full accrual basis of accounting for all of the ITDC’s activities. It reports all current and noncurrent revenues and costs of providing services. The Government-wide Financial Statements consist of the following:
  - **Statement of Net Assets** – The statement of net assets is designed to display the financial position of the government. The net assets of ITDC are broken down into two categories – restricted and unrestricted.
  - **Statement of Activities** – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of ITDC’s functions. The expense of individual functions is compared to the revenue generated directly by the function.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

Accordingly, ITDC has recorded long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services using the full accrual basis of accounting in the statement of activities.

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by contributions and investment income.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

**Budgets and Budgetary Accounting**

General Budget Policies

An operating budget is adopted each fiscal year on the modified accrual basis, except that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase. For purposes of budgetary presentation, actual expenditures are adjusted to include encumbrances outstanding at year-end. There were no encumbrances outstanding at June 30, 2010. All amendments to the adopted budget require Board approval and, as such, reported budget figures are subsequently amended by the Board. Unencumbered appropriations lapse at year-end.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures of resources are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary control in the governmental fund. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities, because the commitments will be honored during the subsequent fiscal year. There were no reserves for encumbrances at June 30, 2010.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Long-Term Obligations**

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities. Initial-issue premiums as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. The difference between the reacquisition price and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Issuance costs are reported as deferred charges. Amortization of premiums and deferred amounts on refunding are included as interest expense, whereas the amortization of issuance costs are included as a general government expense. In the fund financial statements, governmental fund types recognize premiums and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Assets and Fund Equity**

In the government-wide financial statements, net assets are reported in two categories: restricted net assets and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the ITDC (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Investments**

Investments are reported at fair value which is determined using various methods. Short-term investments are reported at cost, which approximates fair value. Investments in government obligations are valued on over-the-counter bid quotations available at fiscal year-end. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of basic financial statements, and the related reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**D. Major Funds**

GASB Statement No. 34 requires that ITDC's major governmental type funds to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to or greater than ten percent of their fund-type total and five percent of the grand total of all fund types excluding finding.

ITDC reported the following major governmental fund in the accompanying financial statements:

**General Fund** - This fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is ITDC's operating fund.

**E. Governmental Fund Type**

The accounts of ITDC are organized into a fund (general fund), which is considered a separate accounting entity. The fund is a governmental fund type with the flow of current financial resources as the measurement focus. The expendable available financial resources and related current liabilities devoted to financing the general services that the ITDC performs for its members are included in the general fund. Cost reimbursements and other revenue used to finance the operations of ITDC are specific resources included in this fund. The fund is also charged with the costs of operating ITDC. It includes the resources allocated for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The ITDC's financial transactions are included in the County of San Diego (County) accounting system. The fund is identified in the County's accounting records as the ITDC fund. It is presented in the County's Comprehensive Annual Financial Report as an interest bearing trust fund with the fiduciary fund type to inform the reader of the relationship between the County and the ITDC's operations. The County's budgeting and accounting procedures are consistent with this presentation.

The General Fund, rather than a trust fund, is presented herein in accordance with accounting principles generally accepted in the United States of America appropriate for legally separate, economically independent, local governmental entity. The amounts presented in the ITDC's General Fund are directly reconcilable to the accounts maintained by the County.

**F. Financial Statement Elements**

**Cash and Investments** – Cash and investments are stated at fair value. Cash deposits are at carrying value, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value per share of the pool's underlying portfolio. The ITDC's cash is deposited into the County's Treasury. The County Treasury maintains a cash and investment pool that is available for use by all funds of the County, as well as the funds of other agencies for which the County Treasury is the depository. Interest earned on the pooled fund is allocated based on the average daily cash balances of the participating funds. Further disclosures regarding the County's cash and investment pool are included in the notes of the County's Comprehensive Annual Financial Report.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**F. Financial Statement Elements (Continued)**

*Interfund Receivables/Payables* – Short-term loan receivables and payables are reported as “due from other funds” and “due to other funds,” respectively.

*Capital Assets* – Capital assets, which include land, buildings, equipment, infrastructure, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by ITDC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

**G. New Accounting Pronouncements**

ITDC has implemented the requirements of GASB Statement No. 45, No. 51, No. 53, No. 57, and No. 58 during the fiscal year ended June 30, 2010. Implementation of the following GASB Statements had no impact on the ITDC’s financial statements for the fiscal year ended June 30, 2010:

GASB Statement No. 45 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

For the fiscal year ended June 30, 2010, ITDC implemented GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after December 15, 2008 for governments with total annual revenues of less than \$10 million. The Statement establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures, related liabilities and assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, ITDC implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. New Accounting Pronouncements (Continued)**

GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, ITDC implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple Employer Plans

For the fiscal year ended June 30, 2010, ITDC implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, ITDC implemented GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”. This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

**Note 2 – Cash and Investments**

Cash resources of ITDC are combined with the cash resources of the County to form a pool of cash that is managed by the County Treasurer. As provided for by the Government Code, the cash balance of substantially all County funds and certain entities are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. ITDC’s net share of the total pooled cash and investments is included in the accompanying statement of net assets under the caption “Cash and Investments”. Interest earned on investments is deposited to certain participating County funds and entities, including ITDC, based upon their average daily cash balance during the allocation month.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 2 – Cash and Investments (Continued)**

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments with County Treasury	\$ (126,458)
Cash in bank	58,808
	58,808
Total cash overdraft	\$ (67,650)
	(67,650)

Cash and investments as of June 30, 2010 consist of the following:

Cash and investments with County Treasury	\$ (126,458)
Cash in bank	58,808
	58,808
Total cash overdraft	\$ (67,650)
	(67,650)

Further disclosures regarding the County’s cash and investment pool including investment policy are included in the notes to the County’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

**County Investment Policy**

The County may transact business only with banks, savings and loans, and investment security dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the County Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the County’s own written investment policy. Within the context of these limitations, permissible investments include: (1) obligations of the U.S. government and federal agencies with a maximum maturity of five years, (2) commercial paper rated A-1 by Standard & Poor’s, P-1 by Moody’s Commercial Paper Record or F-1 by Fitch, (3) Bankers acceptances, (4) negotiable certificates of deposit issued by a nationally or state chartered bank or a state or federal savings and loan association, (5) repurchase and reverse repurchase agreements, (6) the local agency investment fund established by the State Treasurer, (7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation, (8) government agency mortgage securities with a maximum maturity of five years, (9) medium-term corporate notes of maximum of three years maturity issued by corporations operating as defined in Section 23701(m) of the Revenue and Taxation Code, and (10) non-negotiable time deposits collateralized in accordance with the California Government Code.

**Investments Authorized by the California Government Code**

The table below identifies the investment types that are authorized for ITDC by the California Government Code (or ITDC’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the ITDC’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 2 – Cash and Investments (Continued)**

**Investments Authorized by the California Government Code (Continued)**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Banker's Acceptances	180 days	40%	None
Commercial Paper - Select Agencies	270 days	25%	None
Commercial Paper - Other Agencies	270 days	40%	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20%	None
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds	N/A	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of ITDC's investments to market interest rate fluctuations is provided by the following table that shows the distribution of ITDC's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
County investment pool	\$ (126,458)	\$ (126,458)	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ (126,458)</u>	<u>\$ (126,458)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, ITDC's investment policy, or debt agreements, and the actual rating, as of fiscal year end, for each investment type.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 2 – Cash and Investments (Continued)**

**Disclosures Relating to Credit Risk (Continued)**

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
County investment pool	\$ (126,458)	N/A	\$ -	\$ -	\$ -	\$ -	\$ (126,458)
Total	<u>\$ (126,458)</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (126,458)</u>

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

ITDC’s investments include no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above) as of June 30, 2010.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and ITDC’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010 none of ITDC’s deposits with financial institutions were in excess of federal depository insurance limits.

**Note 3 – Accounts Receivable**

Accounts receivable consisted of contract receivables from various agencies.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 4 – Capital Assets**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 59,155	\$ -	\$ -	\$ 59,155
Total capital assets being depreciated	59,155			59,155
Less accumulated depreciation for:				
Furniture and equipment	59,155			59,155
Total accumulated depreciation	59,155			59,155
Total capital assets being depreciated, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 5 – Deferred Revenue**

As of June 30, 2010, ITDC had deferred revenue of \$481,965. The balance is the account relates to the revenue that has not been received after 60 days of the year end.

**Note 6 – Compensated Absences**

As of June 30, 2010, ITDC had an accrued vacation balance as of \$57,678.

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Compensated absences	<u>\$60,605</u>	<u>\$34,371</u>	<u>\$37,298</u>	<u>\$57,678</u>

**Note 7 – Defined Benefit Pension Plan**

A. Plan Description

ITDC contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**Note 7 – Defined Benefit Pension Plan (Continued)**

**B. Funding Policy**

Active participants are required to contribute 7% of their annual covered salary. Prior to February 1, 2010, ITDC made total contributions required of ITDC employees on their behalf and for their account. However, on February 1, 2010, ITDC elected to contribute 6% of the employees' required contribution instead of the total required contribution of 7%. The members were required to contribute the remaining 1%. This was retroactive to July, 2009.

The ITDC is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the fiscal year ended June 30, 2010 was 14.305%. Benefit provisions and contribution requirements of participants are established by State statute and the employer contribution rate is established and may be amended by PERS.

**C. Annual Pension Costs**

For 2009-2010, ITDC's annual pension cost was \$79,026. The \$79,026 contributed for the fiscal year ending June 30, 2010 was equal to 100% of the required contribution for that fiscal year. ITDC's annual pension costs for fiscal years ending June 30, 2010, 2009, and 2008 were \$79,026, \$94,994, and \$77,236, respectively, and equal 100% of the required contributions for each fiscal year.

**Note 8 – Stewardship, Compliance, and Accountability**

Excess of expenditures over appropriations in the general fund is as follows:

<u>Fund/Department</u>	<u>Expenditure</u>	<u>Appropriation</u>	<u>Excess</u>
General Fund:			
Services and supplies	\$ 3,113,943	\$ 2,973,254	\$ (140,689)

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHERN CALIFORNIA  
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2010**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 3,485,000	\$ 3,557,632	\$ 3,498,399	\$ (59,233)
Use of money and property	5,000	4,000	1,529	(2,471)
Total Revenues	<u>3,490,000</u>	<u>3,561,632</u>	<u>3,499,928</u>	<u>(61,704)</u>
<b>Expenditures</b>				
Current:				
Salaries and benefits	680,669	688,196	617,538	70,658
Services and supplies	2,798,417	2,973,254	3,113,943	(140,689)
Total Expenditures	<u>3,479,086</u>	<u>3,661,450</u>	<u>3,731,481</u>	<u>(70,031)</u>
Net Change in Fund Balance	10,914	(99,818)	(231,553)	(131,735)
Fund Balance, July 1, 2009	<u>704,561</u>	<u>704,561</u>	<u>704,561</u>	
Fund Balance, June 30, 2010	<u>\$ 715,475</u>	<u>\$ 604,743</u>	<u>\$ 473,008</u>	<u>\$ (131,735)</u>



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# MOSS, LEVY & HARTZHEIM LLP

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CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS:**  
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**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***

Board of Directors  
Southern California Intergovernmental Training  
and Development Center  
San Diego, California

We have audited the financial statements of the governmental activities and the major fund of Southern California Intergovernmental Training and Development Center (“ITDC”) as of and for the fiscal year ended June 30, 2010, which collectively comprise ITDC’s basic financial statements and have issued our report thereon dated December 23, 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 the ITDC’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ITDC’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ITDC’s internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern California Intergovernmental Training and Development Center'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 ITDC's Board of Directors, management, the County of San Diego, and the California State Controller's Office Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, California  
December 23, 2010